Chapter IV: Powerloom Project

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Inception of Powerloom Projects by MDC:

The cotton textile industry in India consists of two sectors, vertically integrated textile mill sector having spinning and weaving and decentralised weaving sector comprising handlooms and powerloom. The yarn requirements of the latter sector are satisfied by spinning mills.

The textile Enquiry Committee of 1954 recommended a phased programme of 'Conversion of Handlooms into Powerlooms'. On the basis of this recommendations the Government of India has decided to allow an installation of 35,000 powerlooms in the handloom sector. The main features of the scheme were that powerlooms were to be introduced in the cooperative fold, the locations of these powerlooms were to be encouraged in the rural areas and the powerlooms were to be run on small scale say about 25 to 48 powerlooms at one place¹.

The initial growth of powerlooms in the country was mainly desired by handloom-weavers as the power-

operated looms not only reduce the physical strain on the weavers but also increase their earnings. As a result of this advantage the better placed handloom weavers gradually began to switch over from handlooms. The increase of geographical spread of the supply of electrical power also facilitated this conversion. The earliest powerlooms in India naturally came up in those places which were in the proximity of textile mills and where there were handloom weavers. Once the benefits of powerlooms were known, several others also entered into the industry, and the number of powerlooms in the country grew steadily.

The policy of the Government of India since 1956 was to peg down the weaving capacity of the textile mills by not permitting the expansion of powerlooms in the mills. This was done with a view to stimulate the conversion of handlooms into powerlooms under the Cooperative Sector which was expected to act as a main supplier of raw cloth to mills. But a very policy of pegging down the expansion of looks in the mills, coupled with poor response for above said conversion scheme and the increase in the demand from cotton textiles for raw cloth contributed to a phenomenal and
haphazard growth of powerloom industry especially in Maharashtra. A situation arose where a large number of middlemen, called master weavers set up powerlooms on benami basis under cooperative fold and reaped the benefits under the scheme.

The working conditions of those engaged in the powerloom sector of the industry were far from satisfactory. Many sheds which housed the looms were of the poorest construction, coupled with inadequate lighting and improper ventilation. The cloth woven used to be of very sub-standard on account of low quality control, lack of humidification facilities, poor quality of yarn and lack of incentives for the weavers\(^1\). Secondly because of the lack of proper organization of the powerlooms, the underlying purpose of the encouragement given to the powerlooms by the Government of India, namely, to enable the handloom weavers to switch over the powerlooms on the owner-weaver basis has largely remained unfulfilled. The number of bonafide owner weavers in the powerloom sector was small, a substantial majority of them

\(^1\) Prof. Kogekar, Report of the Cotton Textile Committee, Govt. of India, 1968.
working as employees of master-weavers or even of textile mills.

In view of the above situation the Asoka Mehta Committee has concluded that both in the interests of economy and weavers, the entire industry should be freed from the hands of the middlemen and put on an organized basis, on the owner-waever pattern. The Committee endorsed as below:

"The setting up on a large number of dispersed spinning mills supplying yarn of the required quality to the nearby clusters of powerlooms, facilities for preparatory weaving and processing of powerloom cloth, together with the improvements in marketing should have the effect on reducing cost of production and distribution for the powerlooms and improving their competitive ability vis-a-vis the mills. We consider that as an equal partner in the supply of cloth with textile mills, the market prices should be better stabilized as the powerlooms would be able to put into the market cloth of comparable qualities. It may be relevant to mention in this connection that the dominant position occupied by the textile mill sector for the supply of cloth to the consumers in the country has not always helped in stabilising cloth prices ...
The entry of the decentralised sector in a big way in the supply of cloth should therefore serve to exert a healthy influence to the advantage of the consumers, in addition to the many gains, social and economic, like diffusion of entrepreneurship and mobilisation of capital in the dispersed areas flowing from the decentralisation of industrial activity."

Again in para 13.15 of the Report, the Committee envisages the future pattern of the growth of powerlooms.

"A pattern of growth for the powerloom industry which seems to be feasible would be based on clusters of about 300 powerlooms each .......... not under one roof but in small units within convenient distance of one another established in and around small town; fed by yarn from a mill preferably a Co-operative Spinning Mill sizing facilities being provided by a Co-operatively owned sizing unit; finance being provided by existing banking institutions or special powerloom corporations; processing establishments again preferably co-operatively owned; and marketing arrangements (not necessarily co-operative) which do not operate to the detriment of the powerloom weaver. In building up such a pattern, approach should be pragmatic; while co-operative form of organisation should be
promoted wherever it can function successfully; there should be no attempt to fit the industry on a straight jacket ......

The powerloom project of MDC is an attempt, for the first time, to implement the recommendations of the Asoka Mehta Committee.

The proposed powerloom project was very unlikely to suffer for want of market. In fact, very little effort had been made so far by the Mill Sector upto sixties to install additional looms; and very few States had taken steps to install the additional looms allotted by the Centre during the IV Plan. Early implementation of the proposed Powerloom Project certainly was to enable the weavers of Marathwada to take advantage of the growing market demand.

II

Industrial Framework of the Textile Project:

The textile project of MDC is divided into three parts namely, (i) Pre-weaving, (ii) Weaving and (iii) Processing. Of these three parts of the project, the
weaving part is decentralised and is managed under co-operative sector. The weaving part is decentralised on account of the following reasons:—

i) It assists the poor weavers to get livelihood at their villages only.

ii) The cost of living in rural areas, as compared to urban areas, is low and hence the weavers are ready to work at low rates of compensation for their work.

iii) Since the project is located in rural area and only few hundreds of workers come together for work, there are less (or no) labour problems similar to the problems prevailed in textile industry at Bhiwandi or Bombay.

iv) The impact of benefits of textile project is brought directly at the threshold of rural people.

v) The problem of residential accommodation of worker is automatically solved, since the entire weaving project located at the place where living accommodations may be constructed at lower cost.
vi) The weaving project has simple engineering technology and the same can be picked up by illiterate rural artisan also.

vii) The weaving project has all the advantages which are enjoyed by the small scale cottage industry.

The pre-weaving, and processing houses are located at Nanded under one roof. Since these two units are capital intensive and requiring modern sophisticated engineering technology, the establishment of such units under one roof is thought desirable. Besides, the units need ample water and electricity supply which is available at Nanded.

Significant Aspects of Weaving Part of Powerloom Co-operatives:

(a) Promotion of Business:

Weaving part is main and crucial part of textile project. It is labour intensive and the concentration of labour under one roof creates several problems. The task of managing the workers in such situation is perplexing. It is hence thought desirable to formulate
this activity under the co-operative fold so as to avoid usual clashes which occur between textile project owners and labouring class. All the labouring class of the project under co-operative system of management is owner and hence it has closer affinity to the business.

The officers of the MDC during the initial period made deliberate efforts to call the weavers under the co-operative venture. These officers were promoters. After looking the success of the few co-operative weaving ventures, other weavers from different places came ahead and promoted their weaver co-operatives. As a result, the weaver co-operatives have grown in sizeable number. There are now in all fifty five powerloom weaving co-operatives and the total number of looms in them is about 3,000 (See Appendix I). Each powerloom weaving society is governed by the Bye-laws which have been specially framed for this purpose. Since each society is fully financed by the MDC and TEXCOM, they are under direct control of them.

