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CHAPTER – I

INTRODUCTION

1.1 POWER LOOM SECTOR IN INDIA: BACKGROUND

The ancient Indian autonomous village system respected the weavers (one of the twelve professionals –Balutedars) as the providers of one of the basic needs of life –the clothing. The ample references to the different sectors of weaving industry in the ancient religious literature indicate the importance and prime position that this sector held in the then society. Saint Kabir of the medieval age –the handloom weaver not only wove the cloth, but changed the social fabric of entire Indian society. Also the power loom industry in India is not new as its roots are still traced in the handloom industry before Independence. In this introductory chapter the researcher has endeavored to seek emergence and development of the power loom industry in India. Certainly it was the handloom industry that has graduated in the present power loom industry. It was the famous mulmul of Dhaka and other Indian artifacts that attracted the foreigners to Indian continent. The export of Indian silk, cloth, spices and other artifacts through the Arabs clearly highlights India as the major producer of silk and cloth. The Five Year Development Plans that were introduced by the First Prime Minister Pt. Jawaharlal Nehru, gave a great developmental push to the Power loom industry contributes 24% production of cloth in this country and about 10 million people are working in this sector. There is remarkable increase in the production of cloth by Hand loom and powerloom. It was about 5100 million mts in 1990-91 and has almost doubled to the 10400 million mts in 1997-98. The number of handlooms is
estimated at 38 lac and the power loom 3.4 lac in India. Now the industry provides employment to over 50 lac workers and produces Rs. 1000 crore worth goods annually. The handloom industry is spread all over India in small towns and rural pockets. However, Tamil Nadu, Uttar Pradesh, Orissa, Assam and Andhra Pradesh contribute about 50% of the handloom products. The states like Manipur, Maharashtra, West Bengal, Nagaland, Kerala, Rajasthan, Haryana, Jammu Kashmir and Madhya Pradesh are also important centers of handloom industry. In case of power looms Maharashtra, Gujarat, Madhya Pradesh, West Bengal and Tamil Nadu are the leading states having concentration of power looms. Nearly 30 lac weavers were benefited in 1992-93 by the Govt. of India Scheme for development 3000 handloom centers and 500 modern dying units.

There are many shuttle-less looms in India. Most of the looms are traditional ones with obsolete technology except 15000 modern looms. Due to backwardness in the technology the changing demands of the customers can not be met and thus it fails in value addition. Really India is far behind America, Europe, China and Taiwan in terms of modernization.

**Shuttleless looms:**

Today, people are using Modern technology in weaving which is more efficient than the shuttle looms. But Indian weaving industries are very poor in using shuttle-less looms. According to a study there were 10,000 shuttle-less cotton looms in India, 27000 in Indonesia and 21000 in Thailand in 2001. India ranks 9th in the world in use of shuttle-less looms in the world. This is certainly a sorry state of
affairs. The chart below shows the comparison with regard shuttle-less looms in India and other countries:

![](image)

It is clear from the chart above that there are few number shuttle-less looms in India as compared to other competing nations in the world. Among competing nations China, Indonesia, Pakistan and Japan are having more number of shuttle-less looms, as these nations have modernized their shuttle-less looms. The highest proportion of modern shuttle-less looms are found in Russia and USA.

Though power loom was readily absorbed in textile industry and it led to increased production in Europe and particularly in Britain, it also had negative effect on Indian economy. The increased production brought down prices. And the additional production reversed economic equations between India and England; England emerged as the exporter and India importer and exporter of raw material to England. This resulted in total destruction of Indian textile industry rendering millions of workers unemployed and affecting India’s foreign trade balance adversely.

Weaving industries have prime place in Indian Textile industry, but it has not developed as like as spinning sector. The sector is unorganized in form whereas it has
played a key role to make more competitive in the market. This sector is small and un-registered but widely scattered throughout the country. Power loom owners are investing small amount in advanced technology and practices adopted in India for power loom, processing and knits are world’s largest installed base for these sectors. In India, 5 million power loom units are working of which 1.8 million shuttle looms and 3.90 million hand looms are of competitive and efficient in worlds market.

