Chapter 7

CONCEPT OF STATE AID

Constitution of provincial Industry Departments and initiation of an industrial policy were a major feature of the interwar period. But a general characterisation of these policies is yet to emerge. Interpretations range from policies as a field of political battles to a random collection of ambitious and ineffectual programmes. Indeed, a straight reading of the documents relating to revival of crafts does project state policy as a disjointed set of initiatives, adapting continuously to predilections of individual officials and to a perpetual shortage of funds. This randomness, however, could be an appearance. A certain inner unity, in the evolution of concepts and instruments of intervention, seems to emerge when these are juxtaposed to the structural processes under way. This chapter attempts to interpret policies as an articulation than either as a coherent ideology or mere problem-solving.

This discussion focuses on cooperatives for two reasons: cooperatives represented the entire attempt of the state to directly intervene in production relations, and they were the principal, if not the sole agency through which government funds were distributed. While the first two sections deal with the policy regarding cooperatives, the third section briefly surveys some other aspects of state action, such as technical education and dissemination of new technologies.
The early societies promoted by the provincial governments were supplying credit or, in rare cases, yarn and were expressly not to intervene in production or marketing. The emphasis on credit societies followed a developmental logic. Beginning with cash grants the association was expected to progress to yarn supply, receipt of cloth in repayment and marketing by means of sales depots. Correspondingly, the attitude to noncredit functions was cautious: 'it was held that among a relatively backward population the difficulties involved in the management of productive and distributive businesses were likely to be a stumbling block in the way of progress. Credit societies .. afforded the easiest field'\textsuperscript{1}. Even where noncredit societies were contemplated any direct interest in production was strongly discouraged. The Maclagan committee envisaged mainly yarn supply stores, that is, confined entirely to circulation, a substitute for the middleman. The sequence, credit to yarn to cloth, was nowhere completed. By the mid-thirties less than half of the 52 societies in Bombay had reached the second stage. The record was poorer in other provinces. Subsequently, the sequence was abandoned and stages bypassed, as we shall see.

FFC's evaluation of the cooperative movement reads a depressing story. In UP some of the early ventures, in Benares and Tanda, came to an 'untimely end' within a decade or so due to their incapacity to weather temporary payment crisis. Yarn stores in a few places, at Sandila, Agra and Bara Banki, barely managed
to survive. In Bihar all the societies, credit and yarn supply, had come to grief involving heavy losses for the cooperative banks. In Bengal they were maintaining a precarious existence though heavily in default. Loans not being tied to sale of finished products could be easily misspent. Refusal to associate with raw material, or cloth made the perceived advantages of collectivisation limited. The weavers themselves were more candid on this than the reports, 'cooperative societies do not help us in the least'.

In Bombay in 1927 about 3 per cent of weavers were effectively under cooperatives. Credit was offered at 9 per cent per annum, lower than the sowcar rates, 12 to 15 per cent. Still defaults were serious and attempts to diversify into yarn supply were unsuccessful. Two factors were singled out, 'weavers themselves were lacking in unity', and master weavers retained control over production decisions. In other words differentiation was already far advanced for voluntary associations to succeed.

By mid-thirties percentage of weavers cooperativised was negligible, and mortality of societies high. Default perpetually plagued the credit societies but, unlike the private moneylenders, the cooperative enjoyed no claim on finished product to preempt default. The course most frequently resorted to was a dubious one, otherwise reserved for extreme situations, wind up the society, write off debts and form a new union, 'begin with a clean slate', as FFC put it. Even where a cooperative resulted in a perceptible rise in earnings, the prospects were
not attractive enough for a small producer for whom security of employment was what mattered.4.

Effectively intervening in production was beyond the capabilities of a typical member, 'too conservative to learn any new lessons'. Consequently the cooperatives found it increasingly difficult to avoid dominance by large producers and traders, 'those of them who came forth to lead were middlemen whose private interest often collided with the interests of the society'. In this respect the policy in the states was probably more pragmatic. Several weaver societies in Mysore performed the same functions as those of a master weaver -- advancing yarn, supplying patterns and receiving cloth in repayment. One of them did not even have any weaver member and might have been controlled by capitalists. Finance for the societies came from the government and the apex banks and was to that extent less dependent on contributions.5.