As per initial plan the working of the society for the first five years (from its inception) was to
be controlled by the MDC. However, on account of continued non-viable state of affairs of the weaving co-operatives, the MDC keeps the control over these co-operatives for the period more than fixed above i.e. five years.

During the first five years of working there were no elections for the Board of Powerloom Cooperatives. The Board on the contrary was consisted of officials of the MDC and TEXCOM. All the societies are grouped under four units and each of such units is under the overall management of unit Manager, who is normally, an assistant Registrar of the Co-operative Societies, and his services are used as a deputee from the Co-operative Department. On the technical side there is a weaving master and assistant weaving master for every unit. Attempt is made to ensure that the administrative and supervisory overheads are kept at the minimum possible level. All the personnel borrowed from MDC and TEXCOM for managing each Co-operative are compensated for their services by the each concerned society from its income. This provision has been made explicitly in the model bye-laws.
As soon as the weaving co-operative society was found, the society passed a resolution appointing the MDC as the agent for acquiring land, constructing sheds and installing machinery in weaving sheds. After the sheds were completed in all the respects, they were handed over to the management of the concerned society. The powerloom weaving co-operative has the following sources of funds:

(a) Shares
(b) Loans
(c) Deposits
(d) Donations
(e) Entrance fees
(f) Contributions
(g) Profits earned in business.

Each society has a right to apply independently to the financing agency for the necessary loans. However the MDC is also authorised to borrow on behalf of society for executing the project. This arrangement ensures not only an economy in the construction of weaving sheds, but it also facilitates the planning of purchase of machinery, suited to the requirements of the project.
(b) Objects of Powerloom Weaving Co-operatives:

The objects of the Society are as follows:

1) To manufacture cloth through its members or otherwise and for that purpose to purchase yarn as well as to sell the cloth on such terms and conditions as the society think fit.

2) To finance members for purchase of raw material and sale of finished goods against trade bills and Railway or Truck receipts and on hypothecation or pledge of raw materials and/or finished goods.

3) To purchase, supply and sell on indent basis or on its own account or on consignment account, raw materials and finished products of its members.

4) To undertake the distribution of controlled commodities required by the member for productive purposes.

5) (a) To undertake processing and production activity.

(b) To conduct model production units in the interest of its members.
6) To conduct propaganda for the development of powerloom industry and for sale of its products.

7) To organise exhibitions and arrange for display of goods of members with a view to facilitate marketing of such goods.

8) To undertake all activities as are ancillary to above objects.

9) To prepare samples of cloth, to maintain sample books and pattern for the guidance of members.

(c) **Location of Powerloom Units:**

Powerloom Cooperative are located at the following places under four units:

<table>
<thead>
<tr>
<th>Unit No.</th>
<th>No. of Looms</th>
<th>No. of Sheds</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>384</td>
<td>4</td>
<td>Nanded</td>
</tr>
<tr>
<td></td>
<td>192</td>
<td>2</td>
<td>Basmat</td>
</tr>
<tr>
<td>II</td>
<td>384</td>
<td>4</td>
<td>Aurangabad</td>
</tr>
<tr>
<td></td>
<td>192</td>
<td>2</td>
<td>Jalna</td>
</tr>
<tr>
<td>III</td>
<td>384</td>
<td>4</td>
<td>Latur</td>
</tr>
<tr>
<td></td>
<td>192</td>
<td>2</td>
<td>Parli</td>
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<tr>
<td>IV</td>
<td>192</td>
<td>2</td>
<td>Parbhani</td>
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<td></td>
<td>192</td>
<td>2</td>
<td>Manawat</td>
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<td></td>
<td>192</td>
<td>2</td>
<td>Bhir</td>
</tr>
</tbody>
</table>
Each weaving shed consists of 96 powerlooms and accommodates 96 families. Each shed is owned by the duly formed co-operative society having 48 weaver-members.

While selecting the sites for the above sheds the following consideration were given importance:

i) Availability of a large number of handloom weavers

ii) Availability of land and water

iii) Availability of power

iv) Nearness to the already existing co-operative spinning mills

v) Convenience from the transport point of view.

In addition to the above consideration attempt had been made to select most suitable locations from every District of Marathwada.

Out of the centres mentioned above, Aurangabad, Jalna, Manwat, Parbhani, Basmat and Nanded are almost on one straight line. All of them have convenient rail connections as well as road connections. The movement
of woven cloth from all these centres to Nanded is done with less difficulty. Bhir, Parli and Latur are connected with Nanded by all weather roads.

(d) **Capital Cost**:

Statement A - shows the estimation of capital investment and working expenses required per society which was started prior to 1974.

The total cost of investment against per society was Rs. 9.60 lakhs, of which the total cost of land and building was Rs. 4.05 lakhs and the cost of machinery was Rs. 5.55 lakhs. The total yearly working expenses estimated to Rs. 2.83 as against the gross earnings of Rs. 3.89 lakhs. The resultant net profit was Rs. 1.05 lakhs to be divided into 48 families.

The members of powerloom co-operative weaving societies were not in a position to contribute anything towards share capital. Therefore, to start with, the entire capital requirements of the project were provided to the society. When the project was discussed informally with the financing institutions, like MSFC and SBI, these institutions indicated that they would finance to the extent of 75% of the block capital
requirements. The balance of 25% hence was to be met by the MDC, the sponsoring agency.

As per above plan, the each powerloom society got the medium term loan from the financing agencies. The loan was recoverable over a period of 10 years, with a two years moratorium initially. The entire fixed assets of the society was hypothecated to the institution providing this loan. The balance, as calculated above, of 25% of loan requirements was met by the MDC. The interest on loan charged by financing institutions is 8% per annum and by the MDC is 6% per annum. Although the rate of interest is low and the loan instalments are of reasonable size, almost all the powerloom cooperatives have overdue loans and interest-arrears.

(e) **Membership of Society:**

As per Bye-law, membership of the society shall be open to the following:

i) MDC

ii) Hereditary weavers and other craftsmen engaged in powerloom industry and person who can run powerlooms provided they are
willing to reside in the residential accommodations provided by the society, and to carry out the weaving work that may be entrusted by the society.

iii) Individuals and others desirous of transacting business with the society who shall be admitted as nominal members on payment of entrance fee of Re. 1/-.
Provided the number of such nominal members shall not exceed 1/10 of the total membership or 10 whichever is less.

In actual practice several loop-holes are noticed in regard to behaviour of members and validity of membership. A brief account of the same is as given below:

i) Some members are just like absentee landlord. They entrust all their membership-privileges to their proxies against some pecuniary or other considerations.

ii) The heirs of weavers get membership as their hereditary rights although they have no skill in weaving. Such heirs entrust their work to hire labours.

iii) Some members not only absent but they rent out their looms and residential houses of the society to other persons.
iv) In many cooperatives number of nominal members is more than ten or 1/10 of the total members. Although this is prohibited, this is widely practiced.

v) Some members are persistently defaulting payment of their dues and they fail to carry or comply with the orders of Directors of the managers of the society or technical officers of TÉXCOM.

vi) Some members fail to do the assigned weaving work, with 70% efficiency during eight hours shift.

vii) Some members deliberately overlook repairs and maintenance of machines and also indulge in mis-use of the machines.

