

CHAPTER THREE

DIFFICULTIES OF TEXTILE
INDUSTRY

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CHAPTER THREE

DIFFICULTIES OF TEXTILE INDUSTRY

INTRODUCTION :

The textile industry is one of the oldest and most firmly established major industries. At the end of March 1991 there were 1062 mills in the country (781 spinning mills and 281 composite mills) with 27 million spindles and 1.8 lakhas looms. The industry provided direct employment to 11.5 lakh workers accounting for 18% of all factory labour in the country.

But, in the past, cotton mill industry suffered from incompetent and selfish managing agents and directors who were more interested in their own profits. They did not sufficient interest in accumulating financial reserves or in proper maintenance of machinery and modernisation. If management of textile units had been defective, the role of trade unions in the industry has not been helpful either to the growth of the industry . But the two most important factors which have spelt disaster to the

industry in the last three decades are governments textile policy and growth of the powerloom sector. The result was that many cotton mills became inefficient and uneconomic -one third of the cotton mills became sick and were closed down. The total number of mills closed at the end of Nov,1992 declined to 121.

Following are the major causes of textile industry :-

1) Govt.controls and heavy excise duties :

The cotton textile industry has suffered badly due to wrong and often confused policies of the government. In the past government has sought control of prices, distribution of yarn,pattern of production etc. Under the yarn distribution scheme of 1972, the Government made it obligatory on all mills to supply 50 per cent of the production of yarn to the decentralised sector at reduced rates. The duty imposed on important cotton was quite high and it not only made import of cotton quite expensive but exercised an upward pressure. The excise

duties on different varieties of cotton cloth are quite heavy and besides , they are discriminatory.

A serious problem of the mill sector relates to production of controlled cloth . The industry vainly protested that it was losing at the rate of 80 paisa per sq. metre on the production of controlled cloth. The Govt. has proposed to gradually transfer the responsibility of the entire controlled (Janata) cloth to the handloom sector and thus relieve the NTC of the burden of producing people's cloth by the end of the Seventh Plan (i.e. 1989-90).

2) Problem of raw materials :

The industry faces the problem of building up a regular supply of its raw material-cotton in adequate quantities. The latter constitutes the largest single element in the cost of yarn and cloth production. Uncertainties in the raw material market and in particular, fluctuations in the prices of raw cotton are two major causes of sickness and consequently closure in the textile industry.

3) Problem of Power :

The textile industry in our country has suffered badly for want of adequate and unfailing supply of power. Frequent power cut-off and load shedding have affected the industry badly. The inadequacy of coal supplies has also affected the progress of the industry, particularly in western and southern India. Load shedding is one of the serious problems of the industry.

4) Obsolete machinery and need for modernisation :

The mill sector has been working with obsolete machinery. According to one estimate, over 80 per cent of the machinery in the cotton textile mills is old and would be scrapped. The problem of replacement of obsolete machinery and modernization have become really acute since the Indian mill industry has to compete with countries like Taiwan, Hongkong, South Korea, etc all of which are using the latest sophisticated machinery. The industry, however, has no resources for the huge task replacement and modernization.

5) High cost and competition in foreign markets :

The Indian cotton textile industry has been facing increasing competition in world markets . This is largely due to low productivity and high cost and consequently high prices of Indian cotton textiles. In this context it may be noted that whereas wages and salaries account for only 16 per cent of the total production cost, raw cotton accounts for 35 per cent and process materials 20 percent of production costs. The industry badly needs replacement and modernization.

While Indias major competitors like Taiwan and South Korea are using the latest machinery, Indian textile industry is saddled with obsolete machinery. Modernization and rationalization would lead to some underemployment and this would be resisted by the trade unions. But without modernization and rationalization the industry cannot improve the quality of its products and also offer them at competitive rates.

6) Competition from the decentralised sector:-

An important factor for the growing sickness of the mill sector is the growth of the decentralized

sector. Being a small scale sector, the Government allowed excise concessions and other privileges, such exemption from the production of controlled cloth. the workers in the powerloom sector were either not organised or organised loosely, so that the level of wages in this sector was much lower than that in the mill sector.

Conclusion :

The cotton mill industry exhibits peculiar characteristics -some units like Reliance Textiles Mafatlals are doing extremely well, while many other facing miserably.

