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**MEMORANDUM**  
**TO**  
**THE EXPERT COMMITTEE**  
**ON**  
**TEXTILE INDUSTRY**  
(Set up by the Govt. of India)

22



April 1985

### *PUBLISHER'S NOTE*

This Memorandum was prepared in response to the questionnaire issued by the Expert Committee appointed by the Govt of India's, (Ministry of Commerce), late in the year 1984. Subsequently the Committee invited AITUC and AITWF to state their views on issues covered by the terms of reference of the Committee which formed the basis for the questionnaire. Accordingly representatives of the AITUC and the AITWF appeared before the Committee on the 4th March, 1985, and besides submitting this memorandum, orally elaborated their views on the basic issues dealt with therein. Comrades Parvathi Krishnan and T. N. Sidhanta represented AITUC while AITWF was represented by Comrades B. D. Joshi and D. L. Sachdev.

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MEMORANDUM PRESENTED TO THE EXPERT  
COMMITTEE ON TEXTILE INDUSTRY SET UP BY  
THE GOVT OF INDIA, ON BEHALF OF  
THE AIUC/AITWF

The AIUC/All-India Textile Workers Federation representing over 100 Textile Workers Unions functioning in different parts of the country, views the setting up of the Committee with feelings of cautious satisfaction mixed with some degree of disquiet or misgivings. No doubt a welcome aspect of Govt. action in the instance is that perhaps for the first time indications however faint, are discernible in the terms of reference set for the Committee reflecting an integrated approach towards the functioning and development of the entire Textile system, or mega-system with a view to enabling it to set its disorderly house in order in the wider interests of national economy. What is however not understood, and hence not appreciated, is the fact that the Government is still not prepared to give thought to the growing volume of public opinion on this vital matter and take the courage of squarely posing the basic question whether the ownership structure and corporate parameters within which the Textile system in particular its pivotal subsystem the organised industry has so long been functioning are no longer compatible with either its own interests or with those of the national economy and the people at large. It is rather intriguing as to why this most crucial aspect which goes to the root of the issues forming the subject matter of the enquiry has been ignored despite the fact that it has been a subject matter of debate on a national scale answered through demand for curbing the production of the Textile mill industry by almost all sections of the Trade Union movement besides many political social and even academic organisations and institutions.

We may particularly mention that all the major Trade Union Centres and organisations of Textile workers have

already adopted resolutions in their national Conferences demanding outright nationalisation of the Textile mill industry as a pre-requisite for evolving and implementing a Textile policy in the best interests of the nation. Among these organisations could be cited the INTUC, the AITUC, CITU & HMS besides the Indian National Textile Workers' Federation and the All-India Textile Workers' Federation.

However, for the present we would prefer to persuade ourselves to take an optimistic view of the matter in view of the repeated pronouncements made by the Prime Minister, Shri Rajiv Gandhi, in recent months promising a meaningful Textile policy.

### *The Industry*

Any attempt at correctly understanding and analysing the genesis, the primary as well as secondary factors underlying and leading to the present deplorable state of affairs in which the entire Textile system finds itself, must in our opinion begin with a general description of essential features or contours of the system. This must necessarily be followed by some sort of a probe into its working, and the role played by its constituent sub-systems, in particular its leading constituent, the organised (mill) industry, in discharging the social and economic functions expected of a national industry engaged in producing an item fulfilling a basic need of the people, next only to food.

India has been known from time immemorial for wide range and exquisite quality of its textile products produced on handlooms. The consummate skill of its artisans, master-weavers, had been the envy of even the most advanced textile industries in developed countries, like that of Manchester in England, even as late as the beginning of the 19<sup>th</sup> century, the dawn of British imperialist rule in India. The handloom industry still occupies dominant position among handicrafts in terms both of employment and scale and value of output.

It was in the later part of the 19<sup>th</sup> century that comprehending the future of this essential industry in our country under the impact of the industrial revolution in the West, enterprising individuals and newly formed companies,

including a few foreign-groups, laid the foundations of organised Textile mill Industry in India. Dismally cheap cost of labour and plentiful supply of raw-material at doorstep at dust-cheap prices, coupled with a vast domestic market, enabled the industry to grow rapidly.

In course of time the growing momentum of the national independence movement, with "Swadeshi" as one of its main slogans, imparted a tremendous boost to the entire Textile industry. Cloth manufactured in India including the products of the young mill industry, assumed the shape of a mighty economic weapon in the struggle against the British rule. The nation spared no sacrifice to nurture the industry through boycott of foreign-made cloth, willingly going in for the products of indigenous industry even by paying prices much higher than those at which foreign-made fabrics were available.

The two world wars with their accompanying scarcity conditions, further enabled the mill-industry to make fantastic profits and pay dividends to the limited circle of its share-holders at fabulous rates, besides disbursing huge amounts as commissions, etc to the so-called Managing Agents. It also managed to pile up huge reserves under various heads, though they were in course of time either utilised for distributing bounties to the shareholders in the shape of 'Bonus shares', or diverted or siphoned away to setting up new ventures promising easy, rapid and high rate of return.

It does not, perhaps, require much effort to prove that these results were obtained by the industry mainly by mercilessly fleecing the consuming public and exploiting labour ruthlessly. One could not do better than reproducing extracts from a booklet authored by Shri Khandu Bhai Desai, prominent trade union leader of Ahmedabad T.L.A., INTUC, who later became a cabinet minister in the Central Govt. and who, because of his wide experience, was considered an authority on Textile industry at that time (i.e. 1947). Writes Shri Desai:

"The entire textile industry of the country has today an investment of about 50 crores of rupees in the form of paid

up capital, and this is the only risk the shareholders have taken. It is to be noted that the bulk of this paid-up capital belongs to about 150 Managing Agents' firms in the country, and thus it is only these 150 textile magnates who control, possess, and exploit this vast industry in the country in their own personal interests without any regard to the well-being of the millions of this country who are the consumers of the products of the Industry.

"However, those in close touch with the industry are able to see that as a result of very wide margin of profits which the manufacturers have, in collusion with the Government, decided for themselves, has made them negligent, inefficient and indolent. The manufacturers have, during the war-period of seven years, neglected the working of the industry on an efficient basis as the margin was so huge that any inefficiency or bad working of the industry did not hit them adversely to an appropriate extent."

Furnishing estimates of the fabulous profits of the seven war years (1940-46) and of the years immediately preceding (1938-39), Shri Desai comments as follows:

*"The industry now, in equity, morality and even, on economic grounds belongs to the nation which was forced to pay much more than the total value of these 420 mills, which in fairness, should now be transferred to the state without any compensation..... the profits discussed and analysed in the course of the statement are the balance-sheet profits. It should not be forgotten that nearly all the mills during the last seven years, have built up reserves in stocks of cloth, cotton and stores which are kept out of the public eye. The illegitimate and secret gains made by the Managing agents, their friends and associates in the purchase of materials, stores, etc. and on the sale of products are in addition to what has been mentioned above and these illgotten gains, if calculated would easily run into several crores which remain unaccounted, and will ever remain so....."* (emphasis ours)

Analysis of the working results on the basis of published balance-sheets of the Textile mill industry, undertaken by Shri Desai in the abovementioned booklet, disclosed that

during the 7 war years (1940-46) together with two years preceding the war (i.e. 1938 & 1939), it made gross profits to the tune of Rs. 372 crores and paid Rs. 40 crores as commission to managing agents, on a paid-up capital of less than Rs. 50 crores. It needs to be added, as Shri Desai himself has done in the later part of the booklet, that all these years when the industry was frenziedly harvesting super-profits on the strength of 'a sellers' market', no *wage-increase, or concession of any description, was given to the workers. They had to wage nationwide struggles to obtain even subsistence wages in the course of the years following the end of the war.*

The industry, particularly the mill-industry continued its profit-hunting spree uninterruptedly for more than a decade after the close of the war. Whenever it encountered the slightest obstacle in the way of maintaining its fantastic rate of profits to which it had got accustomed during the war years, it resorted to blackmail and was favoured by our Government with various protective measures, including rebates, subsidies, loans and last but not the least anti-labour legislation.