The organized sector in India manufactures 15% through knitting sector, 5% of cloth, 20% through Handloom sector and un-organized power loom sector contributes 60% Indian cloth. The power loom industry widely spread is the backbone of Indian Textile Industry. 19.42 lakh power loom sector has provided employment to 7 million workers by producing 19,000 million meters of fabric. This sector produces wide range of cotton fabrics, mixture of cotton, grey fibers, synthetic and grey fibers, printed fabric and dyed fabric for textile sector. France, Bangladesh, Scotland, U.S.A., Germany, Hong Kong and Italy are importing Indian textile goods worth Rs. 44,000 million from India.

Power loom industry was gradually growing in initial stages but it has developing rapidly. Shuttle less looms has increased to 50,000 and of this 35,000 looms are functioning in decentralized sector. Maharashtra has 8 lakhs power looms, being the highest among all the states in India. The power looms in other states like Tamil Nadu: 5 lakh and Gujarat: 4.5 lakh; but major industries are mainly found in pastoral area.
1.2 PROFILE OF BHIWANDI:

The twin city of Bhiwandi is located in the Thane District of Maharashtra state. It is located at distance of 30 Kms. from Mumbai Corporation. It is one of the prime city of Thane District and surrounded by popular cities like Dombivali and Kalyan. Bhiwandi Tehsil is administrated by the Bhiwandi Nizampur City Municipal Corporation. Total population of Bhiwandi city area was 598073 as per the census in 2001 but it has increased to 7 lakh in 2010. Often described as “The Manchester of India”, Bhiwandi is well-known for its Textile Industry with its largest number of power looms in the country. It has 6 lakh power loom units, which comprises 33% of the country’s total power looms. Bhiwandi has entered in early years into cloth making business using handloom. As per the technology demand, it rapidly transformed itself into power loom units. Bhiwandi started blossoming fully in powerloom industry during the 1980s. Initially the powerlooms in Bhiwandi used to produce grey materials for shirting as well as dress material. The cloth in Bhiwandi was produced and consumed in domestic market only as there was poor demand in the international market for cloth due to the poor technology. Producer prefers second hand powerlooms and they are running it on small scale basis excluding some big players who can afford to import high priced machinery. In short, the soul industry for many families as a source for their daily bread and butter is none other than power looms. Total business of this sector is Rs. 10,000 crore per annum. It gives employment to fifteen lakh employees, migrated from other states of India. The powerloom sector in this township contributes about 40%of textile production.
The primary sectors like agriculture, fishing and Handlooms were the occupations of most of the people in those days. It was begun a core centre of the Textile Industry due to a dawn of electricity in 1930.

Mr. Haji Abdus Samad, an uneducated merchant from Uttar Pradesh pioneered Bhiwandi into a textile city. Power loom industry contribute major share in the economic development of Bhiwandi. Power loom industries were grown in Bhiwandi due to the downfall of Mumbai Textile Mills. The power loom centers had come up to fulfill the growing demand of grey fabric in all parts of Maharashtra. At the same time many workers migrated from various parts of the country for getting employment to these centers. Among all centers, Bhiwandi emerged as the largest Powerloom centre. More than forty lakh people directly or indirectly are dependent on the looms of Bhiwandi, according to estimate of the Government of Maharashtra.

With passage of time, modernization and industrialization of handlooms was replaced by power looms. Now-a-days, the maximum output of Powerloom Industries is done with the help of automatic machines. The textile machines are imported by the manufacturers from Japan, China and other countries. But, at the same time, proper training is not given by the manufacturers to the workers with the help of experts. It affects the output of Powerloom Industries. The workers are basically divided into 2 categories i.e. skilled labours and unskilled labours. The skilled labours are getting more remuneration than that of unskilled labours. It has become difficult for the loom workers to send some money to their kins and kith at native place due to the increase in prices of essential goods in the market.