The cotton textile industry is thus facing both short-term and long-term problems. The short-term problems of the industry are high prices and shortage of raw-materials, liquidity problems due to poor sales and large accumulation of stocks as a result of poor demand. The long-term problems of the industry are slow pace of modernization of age old plans and machinery, outdated technology resulting in low productivity ,high cost of production, low profitability and increasing sickness.

GOVERNMENT ROLE FOR TEXTILE INDUSTRY

INTRODUCTION :

On account of the various reasons we have mentioned above, many cotton mills became sick and closed down. At one time, nearly one third of the mills were closed down, throwing thousands of workers out of employment. Trade unions and political parties brought pressure on the government to take over sick mills. The Government set up the National Textile Corporation (NTC) to run these sick mills. The government has been pumping in money to rehabilitate and modernise these mills.

The role of government for textile industry can be known by following establishment of

TEXTILE POLICY :-

A] NEW TEXTILE POLICY :

In June 1985, the government of India announced the new textile policy with the basic objectives to increase the production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of a

growing population . The next textile policy proposed a restructured framework having the following three dimensions :-

- a) The industry should be viewed in terms of stages of its manufacturing process, namely spinning, weaving and processing.
- b) The industry should be provided with fuller flexibility in the use of various fibres, and
- c) The industry should be subjected to more pragmatic policies regarding creation or concentration of capacities by units in order to increase competition and promote healthy growth in industry.

AN ASSESSMENT OF THE NEW TEXTILE POLICY :-

There was a mixed reaction to the new textile policy. Mr. KANTI KUMAR PODAR, President , INDIAN COTTON MILLS FEDERATION described the policy as "Progressive, pragmatic and futuristic". Similarly, Mr PRATAP BHOGWAL, President of the INDIAN MERCHANTS CHAMBER

viewed it as administering oxygen to the industry.

The critics of the policy, however, regarded the new textile policy as a total surrender to big business. They believed that many of the benefits anticipated to flow from new concessions would be materialise :-

- i) Firstly, the government believed that as a result of the reduction in fiscal levies on synthetic and blended fabrics, there would be substance encouragement to production to meet the people requirement of cloth and the price of cloth would be lowered.
- ii) Secondly, the powerloom sector was likely to be seriously hit with the new textile policy particularly the replacement of the traditional vertical productive sectors such as handloom, powerloom and composite mills with the new horizontal sectors-spinning, weaving and processing and placement of unorganized in the same category of the organized mill sector.

i-i) Thirdly, the responsibility of the production of entire controlled cloth was transferred to the handloom sector. The organised mill sector was really happy that it was absolved of its responsibility of production of controlled cloth.

iv) Fourthly, the government pleaded for the closure of non-viable sick textile units but asserted that the "interests of workers would be fully protected".

To sum up, the New Textile Policy accepted all the demands of millowners in the name of modernization, upgradation of technology and rationalization of labour in sick units.

The aim of the new textile policy of 1985 was to develop the three sectors of the industry viz. mills, powerlooms and the handlooms.

The ultimate "grand" objective was to enable industry to increase production of cloth of good quality at reasonable prices for the vast population of the country and for export purposes. In spite of the various criticisms, the New Textile policy did succeed to a

large extent in increasing the production and exports of cotton and synthetics.

GOVERNMENT POLICY MEASURES :

The government has adopted several policy measures to improve the health of the textile industry :

a) The Textile Modernization Fund :-

The Textile Modernization fund set up in 1986 with a corpus of RS.750 crores has received an overwhelming response from the mills. Till the end of september 1992, financial institutions had sanctioned loans amounting to nearly Rs.1370 crores for 357 cases.

b) Turnaround strategy :-

The government has evolved a turnaround strategy for the sick mills of NTC which include, providing working capital finance to tide over the liquidity problems, capacity modernisation and shedding of surplus labour through a voluntary retirement scheme. The government has established recently the National Renewal Fund [NRF] to handle the voluntary retirement scheme.

c) Other programmes relate to the technological up-gradation

of ginning and pressing operations, upgradation of capacities in the decentralised powerloom sector etc.

d] Under the New Industrial Policy, the textile industry was among the money industries de-licenced in August 1991. Under the New Policy, no prior approval of the government is required to set up textile units including powerlooms.

Conclusion :

All these policy measures will encourage upgradation of capacities and higher export orientation to the industry.