Financed, nurtured, patronised and almost fully protected by the entire nation over 100 years of its existence today the Indian Textile mill industry occupies first place in the world on the basis of spindlage, second on the basis of consumption of cotton and third on the basis of capacity for production of yarn and fabrics. In terms of its assets, employed capital, sales and turnover, profits and employment-potential, it occupies near-top position within the industrial domain of our country. Notwithstanding the disappearance of some of the factors which provided unlimited opportunities to the owners of the mill industry to indulge in profit hunting, over 40 companies with textiles as their main or major product, still rank among the top industrial giants of the corporate private sector in the country. According to a special survey carried out at the end of 1981 by the financial journal "Business Standard" the total assets and net sales of these textile giants varied between Rs. 2211.00 lakhs and Rs. 1132.00 lakhs respectively.

tively to Rs. 20813.00 lakhs and 28025.00 lakhs respectively. Among the owners of these giants are included the houses of Birlas, Tatas, Modis, Thapars, Mafatlals, D.C.M., Sarabhais, Lalbhais, etc. etc.

*Organisational and technical features of the textile system:*

Due to failure on the part of the Government to formulate any coherent or tangible national Textile policy, coupled with the absence of any effective planning, control or regulation of operations of its various sub-sectors, the Textile manufacturing system to-day presents a complex phenomena. These complexities arise out of vast variations in size of manufacturing units, their age, range of operations and varieties of product, varied technical systems from handicrafts to high degrees of automation; varied forms of organisational structure and ownership, etc.

The main organisational forms constituting the Textile manufacturing system could be classified as follows:

(1) cottage/artisan; (2) cooperative; (3) non-corporate proprietary/partnership; (4) corporate private sector, and (5) corporate public sector.

Within these organisational forms productive or manufacturing activity is carried on with different techniques. The technical systems employed take six broad forms:

(i) Hand-spinning (ii) hand-weaving (iii) hand-processing, (iv) power spinning (v) power-weaving (vi) power processing.

As estimated by well-known Textile research organisations, the capacity, employment and output of the entire Textile system taking together all the above forms of organisation and technique work out to:

	<i>Spinning</i>	<i>Weaving</i>	<i>Processing</i>	<i>Total</i>
Capacity	225.20 lakh spindles	31.20 lakh looms	N.A.	—
Employment	10.54 lakh	117.70 lakh	7.69 lakh	135.93 lakh
Estimated output	1050.00 mill kg.	10874.00 mill. mts.	N.A.	—

(Note: The above figures relate to the year 1980)

### *Relationship with the rest of the economy*

Besides the inter-sectoral links within the Textile system itself i.e. among the organised mill industry and unorganised hand-spinning, hand-weaving and hand-processing, the performance of which directly depends the livelihood of about 13.60 million workers and artisans, the Textile industry portrays complex inter-relationship with the rest of national economy. For example in the 89-input-output table of the 6th Plan (1979-80 to 1984-85), the cotton textile sector is shown to receive inputs from 45 sectors. This constitutes one half of the Indian economy. On the output side the products and by-products of the industry are delivered to 35 sectors of the economy. These sectors include, besides its immediate 'subsidiary' and/or auxiliary sub-sectors like garments, hosiery, knitting, major sectors of the economy like engineering, chemicals, automobiles, aviation, railways, building, fishing, shipping, electronics, shoe manufacturing, astronautics, and last but not the least, agriculture. It could be stated appropriately that the fortunes of the Textile system in general and the organised Textile sector in particular, determine the development of the national economy to an appreciable extent.

### *Performance of the industry in relation to national tasks*

It is by now an established fact that the industry, in particular its organised (mill) sector, has for quite sometime been persistently found defaulting in performance of its primary duty to the people, notwithstanding the tremendous allround support that the entire nation, including the Government of independent India, has all along been giving it. This could be illustrated with reference to its productive activity in the course of the last decade.

As against the 5th Plan target of 1150 million Kgs of cotton yarn per annum, the actual achievement of the industry was only 1052 mill. kg. p.a. at the end of the plan period-1980. The actual production of cloth (of different fibres) fell short of the Plan-target of 11950 mill. meters by about 1100 million meters—the actual achievement being

10873 mill. mts at the end of the year 1980. The mill-industry has been the main defaulter in both the cases. While the target for cotton cloth fixed at 4,700 million metres was fully achieved by the unorganised sectors (hand & power looms) by producing 4,800 million meters, the mill industry fell short of its targetted production of 4,800 million metres by over 1300 mill. meters—the actual achievement being only 3,476 million meters.

Performance during the first two years of the 6th Plan showed further deterioration. Production of cloth fell behind by nearly 3000 million meters, the actual achievement being 10454 mill. meters as against the target of 13,300 million meters. Again the organised sector of the industry was mainly responsible for the shortfall. Its contribution fell by as much as about 1900 mill. meters as against the shortfall of nearly 1000 mill. meters in the targetted production of the unorganised sector. (These figures are based on the NDC Plan and Plan-appraisal documents)

As a consequence, the *per capita* availability of cloth in the country has naturally been constantly declining over the years. From 15.90 meters in 1961, it declined to 14.44 in 1975 and dwindled further to only 13.50 meters in 1982. (These calculations are based on production figures given in ICMF handbook and on projections of population by Registrar General of India)

#### *Gross under-utilisation of capacity.*

This serious shortfall is of course a direct outcome of colossal under-utilization of the installed capacity under various pretexts, with which we shall be dealing later. Here we would only state that even according to official statistics available in the publications of the Textile Commissioner (Ministry of Commerce) that the extent of under-utilisation had even before the Bombay strike fallen to the astounding level of over 30% in spinning and over 38% in weaving in the organised sector.

It would be pertinent here to mention that till only a few years back the barons of the organised industry had been

clamouring against freeze on expansion of weaving capacity. Representatives of the industry had been over-eager signatories to the norms of clothing for average worker laid down in the need-based wage resolution of the 15th/16th Tripartite Indian Labour Conference. The Conference put the minimum per capita cloth requirement at 18 yards (16.50 meters). In fact the industry was willing to scale the norm up. Yet the same industry is being found producing 18% less than its own estimates of what it was capable of producing 3 decades back!

### *Employment*

No authentic figures of employment in different sub-systems of the Textiles system are available for different years in the past. Added up the employment in all the sub-sectors comes to roughly over 13 million as already estimated. Out of this the unorganised sector accounts for as much as about 12 million, leaving the organised sector with about a million. However with the mounting scale of lock-outs, closures-covert retrenchment under the umbrella of rationalisation and persistent decline in capacity-utilization on various pretexts, actual daily employment in the mill sector has been coming down. It has been estimated that in the course of the last 3-4 years nearly 2 lakh workers in the mill industry have been rendered idle due to the afore-mentioned reasons. Moreover, as the All-India Textile Workers' Federation has aptly stated through the resolution of its Central Executive (dated 7-8 August, 1984), "The manipulated phenomenon of deep, all pervasive "sickness" in the Textile mill industry, as reflected in these closures, lock outs, etc. have embroiled in it not only allied decentralised sector of the industry, including the handlooms, but also to a not inconsiderable extent sizeable sections of other industries like Textile machinery auxiliaries and accessories, dyes and bleaching processing, chemicals, etc."

