CHAPTER – VI

POWERLOOM INDUSTRIES AND ECONOMIC DEVELOPMENT

6.1 POWER LOOM AND ECONOMIC DEVELOPMENT: INDIA

6.2 POWER LOOM AND ECONOMIC DEVELOPMENT: WORLD
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6.1 POWER LOOM AND ECONOMIC DEVELOPMENT: INDIA

Focus on foreign markets (like Latin America, Africa, South East Asia, East Europe and other non-quota markets), and rapid modernization of powerlooms, is the need of the hour. Modernisation efforts were not much successful earlier due to the high cost of finance and non-availability of capital. But now it has got a shot in the arm with the Union government’s decision to extend 20% capital subsidy to upgrade the various schemes in textile sector. The promoter has to contribute 15% of the capital cost, while 20% of the cost or Rs. 50 lakh, whichever is lower will be in the form of capital subsidy under the new scheme. Banks and FI funding will take care of the remaining 65%. It is observed that presently India has just 8,000 shuttleless looms while the remaining units require instant replacement. Pdexcil has already initiated modernization efforts in the form of setting up a hi-tech weaving park at Palladam in Tamil Nadu. Similar projects could come up elsewhere also, by combining Textile Cluster Development Infrastructure Scheme, Group Work Shed Scheme and the state government scheme. Such efforts will certainly enhance export growth.

The power loom business is run with minimal funds and any reduction in duty hours would mean disturbing the entire business cycle and inviting total collapse. When they were imposed, the prolonged power cuts – a curse for ordinary people and other industries, resulted in a massive drop in daily production consequently turning
the market bullish and giving the powerloom weavers extra margins in terms of profit. It is a typical situation. What the powerloom weavers could not do on their own became possible due to the power cut. As profit increased and huge money started flowing, number of powerlooms which was around 1,50,000 in 2006 rose to almost double in 2011, according to the estimate available with the Powerloom Service Centre PSC).

The announcement in the Union Budget 2013-14 about the zero excise duty on cotton textiles as fiber, yarn, fabric and garment stage would certainly help to reduce prices of end products. It will also boost garment demand amid weak consumer sentiment, low real wage growth and high inflation. This is expected to promote revenue growth in 2013 and improve operation profit and cash flows of the textile sector. The synthetic spun yarn is exposed to 12% excise duty at the fiber stage, but zero duty from yarn to garment stage. Under the TUF S Scheme in the Twelfth Five Year Plan, and Rs 24 bn is allotment to improve technology which will help investments in power loom modernization. The impact will remain credit neutral in 2013 as benefits will occur upon completion in the medium term. These policy measures will boost cash flow of textile companies in 2013. However, the measures are unlikely to reflect a change in India Ratings’ outlook on the textile sector which is negative to stable (read ‘2013 Outlook: Indian Textiles’) on account of broader concerns over volatility in raw material prices and sluggish export demand.

Study undertaken by the Government to assess the effect of the economic slowdown on jobs in key sectors has particularly marked for improving infrastructure in Bhiwandi and Erode. There should be buyers and sellers meetings in fostering the direct relation by eliminating the role of the intermediary so that power loom products will be available at affordable rates.
As per ministry of textile, government is increasing the investment in 12th five year plan for the development of power loom industry in the country. Government would try to provide good quality of yarn to the textile industry to produce quality fabrics. Majorly, Power loom Development and Export Promotion Council (PDEXCIL) along with Hindustan Chamber of Commerce organizes number of workshops for buyer-sellers meet for the updation in the textile industry. In this way power loom industry will grow 30 per cent from the current 20 per cent, if the factors requires to power loom are provided at subsidized rate. Manufacturers and weavers from Varanasi, Delhi, Solapur, Bhiwandi and Mumbai are exhibiting their product lines in the exhibition.

The state should be ‘Load shedding free’ by the end of 2012 may appear as a new-year gift of people and industrialist. But, however surprising it may sound, it has made the power loom weavers in Malegaon jittery. “It may appear bizarre. But the power cuts that started in 2004-05 though adversely affected the country’s potential for economic growth, were blessing in disguise for the textile industry in Malegaon. Justifying his observation, he said that production control has always been a major problem for the local textile industry. Even under sluggish market conditions, the weavers instead of cutting down duties would prefer running power loom units for full 24 hours. “It was literally against the business principle, and on expected lines, resulted in imbalance supply and demand ratio. But for the reasons best known to them, the weavers in Malegaon were doing it even if it would mean selling the fabrics on less than the actual cost price”. There are others who opined that the powerloom weavers were so short of the running capital that they could not afford to cut duty hours. “When market is in red, we definitely incur huge losses. But constant losses
due to cutting duties to control production, five lakh jobs were lost in 2008 and additional one lakh jobs had been lost in 2009. But

### 6.2 POWER LOOM AND ECONOMIC DEVELOPMENT: WORLD

The power loom did have an effect on this country because it had made work very easy. More machines were replaced for people because it worked faster than us and produced a lot more than we would actually make. These machines were steam powered which meant that they did not use up much electricity and was environmentally friendly. So after the invention of the power loom, people were replaced by huge machines which produced a lot and now we have developed lost of other machines due to the Power Loom. The invention of the Loom had changed Britain’s technology and machinery for good.

Some economist in Sri Lanka has expressed their view that the Sri Lankan economy is rapidly developing to 5.6% in 2010 and spur up to 6.3% in 2011. In China growth of industries is high due to sustained performance is possible with appropriate policies and strategies. This helped to sudden increase in exports of expected to lift the export oriented industries in agriculture, mining and manufacturing. At the same time, textile industry has recovered their export of textile and garment product which had motivated manufacturing sector to expand the growth of production to 5.5% in 2010 and 6.4% in 2011.

The major impact from the global recession on the country’s economy has been a sharp slowdown in industrial output.