The general experience could be interpreted as follows. The policy of intervening in circulation was obviously obsolete in an uncertain market and with deteriorating product quality. The private sector was progressing towards efficiency in production and sale of cloth, functions which the credit society could not or did not try to replace. This experience, and realisation of the social costs involved in the first phase, led to increased emphasis on technology and marketing in the second.
Discussions in the mid-thirties explicitly related cooperation and state aid to technology, and legitimised participation and control of capitalists in new institutions, in rarer instances even encouraged it, 'the association of some leading cloth merchants in the work of the societies would result in great advantages. It is believed that the societies which now obtain the guidance from such persons in one way or another are faring better'. Such collaborations contributed to supply of market data, especially regarding preferences, intervention in designs, pattern and quality control. The cooperative served the same function as that of a karkhana, and replaced the independent weaver who 'do not stick to the patterns given to them'. It is not clear how the capitalists stood to benefit by participating in a cooperative. Regulating the market sharing arrangement could be a possible motive. Perhaps in certain regions participation in cooperatives represented a form of patronage otherwise exercised through caste guilds.

Indeed, caste seems to have been closely associated with the concept of guided cooperatives. Caste could relatively easily transcend class formations and reconcile capitalist control with the irrationality of such control in a cooperative. Even in the first phase successful cooperatives were organised along caste or communal lines -- Padmasalis of Ahmednagar, Koshtis of Nagpur, Naths of Choumohani, Julahas of Sandila -- and frequently involved initiatives by headmen just as hostility of headmen was
a frequent reason for failure. In the Tamil Nadu towns history of cooperation among the major weaving castes, Devangas, Saurashtras, Salis and Kaikolars, paralleled that of the broader based and powerful social associations. The internal structure of the cooperatives reproduced the hierarchies already established within these associations. Conversely, where class formation was already sufficiently advanced, cooperatives were clearly unsuitable. Thus 'in centres like Sholapur, where distinct economic groups have been formed within the weaving communities, organisations of a different character will have to be formed'.

A specific option suggested was utilisation of the middle tier in the hierarchy, where such a tier existed as a class. In Sholapur the Assamis, or subcontractors to large karkhanadars, were such a class. The Sholapur Handloom Weavers Enquiry Committee clarified, 'while recommending the inclusion of the Assamis in the cooperative society we have in mind Assamis with a limited number of looms. We do not visualise a system under which the family would be the unit of production'.

The background to the revaluation was a central grant to the provincial Industry Departments. Universally the grant was intended not for credit creation but development of pre- and post-weaving processes and of designs such that 'goods of new patterns and qualities likely to command an easy sale can be produced'. The general direction was anticipated, perhaps influenced by, the Townsend Committee's report on Madras. The
report observed that the 'key to the problem lies in (a) marketing the textile products, and (b) the possibility of guaranteeing quality to the agencies which undertake the marketing'. The proposed set up was to be centred around a textile expert whose duties would include ensuring quality and informing on market trends. Centralised supply of materials and accessories continued to be one of the functions of the departments, but with broadened scope, dyes being included along with yarn and equipments.

Three types of programmes followed in actual implementation: cooperatives entrusted with utilisation of the grant without major changes in the structure of the cooperative (Madras, Bombay, Bengal), local administration monitoring mediated by cooperatives without major changes in cooperative structure (Punjab, Central Provinces), and local administration monitoring mediated by cooperatives of modified structure (UP, Bihar).

In Madras a Provincial Handloom Weavers' Society was set up with the Registrar of Cooperative Societies in overall command. The society supplied yarn at millgate prices or granted credit for purchase of yarn. It also had a team of designers who visited the primary societies, some dyehouses and a calendering plant. The southern mills took a certain interest in the use of the grant and this contributed to efficiency. In Bombay nine industrial cooperatives were set up in the major handweaving towns. The board of management included nonofficials engaged in
The principal objective was altering garment specialisation, specifically, diversification into piecegoods. The original cooperative structure was not scrupulously followed. In one centre, work is proceeding through middlemen while the society was the final marketing agent. In Bengal the administration was similar to that in Madras and the principal aim was to introduce standardisation and new designs. The attitude towards capitalists was cautious, if not favouring direct participation. 'Rivalry with existing trade interests', precisely what crippled many of the credit societies, was eschewed.

In UP the grant was to be utilised towards 'production according to specifications ... improved finishing by machinery and hand-appliances'. Cooperatives were bypassed and the existing control of merchants acknowledged through a scheme of subsidies to wholesale buyers of handloom cloth. Central sales depots appear to have induced diversification into piecegoods in Mau. In Bihar large producers were eligible to receive grant. An apex body, Bihar Cottage Industries, was set up to both organise marketing and monitor 'introduction of new patterns, designs, inspection, purchase and finishing of fabrics'. Standardisation was attempted as much as popularisation of new products, chiefly upholstery, and sale orders were granted to cooperatives and master weavers alike. In Central Provinces the grant was distributed through a central society. 'Production of standard goods, was the chief object as elsewhere.'
3 Other Aspects of State Aid

In contrast with the policy on cooperatives, technical instruction, research and development, demonstration factories, were characterised by a somewhat uneven history. But the typical problems encountered were similar.