### *Exports*

While the export of products of unorganised sector including hand and power-loom and cotton made-ups has been

registering a steady increase in terms of both quantity and value, exports of mill made cloth as well as yarn have been precipitately on the decline so far as quantity is concerned. It is interesting to note, however, that while exports of mill cloth declined from 630.98 million meters in 1973 to as low a level as 199.16 mill. mets., there was marginal increase in the quantum of exchange earnings from Rs. 137.50 crores to Rs. 137.56 crores. *This obviously means that realisation per meter during the period in question has registered a phenomenal increase from Rs. 2.15 per meter to about Rs. 6.90 per meter—an increase by over 200 per cent.*

### *Wages & Working Conditions of Workers*

The textile mill-industry which in the early years of independence, was considered a high-wage sector among other industries and services, to-day finds itself almost at the lowest rung of the ladder in respect of remuneration. In majority of centres of the industry the total wages of a mill-worker including dearness allowance hardly add upto Rs. 700/- or so per month. This amount is admittedly far below that being currently received by workers in other organised industries like engineering, steel, coal, chemicals and fertilizers, cement, petroleum and all Government, semi Government and private services, including distributive trades and commercial institutions.

The premier, biggest and oldest organised industry in the country has never been able to assure even a need-based minimum wage to its employees. The notoriously low level of wages in the organised industry, naturally, has an unfavourable impact on the level of remuneration in the unorganised sector of the industry. It is no secret that wages in the hand and powerloom sectors vary between Rs. 100/- to Rs. 300/- per month in different parts of the country. According to 1978-79 estimates, cited in research papers of ATIRA, a power loom worker earned Rs. 7/- per shift of 12 hours. The ATIRA study further discloses that even "if power-loom fabrics are to be levied with excise at mill rates, they will still continue to compete with mill fabrics owing to exceptionally low wage cost."

As regards working conditions we shall refer to the same at a later stage in a different context.

### *Industry's Conduct Vis-a-Vis the Consumer*

An analysis of prices paid by the consumer for Textiles in the course of the last few years casts ugly shadow on the conduct of the industry and exposes its totally unethical conduct towards the common man. The analysis, based on relevant data presented in the ICMF Handbook of statistics, discloses that on an average realisation per meter by the industry from home-market increased by almost 52% between 1978 to 1980. This represents an annual increase by about 17% in the prices charged from the consumer. In the case of households falling in income group below Rs. 1500/- per annum, for example, a 2% reduction in quantity of consumption has been accompanied by an increase of nearly 45% in prices paid on such reduced consumption. In the case of income group from Rs. 1500 to R. 2,999/- a reduction in quantity of consumption by about 14% has been accompanied by an increase of 20% in prices charged. In case of income bracket of Rs. 3000/- to 5999/- p.a., increase in prices charged went up by over 11% for 14% reduction in quantity. The overall picture taking all household income-groups together is that of 8% decline in consumption against 41% increase in the price paid for the reduced quantum of consumption.

It is in the above background that the long, almost uninterrupted chain of serious lapses on the part of the industry, in the main the organised industry, have to be viewed and analysed, and its claims for any further concessions at the expense of the worker, the consumer and the national exchequer disposed of. It is also in this background that firm, effective and long term remedial measures have to be devised and applied on the basis of a clear, unambiguous and coherent national policy on Textiles which has to be evolved and implemented with all the urgency and seriousness on the part of the Government.

### *The Nature of "sickness" or disorder afflicting the Industry*

The mill Industry, which holds leading position in the

Textile system of the country, has throughout the last two decades, been keeping up the chorus of "sickness" as being the root-cause of all its serious lapses and short-comings. The nation's premier industry, influencing the fortunes of a major segment of the country's industrial set-up and having a significant weightage in the gross national product, has all along these years not been known to enjoy the 'health' expected of an industry catering to the basic needs of a fast growing population in a developing economy with a completely sheltered market. And this despite repeated heavy doses of restoratives in the shape of subsidies, tax-exemptions, incentives and all manner of loans, rebates, duty-exemptions, etc etc. Each dose of concessions has only been leading to a louder clamour for more concessions and still greater decline in its performance. And now we have been made to land in a situation where closures, partial closures and lock-outs and planned curtailment of production leaves the nation no alternative other than applying, drastic remedies to cure the drastic 'malady', which in *essence is self-engineered disorder* in the Textile system. Many of the top monopoly houses of the country, having direct interest in the Textile mill industry are behind this sordid, never-ending game of blackmail in pursuit of ever more profits.

It would be pertinent to draw pointed attention to the failure of the Government under the pressure of the monopolies to pursue and realise the basic aims and objectives underlying the setting up of the National Textile Corporation. As very correctly recorded in its report by the Study-group on NTC, appointed by the Govt. of India, the major considerations prompting the setting up of the NTC, were that it was intended to be developed to (i) occupy a dominant role in the industry, (ii) play the role of consultant to the Government, (iii) assist the Government of India in monitoring the state of health of the textile industry in general so that preventive steps to avoid sickness are taken in time. It should play an effective role in disciplining the textile industry as a whole and save it from violent fluctuations in prices of raw materials and finished goods.

It is a pity that total lack of will and perspective on the

part of the Government of India accompanied by a bureaucratic administration dancing to the tune called by powerful Textile monopolies, managed almost to reverse these roles to the advantage of the latter, sabotaging the entire working of the nationalised sector itself in the bargain.

*In the circumstances total nationalisation of the Textile mill-industry, under a clearly-formulated, purposeful textile policy subserving best interests of the nation, is the only remedy left to put the entire Textile system on the rails. This was also the unanimous opinion of the Study Group on National Textile Corporation (p. 45, para 517 of the Report of the Study Group)*

### *Factors to be considered in framing a Textile policy*

Even while framing a textile policy based on total nationalisation of the mill sector of the textile industry, various techno-economic as well as socio-economic factors have to be taken into account. In so doing many of the fictitious, erroneous, misconceived, misleading, and mis-intended claims, perspectives and remedies, so vociferously advocated by the private mill-sector all these years have to be exposed in order to pave the way for evolving a correct strategy in relation to the further development of this essential national industry.

#### *1. Economic viability of the Industry*

In an earlier part of this memorandum we have already described in some detail the fabulous fortunes which the private mill industry made in the years before, during and after the 2nd world war. It was only during the later part of the sixties that the unrestrained profit hunting spree of the textile monopolies started receiving a deceleration due to various factors mainly arising from mismanagement, unethical and anti-social policies and practices of the private mill industry, besides cyclical economic crises which hit the industry all over the capitalist world. That the industry as such, or most of its units have suffered any substantial setback in respect of economic viability, stands disproved by various research studies including that of the Reserve Bank

of India itself. For example a RBI analysis of published balance-sheets of 245 cotton mills reveals the following picture of the affairs of a major cross-section of the mill industry. (For the year 1978-79)

(in Crores of Rs.)

Original paid-up capital	Bonus capital	Reserves	Profit-before tax including managerial remunerations	Profits after tax (including M.R.)	Dividends & M.R.
113.02	103.67	175.93	121.32	81.08	25.71

Thus it is evident that economic viability even if it is to be conceived in the extremely narrow sense of uniformly high rates of return (as the private mill industry persists in its thinking) still remains unimpaired. Figures in the above table reveal that the net profits in one year are about  $\frac{1}{4}$  of the original investment. Bonus capital and reserves are in essence profits of past years accumulated after paying high dividends to shareholders. The actual distributed profits for the year are nearly  $\frac{1}{4}$  of the original paid-up capital. These profits are naturally exclusive of amounts secretly siphoned away—a practice widely prevalent in the private mill industry.