(f) Administrative and
Managerial set-up:

The management of society is vested in the hands of Board of Directors which are seven in number. This Board of Directors meet as often as may be considered necessary for the transaction of business but not less than once in a month. When there is a crucial problem of an urgent disposal, the consent of the Directors is sought through circulation of papers amongst them.
The Board of Directors look after the routine work of management policy formulation such as raising the funds, purchases, sales, stocks, administration, maintenance, delegation, suspension of employees etc. TEXCOM appoints technical officer for taking the care of production and repairs and maintenance. These technical officers are directly responsible to the TEXCOM. The official of the TEXCOM, working in powerloom cooperatives look that whether there is a desired quality of cloth produced and whether the same is produced in minimum cost or not.

Elected Board of Directors though they are trustees of the Cooperative Society may sometimes cause to bring down the moral of the organization by their-self. Some elected Board Members remain absent for the Board Meetings, whereas some protects the dis-honest members of the Cooperatives. There are cases of frauds prompted by the Board members. In the case of many powerloom cooperatives, hence, cooperative department has to appoint administrative officers for setting the things at appropriate places.

The lack of financial management and weak internal control are the two major head-aches in the
administration of some cooperatives. The wastage or theft of materials and mis-use of machinery are widely reported. The audit of the society, though it is done annually, does not bring out all the mis-fits since it is stucked up to only documentary evidences which can easily be manipulated and presented in deceptive manner.

The quality of the cloth produced and efficiency of the workers are reported to be low. The TEXCOM officials have frequent complaints over this as it causes to enhance the cost of production. So also when the concerned cooperative is paid at lower rates for their low-quality cloth, the members of the society get annoyed and disturb the relations between them and TEXCOM.

The organization of the weaving cooperatives is too informal to tie up for desired goal. The weaver's role is not yet rationalized or formalised. Consequently the weaver-members undertake the work as per their convenience or they send their hired labour. The TEXCOM however tries its best for introducing the formalised approach in the management of cooperatives.
It has introduced weaver beam card which assists to keep the detail record of daily production. Another card called as "Cloth Production Tally" which shows monthly account of production. Both of these cards are completed by the workers and supervisors together. On the basis of this record, material production registers, payment registers and incentives registers are prepared. Despite these efforts to control the production, the weavers search out many ways for escaping from the rationalities set out by the TEXCOM.

(g) Income, Expenditure and Net Profit/Net Loss:

The weaver-Cooperatives have to incur the expenditure on the following items: -

- Wages to weavers for their work
- Labour charges (Porting, sweeping etc.)
- Kadi Bharai
- Beam Bharai
- Salaries for permanent staff
- Maintenance
- Purchase of store (Electrical fittings, Lubricant Oil, stationery, etc.)
- Office and Administration expenses, Bank charges, insurance, etc.
- Rates, cess and taxes
- Other miscellaneous expenses.

The main source of income to weaver co-operative is from the sale of cloth to TEXCOM. The penalties imposed on weavers is a source of income to cooperatives, however, this source is not productive one.

From the income sources, the society meets the expenditure and realizes gross profits.

From the gross profits of the year the following deductions are made:

1) Interest payable on loans and deposits.

2) Management, Technical, Supervision and other working expenses as determined by the Marathwada Development Corporation Ltd.

3) Loss of stock

4) Depreciation on building and plant and machinery.

The balance remaining after these deductions is treated as the net profit.
The net profit from the ordinary business together with the net profit earned out of the business of controlled articles after making provisions for taxes, if any, are divided as under:

i) 25% is taken to the Reserve Fund.

ii) An amount for the payment of dividend at a rate not exceeding 9% on the paid up amount of shares.

iii) Contribution towards the education fund of the Maharashtra State Co-operative Union as per M.C.S. Rules 1961. The balance is divided as under:

a) 10% for distribution amongst all members of the staff as bonus proportion to the pay earned by them, subject to the minimum of one month's basic pay of each employee.

b) 30% for distribution of bonus to members in proportion to the total wages earned or value of the purchases and sales effected through the Society, during the year.

c) 20% Bad debts Reserve.

d) 10% co-operative propaganda and education.

e) 10% Price fluctuation fund.
f) 10% Building Fund.

g) 10% Industrial Co-operative Development Fund.

It is reported by the TEXCOM official that during the year 1985, 53% cooperatives were in losses, 13% were with no profit - no loss and rest of the 34% earned profits which were normally less than Rs. 1,000/- against per profit making society.

An amount of profits earned by the weaving cooperative by no means has any positive relation with the amount of investment made by the TEXCOM. At present many societies are in debt and are sick in all the respects, poor conditions of machines awaiting repairs, ruined moral of the members etc. The Government, however, tries to inject blood in these sick units by granting subsidies or numerous other concessions. Almost all the weaving cooperatives assum their privilege to get assistance from the Government. They also hesitate to settle the claims of the Government (such as MSEB). It is told that, since last five years the electricity charges due to MSEB are deliberately kept pending for getting cent percent exemption from it. The depreciation funds, other example created by the
co-operatives are being used for routine expenditure and no capital replacement provisions have been made.

(h) Duties and Obligation of the Members:

i) A member of the society is required to give 70% efficiency within eight hour of daily working. The efficiency norm for a particular work, say producing a specific length of cloth within eight hours is pre-decided and if a member is failed to achieve 70% of it he is liable for expulsion from membership as per the provision Bye-law No. 9 of the Society.

It is, however, noticed that although many members fail to produce a required level of efficiency, they are not expelled from the society on account of political pressure.

ii) A member of the society is not permitted to weave a defective cloth falling under the category of seconds or fents. If it is happened, the purchasing agency (TEXCOM) recovers damages up to a certain percentage i.e. 15% for second, and 35% for fents from the normal wages payable to him on account of
manufacture of that cloth. Such a recovery is made in instalments, however, if a member continues to weave cloth which is seconds or fents society may take such action against him as may be determined by the Board. Despite this rule the members weave, at many times, fent or second cloth and create problems.

iii) For casual leave of three days member has to intimate in writing within 24 hours in advance. And if leave exceeding 7 days he is required to intimate one week in advance. The members, however, do not obey this rule. Many times absentee members or members on leave, engage the labours who are not on the panel of the society.

iv) Each and every member has to execute an agreement in favour of society for the following purposes:

(a) Deductions from the gross earnings towards the management cost of the society.

(b) Deduction from gross earnings towards repayment of instalments of loan and interest, obtained for installations of looms.
(c) Agreement regarding supply of raw material and sale of finished products.

(d) Agreement regarding fulfilment of various conditions as laid down in bye-laws.

(e) Any other purpose as may be specified by the Board.