Technical instruction for the craftsmen was one of the earliest proposals and the first to receive public approval. The industrial conferences in the first decade discussed suitable administrative structure for organising technical education. Those who took active part in these discussions included crafts experts in the employ of provincial governments, especially Madras which already had its own industry department. Most concrete proposals came from master weavers and prosperous artisans themselves. Two specific problems were addressed, popularising improved technologies and training on the most efficient use of the imported materials, especially mineral dyes. The requirement was school-cum-workshops rather than general purpose instruction. But the response of the Imperial government towards the idea of government managing workshops was cold if not hostile. Soon after the Madras industry department was wound up although general purpose technical education continued, mostly in private and aided schools.

The schools themselves, in the first phase, were left without any clear policy. It was not easy to find students and the schools did not know which class to seek students from. They
found it difficult to keep technical and general education distinct fields especially where both came under the jurisdiction of the Department of Public Instruction. Indeed, the clearer the school was about its target-group the greater were the chances of confusion between the two aspects. Thus schools expressly meant for artisan's children could not decide whether the purpose of instruction should be 'to get certain classes of children into school' or to produce efficient craftsmen. The tanning schools of Punjab found the instructors themselves, being of 'low moral character', in need of some sort of education. In the twentieth century a combination of general literary education and technical instruction was preferred although general education tended 'to make pupils disinclined to follow their hereditary callings' and, as Chatterton cautioned, to 'elevate a few above their fellows'!

A reason why such confusion persisted was that the very basis of technical education was as yet vaguely conceived. Except in such general purpose trades as carpentry or blacksmithy, and especially in decorative crafts, the school could not possibly raise the level of skill and did not try to. Typically the instructor would be a 'bazaar mistry' with little training in methods of teaching. In Punjab schools, for instance, 'the mistry does not realise that [there] are necessary conditions of good work. The headmaster, invariably a man of purely literary qualifications is apt to attach too little value to the industrial side of the school'. Technical education was also a political issue. The nationalists demanded one kind of schools
for those 'destined to be managers and employers of labour'. As for the crafts technical instruction was frequently a symbol of idle sympathy except when the demand came from the better off artisans and capitalists, but their requirements were specific and as yet acknowledged only in provincial circles. A partial and administrative solution to some of these problems became available after the Departments of Industry were reconstituted following recommendations of the Industrial Commission. Technical education became a provincial subject under the new constitution and came under the departments. The latter were granted greater autonomy in experimentation and crafts came to be the almost exclusive concern in several provinces. Resources proved a serious handicap and disturbed the activities, and the latter were yet to receive full legitimacy by the Imperial government. With the onset of the post-war financial crisis, 'the young industry departments naturally presented themselves to the financial woodcutters as suitable subject for their axes'. Some of the older problems were also present. The status of general education was still being debated, and so was the administrative structure, government versus aided schools. But the main concern of this phase related to the aim of technical instruction itself.

To begin with training in weaving was distinguished from that involved in carpentry or blacksmithy. The latter were in the nature of services and the purpose of instruction was to improve facility in handling tools. 'Even if the schools send forth more
carpenters into the world than are needed, that would be no loss, for the surplus will be welcomed by the mills and factories that are now crying aloud in vain for intelligent and steady labour. In the case of weaving the object was imaginative application of tools, improving craftsmanship. The trained weaver was a potential competitor of mills and factories and not material to be used by the latter. This, however, required a flexible organisation, adaptable to special needs, rather than a school in the old model. Accordingly, in weaving the attempts ranged widely, from peripatetic demonstrations of small scale inventions meant for households to full-fledged workshops where more complex, skill intensive and bulky technologies were demonstrated.

In the former class fly shuttle sleys were the most important innovation pursued by the state. Although fly shuttles did become popular, its diffusion was tardy and highly uneven regionally. Only in Madras where canvassing had begun as far back as 1902, and in Bengal and Bombay were the percentages significantly above average. One universal reason for limited diffusion was the processing constraint, and 'introduction of machines for the preparatory processes is uneconomical so far as the individual weaver is concerned'.