That the private mill industry has been diverting a huge portion of funds belonging to the textile mills under various guises, is by now an established fact. Commenting on this aspect of the matter, the Times of India (issue dated 2.9.82) in its write-up says: "The millowners' argument that it was impossible for them to plough back profits since the latter were too low is specious. For one low profitability has been a feature of the textile industry throughout the world... Thus even in good years in the cycle of fluctuations, the industry has typically ploughed back much less than it could. A statistical analysis covering 30 most profitable mills shows that their plough-back rates are among the lowest in Indian industry, while the ratio of dividends to post-tax profits is 18% higher than the average for the biggest 280 companies studied"... Even

the report of the World Bank team which carried out a study of the Indian textile industry in 1975 was compelled to observe "a significant part of the industry's profits have been diverted to other industries."

The 'Capital' in its edition November-Dec. 1983, had felt compelled to condemn the anti-people and criminally unethical conduct of the private mill industry in the following words:

'... But one factor that not only dominates all others, but is also common to most of the sick units in the cotton mill industry, is unscrupulous, anti-social, management policies and practices responsible for siphoning away funds by adopting various dubious and illegitimate means, including inflated costs, discounts, commissions, etc.'" Stating that such corrupt practices are by now fully institutionalised and difficult to prove under the present law, the Journal goes on: "It is common knowledge that many mill-managements make more money from the purchase of cotton and other materials, stores, etc., than from the sale of finished products. All this has tended to push up costs and undermine profitability."

Surely the 'The Times of India', the 'Capital' and the World Bank cannot be accused of having abandoned the interests of the class which they belong and owe their loyalty to!

Enlightened sections of the employer class or industry have also started recognising the fact that the line of thinking and reasoning adopted by the majority of members of their clan may in practice produce results very opposite to what they seek to achieve. We may in this connection reproduce an abstract from the proceedings of ATIRA seminar on "Challenge of sickness in the Indian Textile Industry", March 1983. This has been treated as a major observation by the Association. The sum-up of the proceedings states. "In a mass consumption industry such as cotton Textiles, operating in a poor country, it is unreasonable to expect high profits. In this context the levels of gross-profit/sales appear to be satisfactory in most of the years of the last two decades. Growth rates in de

mand, even at constant prices appear reasonably good for a traditional industry such as this. States of health must therefore be sought from conditions of long term stability with low profit margins, rather than from flashes...any policy based solely on considerations of leniency would be damaging to the economy as a whole." It goes on: "The industry lays the blame at the door of unstable cotton prices. It is true that in the past cotton prices have fluctuated drastically. However, while cloth prices move upwards in step with cotton prices, *they do not move downwards as cotton prices fall*. It is also observed that the gains from price parity advantages in favour of cloth are neither ploughed back in appropriate measure, nor passed on to the consumer." (*Underlining ours*).

In view of the aforementioned facts and observations the impression created by the influential textile lobby regarding loss of economic viability of the organised sector would be found totally misleading. The fact is that in its assessment of 'health' and effectiveness, the only yardstick that the leading sections of the private mill industry persist in employing is *maximisation of profit in the market-place*. The economic premise on which such yardstick rests is totally incompatible with the fulfilment of some of the primary, fundamental, objectives and obligations which in a society like ours can be ignored at the peril of the very stability of the national economy. *Criteria of satisfactory performance of Textile industry must include fulfilment of such major objectives as satisfying basic clothing needs of the mass of the people, employment and income generation, development of unorganised sectors of the industry, self sufficiency in technology through development of R & D., development of managerial and technical skill besides assisting in removal of regional imbalances, etc.*

Manifestly it is far too much to expect that the profit-hungry monopolies dominating the textile mill industry can ever be expected to abandon their philosophy.

### *Modernisation and Fibre Policy :*

Having created a widespread scare regarding loss of co-

conomic viability of the mill industry and having succeeded in league with powerful pro-employer lobby within the higher echelons of bureaucracy in misleading the entire Government on this score, the textile bosses have now compelled the Government to seriously entertain their own strategy for 'restoring viability' to the industry. The strategy powerfully advocated is 'modernisation on war footing' interlinked, unavoidably, with measures to introduce radical product-mix changes towards synthetics. Since no scheme of 'modernisation' of their concept with corresponding product-mix changes towards synthetics can be planned and executed without securing the orientation of national, industrial and textile policies in favour of this grand strategy, the Government has been coming under increasing pressure from the textile monopolies to bow to their wishes.

*The working class stoutly opposes any surrender on the part of the Government on these vital issues as the outcome of such surrender is sure to spell misery and ruin for tens of million workers in the Textile and allied industries and in agriculture. It would in fact also ultimately result in a disaster for this essential national industry itself.*

The words 'modern' and 'obsolete' in relation to productive equipment are relative like any other category or categories. These have rationally to be related to techno-economic and socio-economic conditions prevailing in a particular society at a particular stage of its industrial, social and economic development.

'Modern' in the context of totality of the situation in our country does not necessarily mean the most recently or recently developed. Similarly the word 'obsolete' does not in our conditions necessarily imply that the productive-capability of the technology incorporated in a particular item of machinery has got exhausted. As aptly observed by a highly qualified participant in an ATIRA sponsored seminar in May, 1984. "Technology is only a tool not the end and the tool should be such as would best do the job to be done... The crucial question is what is the job to be done? When we find a clear and unambiguous answer to this question, then and only then we can try to tackle the next

crucial question; What technology or mix of technologies will enable us to do the job best?" (B. Tulpule in his paper on "Modernisation of Textile Industry")

There is unanimous opinion on the proposition that the foremost task which underlies the very raison-d'etre of the textile industry is to clothe the teeming millions of the country. In contrast to the vast size of the home market, the mass of people constituting it have a notoriously low purchasing power. To sell in this market, prices of cloth, and of textile products in general, must be as low as possible.

The results or objectives to be achieved by vitalising the industry through a nationally accepted as also practicable strategy could be summarised in order of priority as follows:

- I. Production of cloth of good quality in quantities sufficient to clothe the mass of our underclothed people at prices they can at the present level of their low incomes, afford.
- II. Production of adequate quantities of yarn of desired variety/counts at minimum possible rates to meet the full requirements of the unorganised sector, in particular of the 10 million handloom weavers.
- III. To sustain and further raise levels of employment in the entire Textile system of the country along with its allied industries;
- IV. To ensure to the Textile workers a decent or living wage along with steady, allround improvement in working and living conditions, and to make due contribution to the national effort to generate income.
- V. To create manufacturing capacity on a selective basis for exporting appropriate quantities and qualities of textile products on nationally beneficial terms.

The determining factor in the choice of technology as well as of the product-mix has, therefore, to be the low purchasing power of the home market.

Off and on we hear 'modernisation' enthusiasts go on mouthing slogans like 'keeping up with the technologically

advanced world', etc. Thoughtless talk about modern technologies such as open-end spinning, shuttleless air-jet looms, rotary screen printing, heat transfer printing and foam treatment processing, etc. etc. goes on both in official as well as non-official circles close to some of the textile monopolies.

A large number of expert studies have in recent years been undertaken on the choice of technology open to the textile industry in India. Many of these expert/technical studies have formed subject-matter of public debate through various forums mostly provided by the employers. We cannot do better than reproduce the views expressed by experts involved in these employer sponsored studies in order to expose the ill-informed criticism that trade unions are opposed to modernisation.