By and large the members try to get the escape from the agreements so entered for the above purpose.

Business of Society:

Weavers Co-operative purchases and stocks, the materials, and appliances etc. useful for the

The Weavers Co-operative needs working capital for its routine business. The MDC or TEXCOM purchase yarn on behalf of society and society hypothecates the finished cloth woven on the looms in favour of yarn supplying agencies. Yarn is converted by the TEXCOM into sized beams.

In order to carry out smooth business society provides maintenance, repairs and replacement of spare
part facility to the members and the cost of the same is borne by members to whom the looms are allotted.

In order to ensure efficient management of Society and efficient maintenance of its building and machinery, many societies enter into a management contract, and service and maintenance contract with the MDC or with the agencies approved by the MDC. The society normally cannot enter into any such contract with any agency without the permission of the MDC as long as the loans advanced to the society by the MDC or obtained by the society from any institution under the guarantee of the MDC, or any interest thereon are outstanding.

After repairs and maintenance, a steady supply of raw material assumes importance. Normally the Manager of the society prepares estimates of required raw material for two to three months for joint production and may purchase the same. However the investment of funds in such a purchases is permissible to a certain limit approved by the Board of Directors. The raw material etc. so procured are sold to members for production of raw cloth. The
selling rates of raw material, implements and other goods are fixed under the direction of Board of Directors from time to time. The sale is made to members under the obligation to settle the claims in cash. The society may sell the raw materials on credit. The Bye-law No. 46, provides the information on the same. The same is given ahead:--

Bye-law 46:

"a) A list of approved members is prepared and credit limits are sanctioned to them in the form of:--

  i) Raw materials.

  ii) Appliances and tools.

  iii) Cash advances against the pledge and/or hypothecation of goods on such conditions as are approved by the Board of Directors and provided that the credit limits so sanctioned in the case of raw materials, appliances and tools shall not exceed five times the share holdings or Rs. 2,200/- per loom whichever is less. However, this limit may be exceeded at the direction of the Board of Directors with the previous approval of the
District Deputy/Assistant Registrar,
C.S. .... and the Financing Agency.

b) In the event of loan or instalment of loan not being paid on the date fixed for payment, the debtor is liable to pay penal interest in addition to the normal rate of interest on the amount overdue, from the date of default at the rate not exceeding half the rate at which the loans are advanced.

c) If in the opinion of the Board of Directors, a loan is misapplied or the applicant has deliberately mis-stated the purpose of the loan, other than the one for which he borrowed, the whole loan is liable for recall at the discretion of the Board after giving notice of 15 days. The Board may also call upon the borrower to furnish better or additional security if in its opinion the Society is likely to sustain loss owing to the depreciation of the security already offered.

Bye-law 47:

A) A credit limit not exceeding the limit laid down in bye-law No. 46(a) for a period not exceeding three months may be sanctioned as advances in the form of raw materials on
the security of two solvent sureties having
immovable property and on the collateral
security of credit bonds of their members.
The credit may be renewed at the end of
its period at the discretion of the Board
provided there has been a minimum turn-
over of two times the amount of credit.

B) A credit limit repayable by monthly
instalments inclusive of interest, may be
sanctioned to the member for the supply of
appliances and tools on "Hire purchase
System". The ownership of the appliances
and tools so supplied shall remain with
the society.

C) A credit limit for cash advances against
the pledge of finished goods may be
sanctioned but actual drawings, unless
otherwise decided by the Board, shall at
no time exceed 60 percent of the then
market price of the articles pledged to
the society.

These advances shall carry interest
at the rate fixed by the Directors from
time to time.

A bond of every credit is executed containing
the rate of interest, the date of instalments, if any,
the period of credits, the nature of surety, the
minimum turnover etc.
Historical Perspective of the Power-loom Project of MDC

1968 to 1970:

The proposal of powerloom complex project was considered in 1968 by the annual General meeting. The entire project was thought to have 300 or 400 powerlooms in the cluster at few selected centres of Marathwada. The whole idea, as said earlier, was in accordance with the recommendations of both Asoka Mehata Committee Report on powerloom and Kogekar Committee Report on Textile.

The report of powerloom project was prepared in 1969-70. This project was expected to have the initial investment of Rs. 650/- lakhs\(^1\). The powerloom project is divided into two parts for the operational purposes.

The weaving part of the project is instituted by forming industrial co-operatives. The number of such co-operatives upto 1970 was 24. These societies were initially managed by the MDC.

The pre-weaving and processing part of the project is entrusted to the TEXCOM.

\(^{1}\) MDC, Annual Report, 1969-70, p. 4.
The MDC while promoting the powerloom industrial units participated actively in the civil construction work, purchase and installation of machinery and obtaining the finance for the powerloom units.

The Government of Maharashtra in 1969 sanctioned a loan worth of Rs. 55/- lakhs for the purchase of fixed assets which were to be installed in powerloom units. The said loan was given to the MDC for subsequent distribution of it to powerloom units. Besides this loan, the MDD in 1969 approached to the nationalised banks and MFSC for the financial assistance to the powerloom units.

1970 to 1971:

During the year 1970-71 the MDC concentrated its attention to the promotion of 24 powerloom industrial co-operatives. The MDC had made arrangements for the construction of factory sheds, installation of machinery and electrifications.

During the year under review the construction of ten powerloom sheds at Nanded, Vasmat (2), Jalna
(3) and Mammat (3) was completed, whereas the construction of eight powerloom sheds at the same places was about to finish.

The MDC sanctioned a loan of Rs. 21/- lakhs to powerloom units for the purchase of shares of TBXCOM. These cooperatives already received the loans (Rs. 55/- lakhs) from the Maharashtra Government for meeting their fixed capital requirements. Besides this, the MDC approached to the commercial Banks, and MSFC for availing an additional funds for meeting needs of fixed capital. At about a loan worth of Rs. 84/- lakhs was received on the above account by the powerloom units.

1971 to 1972:

The powerloom units established at Nanded and Basammat were in the production. Considering the late construction work of these projects (started virtually in September/October, 1970), the commencement of production within few months may be said to be a satisfactory record of the year.
The MDC gave the contracts for the construction of six powerloom sheds in January 1972 at Aurangabad (2), Bhir (2), Wadwani (1) and Parli (1) and these sheds were expected to put in operation by January 1973.

The powerloom units started at various places received the financial assistance in 1971-72. The details of such assistance are given in the Table No. 1.