Equally important was the resistance which fly shuttles had to encounter in most provinces and especially where the capitalists were nonproducers. The most common situation seems to have been one where innovations had the effect of strengthening
the household and reducing its dependence on the merchant. Thus, in Madras, 'opposition was offered by village moneylenders who, fearing the attainment of independence by the weavers fixed so much lower rates for cloth woven on a fly shuttle that the weaver in some cases was compelled to revert back to the old shuttle'. In Bombay weavers trained in handling mineral dyes were boycotted by their 'more conservative colleagues, who were backed by merchants'. In Chittagong in Bengal merchants forbade the weavers to use fly shuttles so that a school set up to popularise it had to be shifted. In Chhotanagpur fly shuttles users were boycotted by the others. Similar cases are reminders of the 'rivalry with existing trade interests' which had plagued the early credit societies.

As with cooperatives, in this case too policy adapted by shifting and expanding the range of activities. In the thirties the focus was small factories where instruction was organised on a different basis. The apex institutions of training-cum-demonstration were located in the larger weaving towns often, as in the case of UP, in pursuance of a deliberate location policy. 'The schools concentrate on one industry . . . as a rule one which is vigorous in the locality'. The Bara Banki weaving school, moreover, 'only take in students who can afford to buy [semi automatic] looms'. In Bengal the Central Weaving Institute of Serampur 'equips students to set up and manage small weaving and dyeing factories'. The publications of the Benares institute suggest a similar objective.
In Bombay, likewise, Industry Department's activities concentrated on centralisation of processing. Machines for winding, 'useful for small karkhanas having 5 to 10 handlooms' were popularised as were dyehouses. Students of the Poona industrial school were finding employment in the handloom factories and small powerlooms. Weavers trained in the Salem Weaving Factory were similarly employed. In the states the policy was more explicitly one of promoting the large producer. Weaving schools in Hyderabad subcontracted work and functioned as a sale agency. The government supplied capital credit to silk weavers. Landed property was preferred as security and 'master weavers have taken advantage of this'21.

Conclusion

The reorientation in policy, fruit of considerable deliberation and rethinking, might not have been a decisive break after all. The old credit societies continued as did the old model technical schools. The result was a confusing mix, made all the more diverse by the differences between British India and the states where industrial policy was probably more active. Independent India inherited this mix, changed the bias in certain respects and strengthened certain other elements. The major shift seems to have been a reversal from technological and production oriented questions back to credit and finance. The instrument of intervention also changed, private sector was once more to be replaced by the cooperative. This shift and its consequences will be studied in the concluding chapter below.
Notes

1. India (1915), p 5
2. ITBS, 1935, Written Evidence, pp 263-4, India (1915), pp 5,9
3. ITBS, 1935, Written Evidence, p 270 (UP), 276, 486 (Mysore), 290 (Bengal), ITBC, 1934, Written Evidence, p 291, evidence of the Jamaitul Momin, Bombay
4. FFC, p 188
5. FFC, pp 182, 276
6. FFC, p 189
7. FFC, p 191, Mines (1984), passim
8. FFC, 193
9. Bombay (1948a), p 12, emphasis added
10. Madras (1928), pp 55-6
11. FFC, pp 184, 189, Bengal (1937), p 72
12. Rao (1931), p 6; FFC, p 186
13. Chatterton (1912), p 132
14. Badenoch (1917), pp xii, xiii; Latifi (1912), p 120; Chatterton (1912), p 25
15. Badenoch (1917), p xiii and Clow (1928), p 6. A distinction was made between technical and industrial education, the latter meant for prospective entrepreneurs and managers in the mills.
16. Clow (1916), p 32
17. Latifi (1911), p 226
18. Clow (1928), p 60
20. Clow (1928), p 51, 53; Industrial Commission, vol , p ; United Provinces (1924), Bara Banki, p 52,
21. ITBS, 1940, Oral Evidence, p 256
Concern with state intervention suggests a direction in which the findings of the previous chapters can be extended. It naturally leads us to the period after independence when policies exert a far more powerful influence on handlooms. A fresh set of questions arise: to what extent and in what form have the tendencies described above continued? What difference have policies made? How has policy implementation itself been shaped by these tendencies? In this, the concluding, chapter we shall argue that policies in independent India have influenced not the content but the forms of structural change so that the hypotheses generated in this study have a relevance in understanding contemporary experience. The data base being weak this result has a tentative character. But its significance as a framework for research is obvious.