#### (ii) *Level of machinery—modernisation*

“Detailed analysis under widely different conditions have demonstrated that the latest technology machines such as shuttle-less looms or rotor-spinning machinery are technoeconomically viable in India only under special circumstances and invariably for a small segment of total Indian textile industry. Rotor spg. is to-day economical only upto 14s. count, while shuttleless looms need an average ex-mill fabric price of above Rs. 25/- per meter.

“Even automatic looms of shuttle-type necessitate an average fabric price of above Rs. 12/- to be economical. In view of this situation, the level of machinery modernisation to be aimed at for the entire textile industry in India is that which will become economically viable for an average fabric price of Rs. 6.50 per meter, irrespective of whether the fabric is made in the industrial or the decentralised sector (to whom spinning mills supply yarn)” (“Survival strategy for textile mills—a six-case construct” by Garde, Grover and Mehtani of Mechanical Processing Consultation Division of ATIRA).

Another researcher, articulating management views on modernisation, (Mr. J. C. Shah) has this to observe:

“... There are areas in textile production where such technologies (intermediate) have an edge over modern technol-

logy and their use should be promoted with all enthusiasm in these areas... Under these circumstances if we accept intermediate technologies as a philosophy looking to our own situation, we should at the same time undertake extensive efforts on these technologies within our own laboratories"... Commenting further on the serious inadequacy of the infrastructure such as personnel, existing industrial and management culture, training, morale, etc. the author laments: "If the existing culture lacks the necessary competence to maintain even old equipments in good order and mechanical condition, it is unlikely that it would succeed to maintain the new machines in good shape and in good productive forms, where designs are complicated and maintenance very exacting... As an example many units where even manual cone-winding machines are not kept in good shape, plan to import and instal most sophisticated automatic cone-winding machines with electronic slub-catcher, electronic knot-tester, etc. with electronic printed circuits may be unwise. The intermediate technology sometimes may be the answer in such situations, as failure of large-scale investments can be disastrous" ... "Investment in the area of printing and particularly Rotary Printing, is essentially need-based investment, though of a fairly large order. Printing is seasonal in demand and fast changing in trends and it is not unlikely that some of these investments, incurring huge overheads may sometimes remain unutilised" (Management views on modernisation—I. C. Shah—industrial engineer, Textiles)

Another study on the subject has the following to say:

"For example a project for a type of shuttleless loom may be reckoned as viable only if the fabric produced on it has a price of say Rs. 30/- per meter or more, and the mill concerned may in fact have an edge into this market segment already. Obviously if a large number of mills chose to produce such fabrics on the same grounds of 'viability' there would be far more produce than buyers for such expensive cloth. We must therefore recognise that socio-economic (as well as political factors) play a vital role in deciding the scope for MPT (modern production technique)

machines in India." Further on: "...In the end modernisation, preferably with advance high production technologies, is seen as the golden path to productivity, profitability and prosperity. That grossly underutilised capacities and low men and machine productivities in existing simpler technologies have important, obvious, messages is not easily recognised even at the level of the firm..."

Examining the techno-economic viability of Rotor spinning, shuttleless weaving and transfer printing, the authority's verdict is against MPT machines, as "use of MPT machines such as rotor spinning, and shuttleless wyg. leads to a considerable reduction in recurring costs per unit production, but an increase in the capital recovery cost that is far greater than the saving."

Dealing with the argument that the use of MPTs is a *must* for entering the export market, the authors of the study have the following to say:

"However several evaluation studies on the possible use of MPT's for exporting fabrics which have a large volume and steady demand, and which are consequently in the low-price bracket, show that these high technology machines do not provide viability to the ventures—in spite of technical performance projected to standards of excellence comparable to the best in the world—because the prices offered in the international market are invariably based on several global considerations and not merely on grounds of profit in cloth sales. Consequently even on the export front only a few individual units who can enter the high-priced fashion oriented segments in the international market will find the use of MPT's attractive."

(Garde & Shanbhag in the paper entitled "The scope for modern production technologies in the Indian Textile industry; and c.f. also Vidyarthi Grover and Lal in "Export-oriented textile mills—problems and prospects".)

In any event judging from past experience and future goals to be set for the industry, exports have always formed and will continue to form a small percentage of the total production of the industry—always in the range of 10% or

so. The home market alone is the bread and butter sector so to say, for the Textile industry.

Yet another group of experts advises as follows: The prime task for industry is first to improve the performance to the level achievable with the available machinery. Machinery modernisation does not necessarily lead to bridging the gap (between actual and achievable productivity). Mills must therefore strive to keep the achievable-actual gap low irrespective of the level of modernisation.

"The gains through increased machine productivity at ring-frames and in loomshed are quite substantial at Rs. 2 lakhs p.a. per every increase of 1g/ss and Rs. 3.00 lakh for every increase of 1% in loom-shed efficiency for a medium-sized mill. An average mill stands to gain over Rs. 35 lakh and Rs. 77 lakh per annum through increasing its productivity in spinning and weaving, respectively to the achievable level."

(Rao and Garde in "Productivity and machinery modernisation in spinning and weaving, ATIRA.)

Garde in his paper entitled "Issues in the modernisation of the Textile Industry," presented to an ATIRA-sponsored seminar comes to the conclusion that "Industry has always looked upto modernisation as a panacea for all its ills. With the economic conditions prevailing in that period even, techno-economic analyses showed that machinery renewal undertaken as modernisation would not improve viability substantially for a very large number of mills."

Analysing the experience of modernisation undertaken in a few units of the industry utilizing funds made available under the soft loan scheme, the same author describes the results as follows:-

"Although a large number of mills showed an initial interest, the pace of modernisation has not risen to expectations... Quite a few mills do not seem to have been clear about the *objectives* of modernisation. As a matter of fact, the stated objective has always been the improvement in profitability of the firm. Yet it has been observed that either most mills could rather achieve this without resorting to modernisation, or that several others slid into crip-

pling losses after modernisation... Many mills expected that product-mix changes towards synthetic blends would generate sufficient cash-flow inwards to match the demands of repayment. This has proved much more difficult in practice in the case of several mills. Further for the mill sector as a whole, with the expense incurred so far there has been no marked change in the overall technical conditions, especially in the composite mills..."

There is overwhelming volume of evidence against modernisation, as conceived by its enthusiasts, being an appropriate strategy for enabling the Textile industry to retain its viability on the basis of fulfilment of its main social and economic objectives. On the other hand there is unanimity on the proposition that rather than pursuing the mirage of modern Production Technologies, the industry can comfortably forge ahead by implementing elementary rules of industrial house-keeping. We may again refer to conclusions of an ATIRA-sponsored seminar on "Challenge of sickness in the Indian Textile Industry."

"It was seen that the mere introduction of more modern machinery in an unchanged factory-culture had not only proved futile but even disastrous. On the other hand there could be no escaping the fact, established independently through several studies that the more important problems in the realm of technology seemed to be those of (a) low productivity (b) low capacity utilization. In other words with a better utilisations of existing installations the industry should be in a position to meet targets of quantity for which modernisation is often prescribed."