Maharashtra state is always having power deficiency problem and Bhiwandi though it is near to Mumbai is not an exception. Due to power shut down Bhiwandi industries suffered a lot on this ground. The requirement of power is 2400 million
units. Of this fifty percent or more is frenzied by overall Powerloom sector in Maharashtra. Due to frequent power cut of 9-10 hours a day, power loom sector suffer through a loss of Rs 40 crores. As a fact of this power loom workers are receiving low salaries and low quality products are available in the markets so the power loom sector is losing the market demand. All these factors contribute in increasing the cost of power loom product in domestic market as compared to cloth manufactured in other countries.

Finance Minister of India has brought the concept of six mega clusters in Maharashtra including Bhiwandi due the outcome of strong agitation of the leaders from this industry. This news brought ray of hope to the power loom workers and owners. Henceforth, power loom owners can take more production grey cloth due to low cost of credit facility and regular power supply.

As the leading national banks (due lack of documentation) are reluctant to support this industry, the power loom owners resort to cooperative banks for their financial needs. The function of cooperative banks in the progress of power loom industry in Bhiwandi can be exaggerated. The term Urban Co-operative Banks refers to primary cooperative banks located in metropolitan and towns. These banks were working for community development, localities work place groups in the beginning. They were lending mainly to needy people and businesses. But their scope and functions have changed considerably over a passage of time.

The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when Cooperative societies were function zone on the principles of cooperation, - mutual help, democratic decision making and open membership. These co-operative banks have adopted new methodologies against existing other forms of business and has formed main figure of business association.
Cooperative Banks has to register under Co-operative Society Act in India. These banks are regulated through RBI, Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. Co-operative credit institutions play a major role in the Indian monetary market and are also engaged in various other activities such as marketing, production, distribution, processing, and banking as a powerful form of business. District Central Co-operative Banks (DCCBs), as part of Co-operative Banks, have a three-tier structure that provides finance to primary credit societies, accepting deposits, collecting bills, cheques, safe custody of valuables, fixed deposit receipts, gold/bullion, granting of loans/advances, goods, and documents of title of goods and agency services. The business of Co-operative banks is not satisfactory today and has severe impact on financial conditions. Due to this, many banks are under performing and insolvent or in the way of merger or acquisition with strong banks. The performance of these banks has been harmed due to various scams in 2001-02. Therefore, RBI has taken stringent action against such poor performing banks by cancelling licenses of 14 Urban Co-operative Banks. Looking at the above mentioned scenario, special financial packages are introduced by A. Vaidyanathan panel. The implementing agency is not other than NABARD. They distribute short-term Co-operative Credit Structure for Revival packages of co-operative industries.

Co-operative banks use their policy of enhancing its environmental stretch and handy contact. There is still a downturn in the yield and effectiveness, reduction in the profit margin continuous. Government is taking initiative in expanding banking facilities in Bhiwandi tehsil. Therefore the researcher is attempting to find the functionality and routine affairs of several co-operative banks functioning in the Bhiwandi region.
In the jurisdiction of Bhiwandi Municipal Corporation, the following Cooperative banks are functioning successfully:

1. Gopinath Patil Parsik Janta Sahakari Bank Ltd.
2. Dombivli Nagari Sahakari Bank Ltd.
3. The Merchant Cooperative Bank Ltd.
4. The Thane Central Cooperative Bank Ltd.
5. Bhiwandi Nagarik Sahakari Bank Ltd.
6. Thane Janata Sahakari Bank Ltd.
7. Abhyudaya Cooperative Bank Ltd.
8. The Bombay Mercantile Co-operative Bank Ltd.
9. The Bharat Cooperative Bank Ltd.
10. Sahyadri Sahakari Bank Ltd.