Direct analysis of structural change in recent times is constrained at the outset by the nature of contemporary source-materials on handlooms. The reports and surveys are not really studies of handlooms as such, as they used to be, but evaluation of specific policies. Programme-orientation tends to produce an inadequate picture of the industry. A major concern in the pre-independence literature was, who controls industry, who wants policies, who benefits from them. Later the focus shifted to how many or how much, percentage cooperativised, amount sanctioned,
and so on. This has resulted, for instance, in a virtual absence of any information on systems outside the cooperative network, such as master-weavers and direct wage-employment in karkhanas. The quantitative and administrative bias is also responsible for insufficient analysis of market sharing in textiles. Not only are structural features ignored, they are also distorted by the programme-bias. Thus, one still encounters in official reports the belief that handlooms survive as a village industry subsidiary to agriculture -- ideas rendered obsolete by FFC more than four decades ago. All this suggests the need to undertake a survey of handlooms in the FFC model, that is, an open-ended and imaginative enquiry and not an administrators' progress report.

To allege an administrative bias, however, is not to deny that government intervention has had significant impact. But estimating this impact is constrained by an absence of information on spheres that remain outside direct intervention or on the fringe of it. The principal difference between the pre-independence and contemporary handlooms is precisely in the environment in which they function, conditioned by a policy-package vastly expanded in scope and substantially more complex in effect. This intervention has two aspects. The first is a general expansion in certain services, organised banking, management and information systems. Availability of working capital at concessional rates and easy terms is a basic change. Also marketing is far more institutionlised now than in the mid-thirties, reflecting geographical integration of market, rise of an export market for handlooms and the renewed necessity for
standardisation and time saving. But of greater importance are the specific interventions relating to handlooms.

1 Policy-package

The policy-set introduced since the fifties consists of two distinct fields, addressed to market and to organisation. In the former, the focus is handloom interests as a whole vis-à-vis mill and powerloom competition. The measures are protective, (1) reservation of selected items for exclusive production in handlooms, mainly coloured and bordered cloths, mixed cloths and coarse cloths³, (2) rebates on handloom fabrics to reduce its price⁴, (3) differential excise duties, and (4) ensuring easy availability of mill yarn; later as an extension of this policy, encouragement of cooperative spinning mills⁵.

The other target of intervention has been the internal structure of handlooms. Here policies had a single aim, to eliminate the capitalist and strengthen the household. Cooperatives were to be the key instrument in this endeavour. The main inducement for collectivisation was concessional finance under Reserve Bank refinance scheme. The second object was subsequently modified and direct intervention in relations considerably diluted. To this we shall return.

There was a certain lack of realism in these objectives. Major industry surveys had already noted the stratified structure of the industry, the dominance of large producers, and suggested
the impracticality of trying to by-pass capitalists in an industry in which they were already entrenched. Yet the stated aim was precisely this. The policy-package also confused forms of capital by reducing dissimilar types to a standardised concept 'middleman', whose functions were conceived negatively as ruinously exploitative. Consequently a more explicit state-capitalist alternative was forsaken in favour of the dubious path of collectivisation.

On demand side the problem faced by handlooms was a reflection of longterm preference shifts -- from garments to piecegoods, from loomwoven to printed designs, from cotton to noncotton. In the 1920's handlooms specialised in garments and mills in piecegoods so that markets were clearly distinct. But times changed, more people preferred stitched cloths, printed designs and in these classes, greys mainly, handlooms had no special advantage. Reservation policy attempted to maintain difference in the finished product but this was difficult to enforce when the product was a print. All this is inevitable once the basic preference-shift is taken for granted. But there is no reason why pricing policy cannot go beyond protections and control preferences itself. Indirectly, the synthetics pricing policy has done this by discouraging noncotton consumption. However, the target of synthetics pricing policy was not the handloom weaver but raw cotton growers. Accordingly there were ambiguities. Viscose yarns, in which a domestic mill sector developed, were exempted and powerlooms weaving noncotton could not be brought under control.
On the whole the objectives were perhaps less important than the form of intervention. Here the focus shifted from physical to financial targeting. Technology and quality, emphasis on which had gradually built up in the first half-century, were quickly shelved if not exactly abandoned. The amount spent also increased, too much and too suddenly for the industry to adjust to the situation. This seems to have introduced a new element, speculation with public funds, to which we shall return.

How have the policies themselves fared? The problems of implementing reservation in coloured cloth were of the following sorts. Mills could make plain fabrics, dye them outside and cut them to pieces to avoid the ban on piece-dyed garments. More serious competition arose from powerlooms who both directly and indirectly, as subcontractors of mills, did the same. Handlooms had to share limited stock of finer yarns with powerlooms. Finally, competition extended to greys of all kinds. What proportion of handloom output in the 1960's and '70s consisted of greys is not available, but this proportion was probably rising, an inevitable tendency if demand shifts from garments to piecegoods. These were areas not protected directly, but indirectly through subsidies.