S. P. Vidvarthi, in his well-reasoned paper read out before the 39th All-India Textile Conference of Textile Association (India) in New Delhi, 1982, had the following to say:

"This seems to be true, but emphasis has to be more on the present state of machine utilization. Since modernisation is primarily meant for cost reduction and increased profitability, it is necessary to find out whether the mill is making the fullest utilisation of machinery, equipment and other resources it already has. If the mill is not able to acc

the best out of available resources, it is doubtful that the economics worked out will not prove fallacious, even after the replacement of machinery. Modernisation is not only meant for productive machinery but also for working methods, system and other instruments utilised for production. This aspect is generally overlooked while planning for modernisation. Mostly there is vast scope for improvement in working conditions by paying attention to the factors like material utilization, labour assignment, material handling, store consumption, machinery maintenance, humidification system, industrial engineering and quality control activities, industrial relations, market research, etc... Without these factors the economics worked out will be fallacious."

Conclusions reached in the ATIRA seminar, March 1983, also authoritatively observe that "...In view of these considerations, the first priority should be given to raised productivity and full utilization with existing installations... poor maintenance is one of the significant factors behind the latter situation (i.e. operational deficiency)... Inter-firm comparison data from all the four Research Associations show that the scope for improving productivity in mills is of the order of about 30 percent on the average..."

In another concrete study by Mechanical Processing Consultation Division of the ATIRA, the conclusions reached are..." If this average mill were to improve its technical performance in terms of machine productivity, labour productivity, control of wastage and damage, fuel economy, etc. its profitability would improve substantially without calling for modernisation of machinery..."

It passes one's understanding how and why a major, old and well-established industry like Textiles, which has been persistently clamouring for 'modernisation', has all through been oblivious of some of the elementary functions forming part of normal industrial 'house-keeping.' In concluding this part of the discussion we would like to reproduce the observations which even the World Bank study-team felt obliged to make on the rotten state of affairs prevailing in 20 out of 22 cotton mills studied by it... "the general environment was bad-broken floors, poorlighting, walls dirty, and

all amenities in a dilapidated condition... Particularly discouraging was the situation in a number of mills which had bought good, modern machinery, but merely installed it in the same squalid environment as the old machinery."

The conclusion is, therefore, obvious *that scope for higher production at lower cost lies much more in improved productivity through fuller utilisation of installed capacity, better technical husbandry or maintenance, improvement in working conditions, streamlining the managerial, financial marketing organisations, and establishment of healthy and just industrial relations, than in going in for modern technology machines.*

#### *Change in Fibre-Mix:*

Since the profitability of capital intensive modern technology machines is inseparably linked with product-mix, the private industry has been pressurising the Govt. to orientate the entire Textile policy in favour of synthetic fibres. In fact viewed in its proper background the 'modernisation' policy would appear to be a logical sequence to the outcome of multi-fibre policy accepted by the Govt. in 1977 under heavy pressure from the private mill industry, subsequently backed by the World Bank itself. In view of the exposure in the foregoing pages of the seriously adverse economic and social consequences of the 'modernisation' plank of the grand strategy advocated by the mill industry the case for desired change in the fibre policy stands demolished.

To-day the total quantity of cloth purchased by the top 5% of the population (income-group Rs. 20,000/- p.a.) works out to less than 10% of the total consumer purchase of cloth. In view of this situation the entire strategy in making textile production economically viable, must be based on production of fabrics which can sell at the average rate of not more than Rs. 6/- per meter. In other words, a change in product-mix to costlier fabric and to synthetics and blends as an industry-wide solution would be absolutely self-defeating. The proposition can only be considered on a highly selective basis in the context of exports and

for the purpose of catering to the needs of the small elitist market.

### *Past experience of Multifibre policy*

It would be worthwhile recounting the past experience in the context of adoption of multi-fibre policy in order that suitable lessons are drawn in the future. V. Shanbhag recapitulates the developments as follows:

“In the hope of aiding the organised sector’s recovery Government introduced some supportive measures: financial schemes of soft-loan provision to enable modernisation, multi-fibre operation to permit the Cotton Textile sector to diversify its fibre-base. Even to-day, industry and Govt. pin their hopes on these measures... The organised sector as a whole generally accepted recourse to this strategy on account of the fabric-market slump of 1976-77, which was itself, a consequence of sharp uptrend in cotton prices. Government approval was won, and the multi-fibre policy was introduced in 1977 liberalising the utilisation of synthetics in production through enabling provisions in the import of fibres and yarn. The impact was almost immediate and noticeable—

“For about two years the benefits of the multi-fibre policy were reaped by the entire sector—the adventurers who went into synthetics, as well as the conservatives who stayed with cotton. The euphoria has been, of course short-lived. A fresh crop of afflictions has erupted, almost as an inevitable aftermath, and hit the industry mercilessly since 1981...”

The trend in the Govt. to entertain the idea of ‘going synthetic’ is in fact fraught with grave risk to the national economy in more than one respect.

### *World Bank Interest in Indian Textile Industry*

For quite some time the World Bank, that imperialist economic tool, has started taking interest in India’s Textile industry under the guise of rendering appropriate ‘expert’ advice for solution of what it calls ‘clothing problem’ of

India. The burden of the solution suggested by the Bank is that the Indian Textile industry should opt for synthetic fibres in a big way. Says the report of the W. B. team: "other fibres should have an increasing role to play in meeting the country's textile needs, since even to maintain the current relatively low levels of consumption, the aggregate supply has to grow as fast as the population does..."

"The aggregate need of the textile sector for fibre may be met by a variety of combinations of cellulosic and synthetic fibres, and the determination of an "optimal" mix for India depends upon the evaluation of several trade-offs. However, any strategy assigning more than a limited role for rayon would always be inferior to a suitable combination of cotton and synthetics." Arguing against the expansion of rayon production in the country 'in our own interests' the Bank expresses strong preference for polyester fibres replacing viscose staple fibres. Continuing the argument further the Bank strongly advocates scrapping of Government policies "inhibiting" the growth of synthetic fibre industry—i.e. licensing and pricing policies, fiscal policies, foreign exchange control regulations, MRTP Act control on imports and exports, industrial finance, production controls and the regulation of raw materials, etc. etc. The Bank report rails at the entire industrial policy of the Govt. including planned development of the decentralised sector. It ultimately wants the Govt. to place under OGL import of sophisticated high-technology machinery besides scrapping altogether the existing 50% import duty on such machinery. It is more than evident that the real aim behind this advice is to get the Indian market opened to transnationals of the West in order to enable them to unload their out-of-date technologies on the Indian market.

It is strange and unfortunate that the private Textile sector has not so far realised the grave risk to the interests of the Textile and textile machine industry in India inherent in the World Bank prescription. It is all the more unfortunate that our Govt. has itself been toying with the idea of liberalising its fibre policy along with licensing and import policies in tune, at least to a certain extent, with the World

Bank advice. Even a section of discerning elements in the ruling class have started smelling the rat in exercises like that of the World Bank. For example the 'Capital' in one of its special write-ups dealing with the affairs of the Textile industry, has sounded a warning in following words:

"The long-term threat of competition from automated foreign firms has to be seen in the context not only of foreign markets, but also of possibility of their entering India, where a large number of multinational firms are already operating. The R & D advantage is with the foreign firms. India lags behind in these areas among others...." Referring to the entry of foreign firms in the Textile Machine industry through such collaborations as that between Lakshmi machine works of Coimbatore and the Swiss firm of Rieter and Schweiter for the manufacture of spinning automatic winding and H. S. Warping machines and super high production cards, the journal upbraids the Textile industry for having seriously ignored R & D, and for still depending on foreign collaboration inspite of being able to boast of a well-established Textile industry of its own.

### *People-oriented operation and development of the industry essential*

Viewing the strategy advocated by the private mill industry from any or every angle, one comes to the inescapable conclusion that far from strengthening the techno-economic base of the industry, it would in fact embroil the entire Textile System in a real crisis with accompanying disastrous social and economic consequences for the country. The industry can survive and prosper only if it decisively turns its face to the unclad multi-millions who are waiting to be clothed. It has to finally give up its present 4-plank strategy of modernisation with rationalisation of labour complement, change of product mix in favour of synthetics, and a race for exports.