1972 to 1973:

By the end of 1973 the MDC had managed to complete almost all the civil construction works for powerloom sheds at Aurangabad, Bhir, Wadwani and Parli. All the machines and other equipments like humidification etc. required for such powerloom units were purchased and installed. Out of the 24 powerloom units at various locations, the production was started in the powerloom units, at Nanded, Basmat, Manwat, Jalna and Latur. During the year under report the total production of all the above mentioned location was about 81 lakhs metres of cloth.
This production was expected to rise considerably when all the sheds run in 3 shifts after getting the required quantity of the yarn and after the weavers were fully trained. The production of new powerloom sheds at Aurangabad, Bhir, Parli and Wadwani was disturbed or halted in 1972-73 for the reasons mentioned below -

i) Due to acute power shortage, the power supply was restricted by the Government and new power connections were not allowed to be taken.

ii) In addition to the power shortage the powerloom sheds were affected by the critical position of the yarn supply. Since the yarn supply was regulated by the Government, the powerloom sheds were required to take yarn of the count which were made available under the yarn supply scheme and this supply could not meet the full requirements of the powerloom sheds.

iii) Moreover, it was envisaged that the textile Corporation of Marathwada (TEXCOM) was to supply beams to the powerloom units. However due to the tight financial position, the TEXCOM was not in a position to cater the requirement of new units. As a result, the non-utilization of the full capacity led to heavy losses during the initial stage of the project.
1973 to 1975:

During the year 1973-74, out of the total number of 2,304 looms at different places, 2,256 looms were put in functioning. All these looms produced more than 1.38 crore metres of cloth. The earnings of the powerloom industrial cooperatives exhibited upward trend and potentialities of profits. The MDC deputed its members of the staff to the powerloom units for guiding in production and marketing. This assistance was given free of cost. The MDC also approached the MSEB for the supply of electricity on priority to the powerloom units.

1974 to 1975:

The powerloom project in 1974-75 had to face numerous difficulties, which had adversely affected the position of the powerloom societies under the project. Power cut was imposed from November, 1974 to February, 1975 and after that also more or less in a varied percentage.

Because of these power restrictions, societies were forced to work for only one shift. Eventhen,
because of the various steps taken by the MDC for improving efficiency, the total production of 191.91 lakhs metres was given by all societies during the year 1974-75. Single shift working had very adversely affected the financial position of the societies.

To overcome the difficulties of power restrictions, the MDC constantly pursued the matter with the State Government and succeeded in getting total exemption from powercut restrictions for societies in June 1975.

But unfortunately, this facility could not be availed of by the societies for long, as the societies were again compelled to bring down their working hours because of lack of financial support in respect of yarn and beam from textile Corporation of Marathwada (TEXCOM). Normally TEXCOM was supposed to cater the needs of the powerloom societies to the extent of 22 lakh metres per month. But because of the sudden withdrawal of credit facilities to the extent of Rs. 25/- lakhs by SBI and lack of support for its sales in market, TEXCOM could not fulfill the requirements of yarn and beams after July, 1975. In the month of
August, 1975, about 50% of the total looms stopped in want of yarn and weft resulting in huge losses to the societies.

Considering the above financial difficulties, the MDC approached to the MSEB for concession in power Bill and other commercial Banks for working capital facility to the societies. The Banks by the end of 1975 had extended the favour in the above matter. In addition to the above arrangements, the MDC succeeded in pursuing Maharashtra State Powerloom Corporation Ltd. (MSPC) to accept 192 looms of Aurangabad location under the integrated production programme. Under this programme, MSPC supplied sized beams and weft and bought all the grey cloth produced. This arrangement was contemplated to ensure full 3 shifts working for Aurangabad location, though it might be at slightly lower per metre wages.

1975 to 1976:

The restriction on electricity consumption was in force upto June, 1975. However, the MDC made efforts to exempt the societies from those restrictions. TEXCOM could not supply sized beams and weft to the powerloom
societies adequately during the period from July to September, 1975 on account of shortage of working capital and slump in the cloth market. There had, however, been an improvement from October, 1975 onwards. In view of the limitations of TEXCOM's capacity to supply yarn, 8 societies of Jalna were booked for production programme of M/s Supreme Textile Ltd., Bombay under agreement and 4 societies at Aurangabad were similarly booked with the Maharashtra State Powerlooms Corporation Ltd., Bombay. The remaining 36 societies continued to work for TEXCOM's productive programme. With a view to reduce the working finance requirement of TEXCOM, and also with a view to gradually making those societies self-reliant, efforts were made to get working capital for such societies through the co-operative Banking sector. 20 societies got limits at Rs. 2.40 lakhs each for working capital. Applications from the remaining societies were under process with the Banks.

The total production of powerloom societies in 1975-76 was 208 metres compared to the 192 lakh metres of the previous year.
The significant fact of the year (1975 - 76) was that all the weavers had started deducting 10% of their take-home wages as their contribution towards share capital. With a view to strengthen the societies capital base, the MDC had also taken a step to convert margin money loan of Rs. 55/- lakhs and the accumulated interest due from the societies as their share capital. Similarly steps were taken by the MDC to unload the societies of TEXCOM's shares, worth of Rs. 21/- lakhs, by buying the same at face value.

During the year efforts were made to revitalize the power-loom societies in the ways as given below:

i) Formulation of Cooperative Federation of Powerloom Societies to provide techno-managerial services and to arrange for supply of stores, spares etc.

ii) Dialogue with the financing institutions for re-sheduling of repayments and exemption from higher or penal interest.

1976 to 1977:

A unique feature of the powerlooms project in 1976-77 was the 100% housing provided to all the 1102
weaver-members families of the Cooperative Societies. All these houses were constructed adjoining the powerloom sheds so as to enable the weavers to run the powerlooms as they would do in their house-hold industry. Proposals were under consideration in December 1976 to raise the membership of powerloom societies to provide for working of three shifts round the clock and to provide working capital to them so that the societies could buy yarn for themselves. In spite of the teething troubles, the project had a potential of not only giving good returns on investment but also of helping development of the region through self-generated resources. Without involving more capital investment, it would be possible to provide employment to about 550 persons by starting 3 shifts working of the societies. Efforts were being made to give inplant training to aspiring workers.

As indicated above, the year 1976-77 had been a year of overall progress for the powerloom societies. The production had increased from 192 lakhs metres in 1975-76 to 264 lakhs metres in 1976-77. The weaving charges for the 12 months were Rs. 13/- lakhs,
excluding management charges and repayment. The weavers had earned an amount of Rs. 44/- lakhs and the average earning for one shift for 2 looms comes to Rs. 160/- and for 2 shifts 320/-. During this period all the 48 societies repaid loan and interest of Rs. 25/- lakhs.

In view of the limitations on TEXCOM's capacity to supply yarn, 8 societies at Jalna were booked for production programme with a private enterprise under an agreement. The agreement lateron had been, however, terminated in view of the increase sizing capacity of the TEXCOM. All the 48 societies were thus working under the TEXCOM's production programme. The MDC hoped to start 3 shift working of the societies to increase production. To maintain quality, a quality incentive was introduced.

All the powerloom societies entrusted their management to the MDC. The details of the efforts put up by the MDC to improve the deteriorated financial position of the societies through technical and managerial services are as under:

1) The Corporation converted margin money loan of Rs. 55/- lakhs and interest of
Rs. 12.71 lakhs thereon, in the equity of the co-operative societies and also interest for the period 1973-74 to 1976-77 i.e. Rs. 11.94 lakhs had been waived.

ii) The Corporation had given a loan of Rs. 21.00 lakhs to powerloom societies for purchase of TExCOM Shares. The shares held by the societies had been purchased by the Corporation on the face value of the shares. And the interest thereon of Rs. 12.96 lakhs was also converted into equity of the societies.