As with the precise location of competition, its actual extent remains uncertain. Due to differential status accorded to small and medium/large powerlooms the units invariably attempted to register themselves as small powerlooms by understatement or
subdivision. Moreover, attitude wavered between concession and restriction to powerlooms despite the fact that the reservations were 'honoured more in breach than in compliance'⁸. The contradiction here was, powerlooms still received capital and labour to a large extent from handlooms but its effect was displacement of other handlooms. That is, for the individual handloom weaver, powerloom was a means and a symbol of upward mobility, but for handlooms as a whole powerlooms represented unequal competition and were negative in effects.

Coming now to organisation, cooperatives, in terms of percentage of weavers collectivised, have been moderately successful. At present this percentage is about 50. Getting a dependent weaver under a society remains difficult for reasons already familiar, a weaver on price-contract is indebted to the private capitalist while the wage worker does not even possess a loom of his own⁹. The movement progressed in phases, in fits and starts as it were, depending on shifts in the detailed content of policy. Percentage cooperativised fluctuates over time and varies across space. The absolute number under cooperatives is equally unstable and it is not rare for it to decrease. A large number remains on the margin¹⁰. They are formed to take advantage of short-term schemes and liquidated as quickly as they are formed. This was especially apparent in the fifties when the present policy package was announced. But the element of speculation has probably continued to characterise the movement¹¹.

The objectives and success of cooperatives are too
variable to allow generalisations. Still, broadly speaking, the cooperatives have been concerned mainly with financing of the industry whereas private capitalists have been particularly successful in production, quality-control and marketing\(^2\). Why have cooperatives concentrated on finance? Presumably due to the mistaken notion that the main function of the 'middleman' is to supply finance, or because the cooperatives could not serve the functions of a private capitalist better than a capitalist. In recognition to this, in subsequent policy-statements any antagonism to master-weavers was carefully and explicitly disclaimed. State-level marketing organisations relaxed the distinction between products of primary cooperatives and those of capitalists. Indeed the latter were preferred due to better quality control\(^3\).

The finance-orientation of cooperatives produced unintended effects. Firstly, though concessional, finance chanelised through cooperatives involved a cumbersome multi-tiered system whereas private capitalists received working capital from the more efficient commercial banking system. Secondly, the finance-orientation reduced cooperation itself to an administrative instrument, a means by which funds are distributed, than a concept.

For these reasons, commitment to a cooperative has rarely been absolute. The distinction between a weaver affiliated to cooperative and attached to capitalist is never sharp and clearcut. A weaver receives raw material from various sources and
supplies cloth to various agents, whether or not belonging to a cooperative. Only by relative proportions of these agents in his total operations a rough classification can be arrived at, but such classifications are rarely unambiguous. On many occasions the cooperatives themselves depend on the more efficient capitalists. Perhaps more frequently than in the British period, help from capitalists are internalised in direct control of the society by the latter.

2 Structural Tendencies: Production Relations

Given this background what form have the structural tendencies taken? Since there is no direct statistical evidence on this question we have to rely on inferences drawn on the basis of indirect and descriptive evidence.

Early documents, pertaining to the 1950s, suggest that there were forces working against the reduction of independent weavers to dependence. The independent weaver had ceased to be a hawker, as in the past, and was integrated into a more complex and efficient marketing system which reduced risks. The presence of cooperatives, under conditions of wholehearted patronage by government, as an alternative source of raw material and outlet for cloth must have weakened the differentiation processes. Such at any rate, is maintained by government documents.

But notwithstanding these counteracting forces, reduction
to dependence continued, even if more slowly than before. In the sixties, proportion of independent ('own account') weavers continued to decline and, while cooperative membership increased, the percentage already under master-weavers and traders increased too. Independent weaving was more stable in the towns presumably because urban weavers included many large households and karkhanas. While more of new loomage may have gone to cooperatives, in production and income generated master-weavers' share was increasing faster than the cooperatives'.

The main source of private capital was the producers themselves, master-weavers, whereas the importance of nonweaver merchants had become negligible. One exception was West Bengal where the capitalists were entirely nonweavers. At the same time, within most cooperative societies the proportion of weaver-members was in decline and that of 'businessmen' (in executive committees) increasing. It was the highest in the east. The reason why contract work was preferred was, of course, the greater efficiency of the master-weaver, mainly in supply of raw material and marketing of cloth. Contract weavers were also technologically more progressive than those in cooperatives probably because master-weavers insisted on quality and standardisation.