We have already outlined the broad objectives which have to be fulfilled by the Textile mill-industry. The broad outlines of the strategy for development of the industry, as

emerging from the analysis of various aspects of its working could be stated as follows:

1) a serious and vigorous drive towards full utilization of the installed capacity;

(2) Planned upgrading of technology by introduction of intermediate technology on a selective basis to replace unworkable machinery;

(3) Improvement of machine and labour productivity by ensuring better maintenance, better working conditions, elimination of wastages and damage, better utilisation of materials, including stores, raw-material;

(4) While relying mainly on cotton as raw material for textile-manufacture, judiciously controlled use of fibre-mix utilising indigenously produced viscose staple fibre, as far as possible, to cater to the consumption needs of domestic market;

(5) Production for exports in such selected units as possess technological capability and appropriate set-up to produce high-quality/sophisticated fabrics for foreign markets;

(6) Thorough streamlining of the managerial, financial and marketing mechanism;

(7) Implementation of policies directed towards elimination of unhealthy intrasectoral and inter-sectoral competition in textile system; especially those designed to forge close inter-sectoral institutional linkage between the organised and unorganised sector with the object of overcoming the weaknesses of one sector with the strength of the other—e.g. in such important matters as yarn supply, design and product development, marketing information and research, chemical processing and development of appropriate technology for the unorganised sector.

Strictly conditional and regulated supply of yarn to power loom sector to secure elimination of its unhealthy and parasitic characteristics (e.g. unregulated growth, illegal transactions, cornering of yarns intended for handlooms, competition at the cost of labour, etc.) could also form a part of

the strategy in keeping a proper balance in functioning of the textile system as a whole.

*Total nationalisation of the Textile mill industry—  
an imperative*

Having regard to the crucial place that the Textile system occupies in the industrial economy of the country as supplier of one of the most indispensable needs of the mass of the people, and as major source of employment for tens of million people, including workers in urban as well as rural areas spread all over the country, it is entitled to claim utmost care and attention on the part of the Govt. Experience of past decades, unfortunately demonstrates that instead of acting as a pace-setter in assisting and promoting development of national economy and social advance, its dominant sector the Textile mill industry, has in blind pursuit of profits, reduced the entire textile system to leading a parasitic life, saddling the society with perpetual draft on its resources. Dominated as it is by some of the biggest monopoly houses in the private sector, it is not amenable to any discipline even in such crucial areas as choice of technology, production pattern, financial operations, consistent with the interests of the people. Instead it persists in distorting all such choices in the sole direction of profitability.

*Immediate nationalisation of the textile mill industry has, therefore become imperative.* Nationalisation of the entire mill industry will be qualitatively different from the nationalisation of the mills rendered sick in the process of relentless pursuit of profits by their private owners.

*Streamlining of NTC*

Experience of functioning of the nationalised textile sector, NTC, clearly indicates that the Govt. will have to free this sector completely from the bureaucratic shackles which have thwarted its proper functioning and realisation of the aims and objective for which it was established. It is of paramount importance that the Government should forthwith accept and implement the unanimous part of the

recommendations contained in the Report of the Study Group on NTC. Effect should particularly be given to recommendations relating to full utilization of installed capacity, pattern of production, purchase of cotton and stores, total nationalisation of trade in cotton, inventory control, enforcement of criteria on replacement and renovation, setting up of joint Councils, supply of yarn to handlooms, evolution of a proper capital structure, professionalisation and training of management personnel, improvement of working and service conditions of employees and of industrial relations and effective participation of workers in management at all levels and in all functional areas of the organisation.

While retaining the present pattern of organisation, with the Holding Company as the Central guiding and controlling centre ensuring a common approach on various major issues involving policy matters, it would become necessary to increase the number of subsidiaries, since bulk of the textile units so far under private ownership will come under the umbrella of the NTC with the nationalisation of the entire industry.

The NTC must function on the basis of strict accountability on the part of the Managing Directors/Chairmen both on the level of the Holding Company as well on the level of the subsidiaries. Sufficient scope should be left to unit heads to function freely within the four-corners of the policies laid down by the Holding Company and to exercise and undertake local initiative and innovative activity directed towards stimulating productive activity, besides building up healthy industrial relations, instilling in the employees at all levels a genuine feeling of partnership in this national venture.

### *Cotton*

Lastly it would be quite appropriate to undertake a brief review of the situation as regards the supply and demand for cotton, the raw-material which constitutes around 50% of the manufacturing costs in Textile industry. An analysis

of trends in availability and consumption of cotton during the last decade reveals the following facts :

- (i) availability of cotton *after* exports and extra-factory consumption has generally not been keeping pace with consumption.
- (ii) In particular, availability for mill consumption from domestic sources has all along been falling short,
- (iii) Export off and on of short-staple varieties of cotton considerably hits the handloom industry due to lower quantum of production of coarse counts of yarn.

Commercial crop production of cotton during the decade beginning 1972-73 has fluctuated between 59 lakh bales (Bale = 170 kgs.) in the year 1976-77 to about 84 lakh bales in the year (cotton season) 1981-82. Production during the year 1983-84 has been estimated to be of the order of 75 lakh bales.

As against this, total consumption by the mill industry during the same period has varied between the minimum of 62.52 lakh bales in 1976-77 to the maximum of 77.00 lakh bales in the year 1983-84. Taking into account exports; *minus* imports *plus* extra-factory consumption, the total availability of cotton has fluctuated between 63 lakh bales in the year 1976-77 to about 77 lakh bales in the year 1981-82. There have been no imports since the year 1979-80.

Thus taking into account the brought-forward stock, likely consumption and exports, the carry forward stock at the end of the season will be at the disturbingly low level of only about 14.48 lakh bales. This stock is not sufficient for even two months consumption, while a normal manageable situation demands carry-forward stocks in a new year to be sufficient for 3 months' consumption. (figures worked out on the basis of data available—with the Directorate of Cotton Development and in the ICMF Handbook of Textile Statistics).

The instability in the entire field of Cotton production,

supply, prices etc. is owing largely to speculative operations in Cotton trade, the bulk of which is in private hands. Not infrequently the private mill industry also takes a hand in these operations either directly or through their agents in cotton trade. The instability of Cotton market acts as a definite disincentive to farmers and affords an alibi to the private industry to jack up prices of their product. Once jacked up, the prices are never known to have come down even when cotton prices suffer a collapse in the market

Nationalisation of the entire textile industry has to be accompanied by total nationalisation of cotton trade too besides introduction of state monopoly procurement. With suitable organisational/institutional changes in Cotton trade including evolution of close links between cotton trading institutions in state or Cooperative sector, the cotton ginning sub-sector and the mill industry, it should be possible to boost up the production of cotton by (1) fixing cotton prices at a level remunerative to the farmer, (2) improvement in per hectare production of cotton, and (3) improvement in the quality of cotton. There is considerable scope for increasing the yield per hectare of cotton in India (170 Kgs.) which compares unfavourably with corresponding figures of 346 kgs. in Pakistan, 543 Kgs. in China, 560 Kgs. in USA and 896 Kgs. in USSR. It would be one of the important tasks of the nationalised Textile mill industry to assist in improving the cultivation and processing of cotton thus benefitting over 45 million cotton farmers and their families, besides itself deriving considerable cost benefits accruing from adequate and ready availability of improved quality of raw material and abolition of the middle-man's margin.

