Conclusive Observation

The First World War brought boom to Indian mills due to the curtailment of imports from the U.K. Their production expanded rapidly and at the end of war they had made substantial gains. Under the tariff production since 1917, they developed further. Before independence, the Indian textile industry consolidated its foundation.

After independence, the Indian textile industry has developed, catering to the domestic and export markets. In the domestic market, per capita availability of woven fabrics in quantitative terms has stagnated since the mid-1960s. Two factors have hindered its growth. The stagnation of economic growth had affected per capita consumption of fabrics until the mid-1970s. Consumer preference from cotton cloth to man-made and blended fabrics has shifted from the mid-1970s. As a result, although per capita consumption of fabrics in quantitative terms has stagnated, per capita consumption of fabrics in value terms has rose.

In 1950 India became the world's largest exporter of cotton textiles. But India's exports of cotton fabrics have stagnated, so that India's share in world exports has been decreasing from 1950. Although the Government of India has applied export promotion measures to cotton fabrics since 1959, it has not led to increase in exports.
Developed countries have restricted imports of textiles from developing countries since the late 1950s. Particularly the quota restriction under the LTA and the MFA has affected exports from developing countries. Even under the disadvantageous conditions, however, some developing countries such as Hong Kong, South Korea, and Taiwan have increased exports of textiles. Therefore, the restriction might affect India's exports, but it cannot explain the reasons completely that Indian cotton textiles have lost competitiveness in the international market. On the other hand, India's exports of ready-made garments have grown rapidly since the 1970s under the same condition with cotton fabrics.

The causes which have inhibited India's exports are attributed to the domestic factors: (1) rise in production costs, (2) the lack of quality consideration, (3) growing relative profitability of domestic market, (4) industrial structure of the cotton textile industry (5) the industrial policies. The government had imposed the freeze of loomage on the mill sector since 1956 up to 1985 in order to protect the decentralised sector, although loomage for export production was not restricted. The discriminatory excise duties had been imposed on the mill sector. Besides, as industrial licensing had held back the more efficient mills from taking over the less efficient ones, so that inefficient ones had remained. Moreover, the government had been reluctant to permit introduction of automatic looms. This had hampered improvement of productivity and quality in cotton cloth. These policies might not obstruct exports of cotton fabrics directly, but had restrained the growth of the mill sector which had mainly been engaged in exports of cotton fabrics.
In fact, in the cotton textile industry many mills have suffered from sickness and have been closed down since the 1950s. Particularly the phenomenon became serious in the 1980s. In other developing countries, the governments have strongly supported exports of cotton textiles by export promotion measures. While the Government of India also has paid serious concern to exports of cotton fabrics and has introduced export promotion measures to cotton textiles, it has taken the policies disadvantageous to the mill sector in order to protect the decentralised sector particularly handlooms at the same time.

After independence, the government adopted disadvantageous policies to mills in order to protect handlooms from the competition with mills. At the same time, the conversion scheme of handlooms to powerlooms was introduced to improve income of handloom weavers. But the scheme failed mainly due to strong opposition from the handloom interests. On the other hand, the unauthorised growth has taken place in the powerloom sector without any protection and assistance by the government. Consequently, in spite of the regulation, the capacity of powerlooms has increased substantially year after year since 1950s. Since powerlooms have higher productivity than handlooms and can produce better quality cloth, the former have displaced the latter.

The mill sector also has been facing competition from the powerloom sector. The cloth production of the mill sector showed a step fall in the 1980s because of the competition from powerlooms. As mills have failed to modernise their equipment, their production cost is higher than that of
powerlooms taking advantage of cheaper labour force. Powerloom weavers work for extremely long hours for low wages under bad condition because labour legislation is not implemented in the powerloom sector. In the powerloom sector, most of working and fixed capital is from non-bank resources i.e. black market. In other words, the development of the powerloom depend on the informal sector out of government regulation in the aspect of production, labour and finance. It is the rapid growth of powerlooms that is a characteristic feature of the development of the Indian textile industry.