Cooperative banks are making provisions of loans and said loans are disbursed against deposit to the powerloom units as under:

<table>
<thead>
<tr>
<th></th>
<th>Provision of loans against Deposits (figures in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dep.</td>
</tr>
<tr>
<td>GPPJS</td>
<td>3</td>
</tr>
<tr>
<td>DNSB</td>
<td>5</td>
</tr>
<tr>
<td>MCB</td>
<td>5</td>
</tr>
<tr>
<td>TCCB</td>
<td>30</td>
</tr>
<tr>
<td>BNSB</td>
<td>5</td>
</tr>
<tr>
<td>TJSB</td>
<td>NA</td>
</tr>
<tr>
<td>ACB</td>
<td>20</td>
</tr>
<tr>
<td>BMCB</td>
<td>9</td>
</tr>
<tr>
<td>BCB</td>
<td>7</td>
</tr>
<tr>
<td>SSB</td>
<td>NA</td>
</tr>
</tbody>
</table>
The above table clearly indicates that the major source of finance for powerloom industry is cooperative banks. The lending policy of the above Cooperative Banks for Powerloom Industries is quite liberal. Eventually, the procedure for obtaining the loan is also easy as compared to the procedure for taking loan from nationalized banks. In Bhiwandi nearly 40% of the total power looms have not taken permission from the Bhiwandi Municipal Corporation and their competent authority. Nationalized Banks therefore, are reluctant in giving loans and advances to such Powerloom Industries. The loans sanctioned by cooperative banks to powerloom Industries are in the form of working capital, hypothecation and mortgage.

The present study indicates to evaluate the role of cooperative banks in the development of powerloom industry in Bhiwandi. It is an investigation into the development of powerloom industry in the city of Bhiwandi with the major share of finance by Cooperative Banks for recent decade from the financial year 2001-2002 to 2010-2011.

1.3 POWERLOOM SECTOR OF BHIWANDI:

Due to modernization, powerloom industry is experiencing new horizon in the Erode having approximately three lakh Powerlooms and nearby places had about two lakh powerlooms with altogether six lakh weavers and two lakh persons doing ancillary works. Power loom units produce grey and yarn-dyed fabric and brought mainly in the domestic market. Main province for this powerloom is at Vellakoil in Kangayam Taluka. One-third of units are located in Vellakoil in the form of unorganized unit. Most of the labours are not on the payroll and they do the work in their own capacity. Government of India takes policy decision to encourage the
weaker sections by formulating the cluster development depending on the skill set available with the local people. Such types of six clusters are developed to improve the financial status of these cluster area. Handlooms clusters are developed in Varanasi and Sibsagar. Handicrafts clusters doing well in Narsapur and Moradabad and Bhiwandi and Erode are well known for powerloom clusters. Government has sanctioned Rs. Seventy crore to each mega cluster and Rs. Hundred crore for starting the process including modern machinery, CAD and CAM technology as well as colour processing technology. Inadequate Power supply is the core hurdle in the development of power loom sector. Cost of the power plays vital role in basic costing of the product. So many units are closed because they cannot survive while balancing with power cost and product cost.

Entrepreneurs are looking at this sector in traditional manner. And as government of India promotes and trains the Paithani cluster in Aurangabad, such type of promotions and training programme are not designed for power loom clusters. So entrepreneurs exploit unskilled labour to reduce the cost ultimately inferior quality products hampered in the market and cannot survive. Technology upgradation cost is too high that entrepreneurs prefer to purchase old sick unit and try to have maximum production by compromising the quality, they get intermittent power so they cannot design th scheduling of the product.

Most of the units are run as family business of which very few are aware about technical textiles and specialty fabrics. This awareness will shift them into new avenues to earn high margin. But entrepreneurs have to invest in this technology to get the benefit of cluster development policies. Power loom workers majorly are producing fabrics required to meet the short term demand. Government is wishful to develop power looms as mega clusters with most
modern technology for high volume output. It will help to promote unskilled workers to take training on the new machine and generate more employment in ancillary units as well. Power loom workers are receiving salary not on monthly basis but as per the demand for the production and electricity availability. But establishment of mega cluster will help to increase the wage due to continuous production so the workers have to be in three shifts. This will generate more employment around the area of 150 kms, which will help to increase standard of living of all persons engaged in mega clusters.