It is likely that the actual extent of differentiation among handloom weavers was veiled by another process dominant within the industry, conversion of handlooms to powerlooms. While karkhanas remain significant in handlooms, much of the expansion
in the factory sector within handlooms (in terms of capital and labour) seems to be occurring in powerlooms. The latter represents the typical form of accumulation by handloom weavers. This, however, is not to say that powerlooms themselves receive capital and labour from the handlooms alone.

Information on direct wage-employment in powerloom and handloom factories is scanty, partly because, with more stringent application of the Factories Act and offer of incentives to households, underreporting of workshops has increased. If impressions can be depended on, a veritable industrial revolution has taken place in the major handloom towns, Surat, Burhanpur, Tanda, Sholapur, Malegaon, Serampur, Benaras or Salem. If workshops and large households were a minority in the thirties they now represent the commonest units, whether in powerlooms or handlooms. Weaving proletariat with distinct features and politically conscious has emerged in these towns.

Notwithstanding the above, handloom factories do not seem to have progressed much as a movement. Factories Act may indeed have discouraged the formation of large workshops. At the same time they have led to large producers leasing out looms. This appears from a study on Maul. Here loom tenancy, called karkhanas in common parlance, representing a separation of ownership and location of means of production, is increasingly common. The labourers in these karkhanas still work in their own homes but on someone else's looms.
Chapter 3 suggests that while the universal form of dependence was contract-work between capitalists and household weavers, wherever external circumstances favoured the household gave way to factories. One such external condition identified was migration. This connection can be observed again in the fifties and the sixties. Migrants and 'cooly weavers' appeared in several regions, typically employed in large households. Momins of eastern UP came to Nagpur and handloom towns in MP, ‘worked in the cottage factories during the day and slept by the side of the looms during the night’. Attempts to organise them and regularise wages failed because ‘the net earnings of the cottage employers themselves are very low’. Immigration was also instrumental in Punjab after partition. Muslim weavers left established karkhanas to seek work in Pakistan as lower-caste (Harijan) weavers immigrated into India. This resulted in a strengthening of dependence relationships. In Batala and Pathankot nonweavers started karkhanas employing immigrants as labourers and in several other towns immigrants were under contract of Amritsar merchants.

Interactions between policies and structural tendencies occurred at several fronts. Cooperatives may have slowed down the processes to some extent. But they also adapted to these processes by including capitalists in decision making. Not rarely the capitalists thus included engaged in speculative and restrictive practices so that the theoretical contrast between a pure trader and a large producer may have narrowed down somewhat. But also, cooperatives themselves and participation in their
management have increasingly emerged as political questions, as formation of an articulate and powerful handloom lobby transcending class-differentiations within the industry.

3 Structural Tendencies: Competition and Product Differentiation

The main observations of Chapter 4 seem to be still valid in understanding the longterm demand constraint on handlooms. Product-differentiation continues to be a reason for handloom survival and the specific and natural preserve of handlooms remain designed and mixed garments, especially saris. These items are also reserved, though reservation for many of the 'speciality' fabrics is not really necessary. Also free from competition are the natural silks, mulberry and wild. In these classes consumption has remained fixed at about 4.5 million pounds per annum in the sixties as in the mid-thirties. However, production showed signs of increase since the sixties. In rayon, handloom share has fallen greatly as that of powerlooms and art silk mills has increase. In the thirties handlooms consumed more than 90 per cent of the available yarn whereas in the sixties their share was about 10-12 per cent. But once again, this share was increasing.

The question of survival and market power, then, boils down, as in the pre-independence period, to the extent to which the market can accept coloured and mixed fabrics, especially garments. Accordingly the real threat to handlooms arise from two sources, (a) powerloom and mill competition in greys, to the
extent the handlooms are also producing greys, and (b) shifts in preferences, from coloured to plain or cotton to noncotton cloths. The former tendency was diffused by reservation and differential excise duties. The effect of the latter cannot be measured, but notwithstanding this tendency, the field of coloured cotton still remains wide and in the relatively new areas of garment exports, even expanding.

Conclusion

A few points emerging out of this review deserve emphasis: (a) there was an essential continuity between pre- and post-independence periods in respect of the dominant form of dependence (contract with large producers) and dominant form of capital (producers as against pure traders), (b) still, the distinctness of producers as a class may have been diffused as availability of liquid funds encouraged speculation and factories act restricted direct production on a large scale, (c) despite reservation handloom market was constrained by product-specialisation and preference shifts of a sort we have already encountered in Chapter 4, but these tendencies may not be operative in the short run and can be slowed down by an appropriate price policy.