Because of these 2 measures, societies were relieved of the loan and interest liability, amounting to Rs. 1,13,62,000/-.

iii) The MDC had not charged interest on the ways and means advances given to the societies from time to time and on the outstanding amount of stores supplied to the societies.

iv) The MDC had requested to the financial institutions for re-schedulement of the repayment, restoration of old rate of interest and not to calculate the interest by way of compound interest. For this the MDC initiated and was successful to persuade them to agree to the requests. Bank of Maharashtra had prepared re-scheduling of repayment and old rate of
interest was made applicable. Other Banks were also expected to take similar action. The powerloom societies got a relief of Rs. 60/- lakhs by this arrangement.

v) In order to have greater coordination in day-to-day working and solving the problems of both the TEXCOM and powerloom societies, the Managing Director of TEXCOM had been entrusted with the management of the co-operative societies also. Similarly to have an effective control over central stores at Nanded and also to have close coordination between powerloom societies and TEXCOM and societies themselves, a post of General Manager had been created and a Senior Officer from Government had been appointed. He had been supported with necessary staff. This had improved the management considerably.

vi) The Corporation had made special efforts to obtain working capital loan to co-operative societies at Nanded, Basmat, Manwat from the District Central Co-operative Bank of the concerned district and from Bank of Maharashtra for Jalna, Parli and Wadwani societies. This solved the day-to-day problems of shortage of yarn and beams. Efforts were also made to obtain working capital loan for remaining
societies. To exercise a proper control over the utilization of loan sanctioned in the name of Corporation at Nanded, an Accounts Officer and other staff was appointed there.

1977 to 1978:

The financial year 1977-78 may be divided into three distinct periods reference to the performance of the Powerloom Division and the powerloom industrial cooperative societies that have been set up in Marathwada under the Integrated Powerloom Project by the MDC. During the first three months of this year, there were several areas of differences of opinion between the powerloom industrial co-operative societies on the one hand and the MDC on the other. During this period, some of the weavers and societies also went on strike to press for acceptance of their demands. Next came the period of stability where production, earnings etc. stabilised. This period comprised of six months. The last phase consisting of the period January to March 1978 was a period of progress where not only production but also the earnings of the societies as well as the weavers rose considerably.
During the year under review, there was a marginal increase of about 3.5% in the grey cloth that was produced by the Powerloom Industrial Cooperative Societies. The total production increased from 264 lakh metres in 1976-77 to 273 lakh metres in 1978. However, as against the average monthly production of 22.00 lakhs metres during the year 1976-77, the average monthly production during the period January to March 1978 came to 25.60 lakhs metres. It would be seen that there was a considerable increase after things had settled down. Even in the subsequent period i.e. April to August 1978, there had been an increase in production at the level of the powerloom industrial cooperative societies and during the month of July 1978 the societies reached the highest over production level of almost 29 lakhs metres.

The average earnings of weavers, for whose rehabilitation this project was conceived and set up, increased from Rs. 319.00 in 1976-77 to Rs. 349.00 per month in the year 1977-78. Here again, the average monthly earnings during the period January to March 1978 were Rs. 402.00 and during the month of July 1978 the average earnings reached a record figure of Rs. 453.00.
Since January 1978, the MDC advised the powerloom industrial co-operative societies to follow a revised system of sharing of earnings on account of weaving between the societies and the weaver members. Earlier, the weaving charges paid to the societies were shared on a per metre basis. However, from 1st January, 1978, a revised scheme was introduced under which the total liabilities of the societies were first to be met from the earnings and the balance would go to the weavers by way of take-home earning. Thus, once the break-even point was crossed and the societies' liabilities had been met, all the income on account of increased production went to the weaver members. This had acted like a catalyst and led to a considerable increase in production at locations like Nanded, where maximum hard work was being put in and efficiency was higher, the weaver members earned on an average Rs. 558.00 per month. In several cases, weaver members earned even beyond Rs. 1,000/- for a month after the society met its operational and debt-servicing expenditure. At a simple function held on 8th April, 1978, Shri Syed Farook Pasha, the then Minister of State for Industries, felicitated several weavers whose earnings during March 1978 had been around Rs. 1,000/-.
Based on the operational efficiency of the weavers and the societies, this scheme was introduced in phases at all the locations and by 1-10-1978 the scheme was in operation at all locations. Thus from 1-10-1978 all the societies expenditure was first to be recovered from the weaving charges and then only the balance was to be paid to the weavers by way of take-home earnings. This opened a new chapter in weaver rehabilitation where the societies would be generating adequate funds out of their production, not only to meet their operational expenditure but also service their debts and at the same time ensure adequate take-home earnings to the weaver members.

Since 1-1-1977 till July 1978, Rs. 24.76 lakhs had been returned to the financial institutions by way of repayment of term loans by various societies. As a result of the efforts made by the MDC and specially made by the then Chairman and Managing Director Shri B.A. Kulkarni, the financial institutions agreed to re-schedule the repayment plan, to waive the penal interest and agreed to take a sympathetic approach towards the powerloom industrial cooperative societies that had gone sick on account of various reasons. The
revised repayment plan which had been accepted in the joint meeting of the financial institutions had formally been communicated to the MDC and to the powerloom industrial cooperative societies and to the Bank of Maharashtra. This covered a total of 32 powerloom industrial cooperative societies. Efforts were made to persuade the other financial institutions, i.e. State Bank of India, State Bank of Hyderabad and the Central Bank of India, to communicate their approval to the revised repayment plan at the earliest. As mentioned above, in cases where the revised repayment plan had been accepted by the financial institutions, the MDC had been ensuring that the societies repay the instalments.

With effect from 1-7-1977, another change was brought about in the functioning of the powerloom Division. With effect from that date, the MDC was providing technical services to the powerloom industrial cooperative societies through qualified technical weaving personnel.

As the powerloom industrial cooperative societies were in precarious financial conditions, the
MDC obtained working capital limits from the Bank of Maharashtra and the State Bank of Hyderabad to enable the societies to have adequate yarn and thereby increase their production. Thus, with effect from 1-7-1977 the MDC had started to purchase yarn for the societies.

As a result of the measures taken above, the powerloom Division and the Powerloom Industrial Cooperative Societies, after stabilisation, started progressing and were on the threshold of a new era in weaver rehabilitation where the societies were expected to generate adequate funds to ensure reasonable earnings for their weaver members and also to take care of their operational expenditure while repaying loans taken from various financial institutions. As far MDC's loans to the powerloom industrial cooperative societies were concerned, the same were repaid after the financial institutions had been repaid their term loans.

Eventhough the picture was much rosier in 1977-78 than it was earlier, there were still locations like Latur, Wadwani and Bhir which were for various reasons, at a fairly low level of production. However,
MDC was confident that through constant efforts and persuasion, all societies would achieve self-sufficiency and reasonable levels of production by 1-10-1978 in any case.