The sad story of Mumbai’s cotton mills continues in 1980s. Due to extraordinary demand of land in urban area tempted the mill owners in Mumbai to search for shifting their revenue structure from mills to land sale. More than three lakh workers have to leave their jobs and return to their native places. This is an opportunity for the cities near Mumbai and the persons in Bhiwandi take the right step in entering in yarn business though it is not cotton producing area. They still manage to purchase cotton from 500 kms. Distance and establish many small scale units. They get the benefit of unorganized sector and less regulating authorities, small amount of taxes which are also optional. Cheap labour gives maximum benefit to the SSI units in Bhiwandi in 1985 onwards. They contribute a lot to the grey market. This success story do not continue as the power crisis in Maharashtra is day by day become worst. Government keeps strict watch on power loom consumption and the cost of power retard the success story from 1990s’. it becomes more or less organized sector and power loom owners visit every time to state government for some package to be announced in the budget provision.

Many power loom owners are breaking the minimum wage Act and related law. Very tiny units no one can recognize who is owner, who is worker, who is
supplier and who is contractor. So many contractors are doing well on the work of labours as they take job work with no responsibility as it is the unorganized sector. It is very difficult to factory inspector to keep watch on five lakh units in 50 kms area. Many people have move to Bhiwandi for work across the country. Local self government body cannot handle innumerate population which is cosmopolitan. Workers speaks different languages and many of them are illiterate. They don’t have place to stay so they occupy small units only in unhygienic conditions, they are working for more than 12 to 15 hours. For their personal entertainment, they visit to brothels in nearby city so their health condition is poor. Due to processing only cotton they get tuberculosis very fast.

Labor welfare activities are not at all present, drastically affects the mental health of the industry related persons. Poor wage structure, uncertainty of work and demand will lead to un-satisfaction of the unorganized sector.

This is the so called success story though it is painful but still promoting the growth of macro economics as well as micro economics by compromising on human resources factor.

1.4 PURPOSE OF THE STUDY:

Research design tells the investigators what to observe, whom to observe, how to observe, why to observe, how to record the observations, how to analyze the observations? What inferences can be drawn? In fact the investigator see the whole study structure and also realize the place and importance of the successive steps that researcher will be required to take in the total scheme.
1.5 SELECTION OF THE SUBJECTS:

The reasons of selecting this subject:

1) The banks selected are willing to discuss desired data for the study.

2) The researcher is interested in the study of role of co-operative banks in development of powerloom units in Bhiwandi City.

3) The executives in the banks, powerloom owners and workers are willing to discuss with me the problems, data and aspects related to the study.

1.6 DEFINING THE PROBLEM:

The present study focuses on the role of co-operative banks in the development of powerloom industry in the jurisdiction of Bhiwandi city. The present research is an attempt to analyze the functioning of the powerloom industry and assessing the problems faced by the industry in Maharashtra, in general and Bhiwandi in particular in relation to cooperative banks. It touches upon the deficiencies, and also attempts to suggest appropriate measures for the problems in the said domain. This, surely, will facilitate to maintain the interest of weavers, traders and consumers more effectively.
1.7 SCOPE AND SIGNIFICANCE OF THE STUDY:

The research on the role and importance of co-operative banks in the development of Powerloom Industries in Bhiwandi city has certain limitations. Such limitations are as follows:-

- The research work is limited to extent of Powerloom Industries and the Co-operative Banks only.

- The research work is limited to the extent of jurisdiction of Bhiwandi city.

- The research work is based on the data collected from the different sources relating to Powerloom Industries and Co-operative Banks.

- The research work will be based on case study.

- The research is especially dealing with five Co-operative Banks and five advanced Powerloom Units.

- The period under review is of 10 years i.e. from 2001-02 to 2010-11.

- The research work is restricted to the extent of role played by Co-operative Banks in the development of Powerloom Industries in Bhiwandi city.