The survey of the industry since 1950 is obviously far from conclusive. However, two uses of this survey are noteworthy. First, the historical review of earlier chapters is reinforced by the conclusion that the tendencies described there have been
stable in the long run and not too sensitive to specific circumstances. The second use is methodological. For the more recent period we have a ready framework, a manageable set of questions, that can be tested against detailed information, from case studies and from other crafts. The two periods in question thus complement each other.

This complementarity notwithstanding, the historical review of the earlier chapters stands on its own. It is an attempt, primarily, to contribute towards an understanding of historical processes, specifically the role of small scale industry in the pre-independence macroeconomy. A better database on handloom weaving can be an input in analyses of intersectoral linkages. With a set of concrete propositions on handlooms textile industry structure can be studied at a greater depth. More important perhaps, the complexity and dynamism within textile crafts, and areas of overlapping between the histories of large and small industry, suggest the need to develop a broader conception of Indian industrialisation than has hitherto been attempted.

Notes

1 Much is said about powerloom competition but the precise areas of competition and product-differentiation between handlooms and powerlooms remains vague.

2 For the conventional view, See India (1974), p 4-5

3 The detailed composition of reserved items is: coloured dhoties (piece-dyed), lungis and coloured saris exclusively for handlooms, and yarn-dyed dhoties, zari bordered saris and several varieties of non-wearing apparel, furnishing fabrics and upholstery for handlooms and powerloom units with less than 4
looms each. All these are finished goods. In piecegoods course cloth of 8s or below are reserved for handlooms. Here mill cloths compete with khadi.

4 In 1952 a cess was levied on mill cloth and the amount distributed to the handlooms. Later the excise duty structure absorbed the cess. Also, since the late fifties the responsibility of financing the handlooms, mainly through rebates and direct working capital assistance, shifted from centre to states.

5 In 1951-52 yarn rationing and centralised distribution was introduced to cope with shortage of free yarn. The situation eased subsequently but raw materials continued to be a long term bottleneck. Spinning mills in the cooperative sector were favoured and they were a success in terms of financial operations, but the yarn tended to be diverted to powerlooms, especially as effective control was vested, in some cases, with powerloom interests. India (1974), p.29

6 In the mid-fifties working capital and subsidies explained about 90 per cent of total expenses incurred on handloom development while technical development, training and research had a share of 7 per cent. India (1967), appendices. These proportions do not seem to have changed much subsequently.

7 India (1965), recommended that handlooms engaged in greys shift to coloured cloths, p 24

8 India (1965), p 73 and India (1974), pp 61, 87

9 Madras (1955-6), p 245

10 India (1967), pp 20, 22. In the mid-sixties registered cooperative members constituted 50 and active members 30 per cent of the population. The ratio of active to registered membership was decreasing in the sixties. India (1965), p 27

11 A large number of yarn societies were forming during the control regime which favoured cooperatives. With the withdrawal of control the societies found themselves competing with yarn merchants and, in not a few cases, being used as a front by the latter, Nanekar (1968), pp 66-8. Cess funds induced many of the societies to quickly change themselves to production and sale societies while the others wound up. Once again capitalist control could not be avoided, was even formalised by control of shares. Capitalists used the societies to sell their own cloths, they manipulated prices, maintained difference between cooperative and market prices and thus earned speculative income. Improved appliances and accessories, which the fund was partly meant for, 'found a permanent place in the godowns', ibid, pp 70-82. The speculative orientation was revealed in financial statements. While proportion of borrowed funds to working capital in all primary societies rose from 55 to 65 per cent in the late fifties, the ratio of working capital to sales increased steeply, from 41 to 60 per cent. At the same time, rate of profits fell
and so did the percentage of profit making societies, India (1965), p 27


13 India (1965), p 46, 53 and India (1974), pp 41-44. In Tamil Nadu the primary weavers' societies were selling nearly half of their output through private traders and this proportion seemed to have been rising, Madras (1955-6), p 252

14 In many places, 'commission agents' intervened between the independent weaver and the wholesale trader. The former were shopkeepers, stockists of cloth, in the bigger urban centres visited by producers and traders. The agents guaranteed quality and fair price to weavers. The institution of a mediator was thus partly a response to deteriorating product quality, need to standardise, insufficient flow of information -- in short, the problems (outlined in Chapter 4) which also induced dynamic adjustments, Nanekar (1968), pp 29-36

15 India (1967), pp 20-21, 49-50

16 India (1967), pp 14, 19, 26, 36

17 A survey conducted jointly by the World Bank and Giri Institute of Development Studies, quoted in Mazumdar (1984)


19 India (1965), p 16

20 India (1965), p 21