1978 to 1979:

The year 1978-79 was of mixed achievement for the Powerloom Division. With the introduction of new policy of sharing earnings on about of weaving charges between the societies and weaver-members, the production as well as weaver's earnings recorded sizeable increase. The production increased from 2.73 crores metres in 1977-78 to 2.89 crores metres in 1978-79. The average monthly production increased to 24.14 lakhs metres during the period under report, as against 22.76 in the corresponding year.

In the month of July 1978, the powerloom industrial co-operative societies achieved record production of 29/- lakh metres. The average earnings of the weavers also increased to Rs. 354/- p.m. in 1978-79 as against Rs. 349/- for the year 1977-78. It is heartening to note that some of the hard working and sincer weaver-members of the powerloom industrial
co-operative societies at location like Manawat and Nanded continued to earn around Rs. 1,000/- p.m. and even more at times. The average net earnings of the weaver-members at Nanded and Manawat were Rs. 608/- and Rs. 699/- respectively for the month of January, 1979. The new policy as mentioned above was based on the operational level efficiency of the weaver members and societies as well. In such new policy the hard-working worker was paid more than average worker.

The scheme of rewarding hard-working worker more than average worker could not be successfully implemented at certain locations owing to the agitation of weaver-members; and the operations had to be closed down for more than a month. Immediately after reversion to old system, the production went down considerably and with steep fall in production they were not able to meet their operational and administrative expenses.

All the powerloom industrial cooperative societies could not, therefore, be brought under the fold of this scheme. Societies at some locations, however, continued to work somehow and strike in
during the latter half of the year under report caused intermittent interruptions in supply of sized beams, to the locations.

The above situation, therefore, forced the powerloom societies to revert to the old system i.e. payment as per different rates of weaving charges for different picks.

The powerloom cooperatives paid Rs. 4.41 lakhs on account of repayment of capital loans during the period under reference to the nationalised Banks and financial institutions.

In view of the difficulties faced by the cooperative regarding the working capital, a proposal for sanction of working capital limits at the rates based on the norms approved by RBI was submitted to State Bank of Hyderabad. The Bank sanctioned working capital limits of Rs. 1.95 crores for all 48 powerloom industrial cooperative societies at the rate of 4.05 lakhs per society. This facilitates smooth purchase of yarn.
During the year under review, the Corporation purchased yarn worth of Rs. 829.79 lakhs for the powerloom industrial cooperative societies and the societies in turn produced grey cloth worth Rs. 954.24 lakhs and sold the same to the TEXCOM.

1979 to 1980:

The overall performance of all the 48 powerloom industrial cooperative societies during the year under report was not encouraging. The production of all the societies together was 2.16 crore metres as against 2.67 crore metres during the earlier year. The production of the societies suffered mainly on account of irregular supply of yarn.

During the year under review, the prices of yarn increased since September/October, 1979. This increase was about 10 to 15 percent for major counts. Moreover, the yarn market was so tight that the suppliers of yarn stopped the credit facilities and started insisting upon cash payments. Even though the Government introduced a scheme of distribution of yarn at control prices, the powerloom units could not get
the desired relief of the controlled prices because the suppliers insisted upon the cash payment and the quality of yarn supplied under the scheme was also much below the expected standards. The main reason of irregular or short supply of yarn to the societies was the finance. The cash flow of the powerloom division for the supply of yarn was affected due to the financial difficulties faced by TEXCOM who was the purchaser of the entire cloth produced by the powerloom societies. Thus one of the main reasons of low production during the year under report was the shortage of finance resulting in short supply of yarn to the powerloom societies.

During the year under report, the powerloom Division purchased yarn worth Rs. 641.66 lakhs for the societies and the societies produced the grey cloth valuing Rs. 791.96 lakhs and sold to TEXCOM.

During 1979-80 though the quantitative production had gone down, there had been an improvement in the quality of production. A scheme of incentives was introduced and MDC started implementing the same initially at Chikalthana, Nanded and Manwat locations.
In addition, the maintenance work was carried out regularly on the looms. These efforts and the effects for controlling weaving damages helped in improving the quality of cloth produced by the societies.

Moreover, improvements carried out by TEXCOM in its pre-weaving department also helped in the improvement of the quality of grey-cloth production. However, due to the non-utilization of the full production capacity, the societies could not generate surplus funds to repay the term loans. The societies could not repay the loans and interest thereon. Due to the default in repayment the concerned banks and the financial institutions forced the MDC (being the guarantors) to take effective steps in the revival of working of the societies.

The year under report witnessed unrest amongst the weavers resulting in management problems. The employees of the societies had also resorted to the agitation under the fold of trade unions.

During the course of agitation the weavers used to stop the production from time to time. TEXCOM had, after considering the demand of the powerloom
cooperative societies for increased weaving charges, agreed to increase the weaving charges by 4 paise per metre.

1980 to 1982:

The year 1980-81 was full of difficulties for the 48 powerloom industrial cooperative societies under the integrated powerloom project and also the powerloom division of MDC. Because of difficulties in timely payment of grey-cloth by TEXCOM, the purchase and supply of yarn for weaving was disorganised. This state of affairs continued in the year 1981-82 also.

The issue of revival of powerloom industrial cooperative societies and the rehabilitation of TEXCOM was under the active consideration of Government. Pending decision and in order to avoid losses and loom stoppage, the societies of Latur, Jalna, Beed and Chikalthana were delinked from the production programme of TEXCOM and the weaving on job work basis was made available to these societies from the private parties for a temporary period. During the years 1982, powerloom societies together produced 114 lakh metres of cloth for the private parties.
As per recommendations of the cabinet Sub-Committee, the amount payable by the 48 societies to the concerned banks and MSFC was paid off by the Government. The amount involved was Rs. 3,84,66,650/-. The societies were, therefore, relieved from the task of debt servicing. Due to Government's assistance the TEXCOM was also on a better footing. The Government had resolved that the outstanding amount of cash credit limit (which was sanctioned to the societies by the different banks for the working capital purpose) was either to be got transferred in TEXCOM's name or TEXCOM had to arrange the payment to the concerned banks out of the grey-cloth bills payable to the societies. Thus the MDC was relieved from the burden of guarantee which it had given to the concerned banks for the repayment of term loan and cash credit limits to powerlooms cooperative societies.

During the year the powerloom division had purchased 2,51,989 Kgs. yarn worth Rs. 3,75,490/-. The powerloom industrial cooperative societies had sold 11,47,5497 metres of grey-cloth to TEXCOM worth Rs. 4,00,28,298/-. 
1982 to 1983:

The TEXCOM received sufficient financial assistance from the Government. Thus facilitated the TEXCOM to provide the work of powerloom industrial units. Since January 1983 all the powerloom units had started its work for TEXCOM. The 48 industrial cooperatives produced 198.17 lakh metres of grey-cloth for TEXCOM as against 114 lakh metres produced in 1981-82. These industrial cooperatives also effected the production of 37.72 lakh metres of grey-cloth during the year for other mills. The similar production for the use of mills other than TEXCOM during the preceding year (1981-82) was 35 lakh metres.