The rapid development of powerlooms has deprived the mill sector of market. The shrinkage of market naturally affects profitability of mills and becomes a reason of sickness. Further, the profitability in the cotton textile mill industry has been generally less than the all industries average. Therefore, business groups have preferred investment in other industries to invest in the cotton textile industry. Low profitability reduces amount of investment for modernisation. Moreover, slow modernisation leads to decrease in competitiveness of mills. Such a vicious cycle has existed.

The growth of powerlooms and the decline of mills has affected India’s exports of cotton textiles. The decrease in production of mills had caused the stagnation of total exports up to the mid-1980s. Since the mid-1980s onward, the rapid increase in exports of the powerloom sector pushed up total exports. But the powerloom sector cannot have good prospect for exports. Other exporting countries have introduced modern and capital intensive machinery to improve productivity and quality. In developed countries the
textile industry is no more labour intensive. Powerlooms cannot produce high quality cloth which can be produced by modern machinery. It is only long runs of high quality defect free fabric produced by mills that is in large demand in the export market.

The mill sector has dualism. In the market of coarse yarn and unsophisticated cloth, their demand has stagnated. Consequently, many mills are competing each other in the stagnant market. They do not have enough fund to modernise equipment and exposed to severe competition with the powerloom sector. Many of them are suffering from sickness. On the other hand, in the market of fine yarn and sophisticated cloth, their demand has expanded due to shift of consumer preference in favour of high quality cloth. In the market, the mills are producing bleached and printed cloth and introducing relatively latest machinery to produce high quality yarn and cloth at the international standard. Only a few mills which have enough fund can enter the market and are enjoying benefits of oligopolistic market. They are diversifying their products. These two markets are exclusive of each other. Producers in the former market cannot enter the latter market due to entry barriers. Reversely, producers in the latter market do not want to enter the former market because coarse yarn and unsophisticated cloth are not profitable.

Naturally, such a dualism has an impact on the exports of cotton cloth. Exports of cotton cloth by the mill sector has declined. Producers of sophisticated cloth are mainly catering to the domestic market. They export their products to get import licence of superior material and relatively
higher standard machinery. They are more interested in the domestic market than the international market. Therefore, they do not introduce top level technology in the international standard. As a result, they do not have competitiveness in the international market. On the other hand, producers of grey and unsophisticated cloth export their products because they cannot find outlet in the domestic market. As mills generally have facilities covering the entire range of operations from spinning to processing, there is a real dearth of buyers for an intermediate product like greys. Moreover, they are not able to complete equally with the powerloom sector in the domestic and export markets because of high production costs.

In the 1980s, many workers including skilled labour were displaced from closed mills. Their interests should have been protected by labour legislation. However, illegal closures have taken place, so that displaced workers could not receive their legal dues, let alone any additional assistance for rehabilitation. After they lost their regular employment, they cannot find out chance of employment easily. More than half of displaced workers could not have any economic activity during one week. Even workers who had economic activity were getting much less earnings than salaries of mills. Some of them were working in other mills as casual labourers. A sudden influx of job seekers caused casualisation of employment even in sectors which otherwise depended only on permanent and regular work force. Besides, most of powerloom weavers are working on temporary basis. Namely, rapid development of powerlooms means increase in casual labourers. The textile industry is depending on casual labour more and more in both powerlooms and mills. The
phenomenon affects not only welfare of workers but also technological development. Help of skilled and experienced workers is indispensable to appropriate maintenance and modernisation. Indian mills are obliged to modernise machinery to improve competitiveness in the international market. The casualisation of employment restrict increase in exports.

As the reasons of increase in exports of garments, the factors: (1) low labour costs, (2) an export-oriented structure (3) the exclusive nature of garments can be considered. In the garment industry, the subcontracting has developed since the 1970s, taking advantage of low labour costs of semi-industrial labour. It is the subcontracting that has contributed to rapid increase in exports of garments. The organised sector has connected with small units through the subcontracting in the garment industry. Therefore, the decentralised sector can coexist with the organised sector and the protective policy has not inhibited development of the organised sector in the garment industry. However, since exports of garments from India have been restricted by quota of the MFA, the garment industry must diversify its production into high value items or other kinds of garments in order to quota. Modern machinery and skilled labour is necessary for improving quality and for the achievement of standardisation. To accomplish the purpose, establishment of modern and well organised manufacturing units should be encouraged. At the same time, the interests of labourers should be protected by labour and wage laws.