(T. N. Siddhanta)  
Secretary  
All India Trade Union Congress

(B. D. Joshi)  
General Secretary  
All-India Textile  
Workers' Federation

New Delhi, dated 4th March, 1985

SUPPLEMENTARY STATEMENT TO BE READ AS  
PART OF MEMORANDUM DATED 4/3/85,  
SUBMITTED ON BEHALF OF AITUC AND ALL-INDIA  
TEXTILE WORKERS' FEDERATION.

*Handloom Sector*

The Handloom sector forms a major segment of the unorganised Textile system in our country. With the historical background of its place in the socio-economic structure of our society during the past centuries, and in view of its labour-intensive nature, the development and expansion of handweaving sub-sector of the Textile system has occupied an important place in all planning exercises undertaken by the Government from time to time. Any number of Committees including the Kanungo Committee (1952), and the Ashok Mehta Committee in early sixties, have had the occasion to enquire into the present as well as future role of hand-weaving industry in our economy. More often than not these committees helped to further confuse the issues, producing mutually contradictory reports and recommendations. The Sivaraman Committee set up by the Government more than a decade back recommended expansion of handloom projects on a nationwide scale, as in its view "it is the only viable labour intensive industry which can provide an answer to the large-scale unemployment and underemployment...".

However, the absence of a cogent and integrated Government Textile policy oriented towards, first and foremost, fulfilment of the basic need of clothing the mass of our semi-naked people, has all along prevented healthy growth and development of the handloom industry, distorting its operations as well as relationship with the Textile system as such. With the pivotal sector of the system, the centralised mill industry, continuing to operate under the domin

ation of profit-hungry monopoly-houses, most of the projects/schemes floated by the central or state Governments to bring about some degree of improvement in the fortunes of hand-weaving sub-sector have gone to the wall.

### *Miserable Plight of Hand-loom Weavers*

The plight of tens of million hand-loom weavers, spread over the four-corners of the country, could be gauged from the findings of a survey reported to have been undertaken by a team of economists of Andhra University, Waltair, in 1983, with the object of assessing the impact of five-year plans on the families of hand-loom weavers. Findings of this team throw a lurid light on the socio-economic aspect of the outcome of the functioning of handloom projects. 97% of the families of the weavers were identified as living *BELOW* the poverty line; 2% *on* the poverty-line; and only 1% *ABOVE* the line! Small wonder, then, that the survey found an overwhelming majority of the weavers lacking the spirit or zeal to carry on with the job, but forced to stick to it as the only resort enabling them to keep the wolf off the door. It is indeed a tribute to the diligence of the millions of handloom weavers that they have with their unsparring toil and tears enabled the handloom sector to nearly fulfil the production targets set under the 5th and the 6th plans. Notwithstanding such achievement, however, the handloom weaving sub-sector finds itself increasingly difficult to maintain even its precarious existence

### *Organisational Forms and Technological Aspects*

Handloom Weaving is closely, in a sense organically, linked with its two sub-sectors—i.e. hand spinning and hand-processing. Fortunes of hand-weaving, therefore directly affect the fortunes of large number of artisans engaged in occupations in the two sub-sectors.

Exact official figures as regards the organisational forms, capacity, output and employment, etc., relating to the sector as a whole are not readily available. Reliable unofficial estimates, however, disclose the following picture

<i>Technical system and organisational forms</i>	<i>Capacity</i>	<i>Output</i>	<i>Employment</i>
I. Hand-spinning cottage/ artisan/cooperative	N.A.	14,511,000 Kgs	717,000
II. Hand-weaving cottage/ artisan/cooperative and non-corporate proprietary	2,923,000 looms	2573,000,000 meters	10,000,000
III. Hand-processing -do-	N.A.	N.A.	500,000
Total Employment			11,217,000

If, as the plan documents repeatedly emphasise, the thrust of our national economic strategy is to be directed first and foremost towards substantial improvement in employment and income-generation in order to raise the living-standards, and hence purchasing power of the people, then the handloom sector with its allied sub-sectors is entitled to claim special attention from the Government. Rapid and radical improvements in the stagnant organisational forms and primitive techniques prevailing in this sector are therefore, long overdue.

Increasing frequency of man-made 'crisis' resulting from wholly profit-oriented nature of the private mill industry, which is allowed to dominate the entire Textile system, acts as a major destabilising factor in relation to the Handloom sector and its allied sub-sectors. This is due to the simple fact that the giant private textile companies are able to exercise almost monopolistic control over the bulk of sources of raw-material, including cotton, yarn, etc., and over marketing operations including whole-sale trade, because of their infinitely superior resources, including working capital, and all manner of public funds to which they have easy access. It is no secret, for example, that misfortunes afflicting the Handloom sector arise mostly either from almost chronic shortage of lower-count yarns resulting in the creation of a virtual blackmarket in yarn, or from accumulation of stocks due to absence of a satisfactory mechanism for ready

procurement of the products of the sector and marketing thereof.

Without wresting the ownership of the mill industry, the pivotal sector of the Textile system, from the private hands and vesting it in the hands of the state, it is simply not possible to develop the Handloom sector and its sub-sectors as an integral part of the Textile system. Only thus can it be rendered capable of playing its due role in creating larger and fuller employment avenues, in generating higher incomes for the millions of artisans at present condemned to starvation wages and inhuman working conditions, and in supplying to the society qualities of fabrics the production of which is entrusted to it under an integrated scheme of production drawn up for the Textile system as a whole.

### *Consequences of Unregulated growth of Powerlooms*

- The last one and a half decade has witnessed the proliferation of powerlooms at a fantastic rate. From about less than a quarter million in early sixties, their number on last count was estimated to have reached more than 0.7 million. The increase in their number would appear to have some relation to the slowing down of productive activity in the organised mill sector following increasing incidence of closures, lockouts, etc., besides deliberate under-utilisation of installed capacities by mill managements. It is hardly a secret that a majority of these powerlooms are unauthorised, owing their emergence to the surreptitious incursions of big-business in the organised sector into the powerloom sector. Operating under 'Benami' deals, these unscrupulous business interests are deriving totally undue advantage from various concessions, excise exemptions, dismally low wages, etc. with the added advantage of building up reserves of black-money.

Thriving on large-scale evasion of excise duty and taxes, on absolute immunity from the observance of various labour laws, etc., the powerloom sector is leading a parasitic existence. According to many expert estimates, even if powerloom fabrics are subjected to excise duty at mill rates, they

would still be able to compete with mill fabrics owing to the exceptionally low wage-costs. According to these experts wages are the main competitive element, which is borne out by the experience of the state of Kerala. Powerlooms have not been able to make much headway there due to effective labour organisation with powerfully backed demand for parity with mill wages.

The handloom sector has been specially hit by the illegitimate and unscrupulous operations of big business interests in the powerloom sector. It is common knowledge that a large number of powerlooms comprise plain looms dismantled as 'obsolete' or 'rejected' items of machinery with an eye to making more profitable use of them in the powerloom sector. These powerlooms have been encroaching in a big way on the areas reserved for the handloom sector. There is massive diversion to the powerlooms of hank-yarn legally intended for handloom sector, leading to large-scale decimation of handlooms and making nonsense of Government policy of creating employment opportunities for the weaker sections of society.

The situation calls for serious and urgent attention on the part of the Government. The remedy lies in applying a strict freeze on growth of powerlooms, stringent control on supply of yarn to only that section of the industry which is prepared to fit itself into a well-conceived scheme of genuine co-operation. Such cooperatives may be assigned specific areas/pattern of production within the wider framework of operations of the Textile system with the nationalised mill industry as its core

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