The TEXCOM in April 1982, as per demand from powerlooms cooperatives increased its weaving rates 3 to 5 paise per metre. In November, 1982 these rates were further improved. So also TEXCOM had started a practice of giving incentive for the efficient and quality production of powerloom co-operatives.

1983 to 1984:

The year was proved to be a difficult period for the societies. Due to market slump and financial
stringency TEXCOM could not provide adequate and continuous weaving job work to societies resulting in the loss of production and the income of weaving charges of the societies. As a result of deficit financing, the societies could not meet out their expenses resulting in the non-payment of wages to the employees and disconnection of power supply by the MSEB for non-payment of bills. Due to this state of affairs there was frustration and unrest and indiscipline amongst the society employees and the workers. Societies were required to take huge advances from TEXCOM to keep their industry running. All the 43 societies together had taken the advance of Rs. 25,02,942/- from TEXCOM during the year under review.

During the year under review all 43 societies together woven 1,85,40,154 metres of grey-cloth as against 2,35,90,650 metres in 1982-83.

The problems faced by the societies were brought to the notice of the Government from time to time and the proposal for the revival of the TEXCOM/Societies and the financial assistance to the project was under consideration of the Government. Since there is an
established fact that the societies and TEXCOM are inter-dependent, the future of the society is very much linked with the well-being of TEXCOM.

The Nanded and Parbhani Central Cooperative Bank had obtained the court decree against the societies/MDC for the payment of the amount drawn by the societies against the C.C. Limits. This was because the TEXCOM who had liability to pay this amount failed to clear up the loan despite an interest free loan of Rs. 3/- crores from Government. The MDC had submitted the proposal to the Government for sanctioning additional funds for discharging its obligations as a guarantor of the working capital loan borrowed by the societies. This was essential to avoid the attachment/auction of the MDC's assets and legal complications.
IV

Problems and Solutions for Smooth Functioning

The powerloom project of MDC plays a significant role in the economy of Marathwada. They provide independent as well as subsidiary occupation to a sizeable proportion of rural and urban population. Since times immemorial the weavers of this region have established distinguished record. The Paithan was famous for weaving skill. The advent of the British rule in India and the consequent ushering in of the machine age resulted in a wide spread deterioration of the village weavers. This situation in Marathwada continued upto late sixties. The weavers were staggering for want of adequate finance, quality, raw materials, technical guidance and marketing facilities. The MDC showed a full interest in such weavers and had determined to hold decline of the weaving skill. This gave a birth to the powerloom project. Although there has been several efforts to make this project viable, there are some inherent defects. Many problems are yet to be weed out. The forthcoming delineation deals with this.

(i) Inadequate Supervision and Inspection:

The progress of powerloom cooperatives of the MDC has been hampered due to inadequate supervision
and inspection. There was a need to create quality control and inspection wings in each society. This was not done in initial stage of this project. Such inspection, if introduced now will be disliked by the members. To-day in some units there has been arrangements of inspecting the affairs. However, the over-load of supervisors is too heavy to perform all the functions required. Some of the societies have become moribund because of lack of interest and follow-up by these supervisors.

(ii) **Lack of prompt audit:**

Prompt and thorough audits (both financial and performance) of the powerloom cooperatives are regarded as imperative because it ensures that they function on sound lines. It is, however, found that the audits of many powerloom societies have fallen into arrears owing mainly to paucity of staff. Even where societies had been audited, its utility was lost as the audit objections were not attended to. It was found that the audit reports were filed as soon as they were received and in many cases, they were not placed before general meeting of the societies. Thus the audit objections continued to remain uncomplied with year after year.
(iii) Haphazard Planning:

One broad fact emerged from the study of these societies that they have been organized in far too great hurry. In fact there is a need to see the situation of yarn supply. Tempting and rosy promises were made by the Government for forming the cooperative spinning mills for the supply of yarn. However, these were not fulfilled by the Government and ultimately all the powerloom cooperatives went under the state of uncertainty for yarn supply. Though there was intensive project planning exercised for the powerloom units, the actual state of affairs has considerably deviated from what was expected.

For the orderly growth of powerloom cooperatives, the scale of production of a society had to be at least as much as would provide it with a net income sufficient to meet overhead costs. But the officials seem to have conveniently glossed over this fact and societies at nine locations have been opened indiscriminately without ensuring that they would be able to stand on their own legs within a reasonable time.
(iv) **Inadequacy of Raw Materials**:

The powerloom cooperatives are labouring under serious handicap. One of the chief difficulties experienced by them is the availability of quality yarn in adequate quantities and at reasonable price. The powerloom cooperatives are facing the following difficulties with regard to raw materials:

a) Irregular supply of raw material
b) Inadequate supply of raw material
c) Fluctuations in prices of raw materials
d) Insufficient storage facilities
e) Inability to purchase in bulk quantities whenever required
f) Vacillating policy in regard to supply of raw materials to the cooperative societies on a preferential basis.

(v) **Problem of Finance**:

Non-availability of a cheap and adequate finance has been a big hurdle in the progress of these societies. Hence the MDC has made sufficient efforts to do away with this problem with great success. However after late
seventies, many financial stringencies. This was on account of accumulated losses. All the societies are now waiting for Government's "Mercy" in this respect.

(vi) **Problem of Marketing:**

Marketing has all along been a baffling problem for all types of industrial cooperatives. However, the powerloom cooperatives of MDC has not to face such problems, since the powerloom cooperatives are linked to TEXCOM for the purpose of marketing. In order to provide quick return to artisans, such linking is desirable.

(vii) **Lack of Cooperation between the various agencies working for Powerloom Cooperatives:**

The working of powerloom cooperatives has also been hampered on account of some operational problems such as dual control. For registration, supervision and audit they depend on the Cooperative Department and for raw materials, finance, technical guidance, repairs and maintenance, and internal control they depend on the MDC and TEXCOM. It has been noticed that
there is hardly much coordination and cooperation among these agencies.

(viii) Absence of loyalty of Members:

Many of the societies have experiencing distorted loyalty of members towards them. It was found that loans advanced in cash to members were not utilized for the purpose stipulated, but were channelized into other purposes. According to the bye-laws, the produce of yarn supplied to members by the MDC or TEXCOM ought to have been sold through the societies, but sometimes the weavers sold their entire produce directly in the market resulting in huge outstandings against them. The problem of overdues is assuming serious dimensions in the case of these societies.

Some members of societies engage the hire workers for doing their work of weaving. This is as against the bye-laws. The housing facilities provided to members are also mis-used by the members. Many members rent out these houses to others.
(ix) The powerloom cooperatives of MDC have not been able to show good progress because they are being run by inexperienced and untrained managers and personnel.

(x) **Vested Interest** :

Certain unhealthy and highly un-cooperative trends have also been reported in the working of the powerloom industrial cooperatives. Many societies are dominated by the traders and entrepreneurs who are exploiting the workers for their own ends.

**Suggestions** :

(1) **Need for Revitalization and Reorganization** :

As most of the powerloom cooperatives are working on non-viable basis, the first imperative necessity is to make them strong and viable units. A scheme for revitalization and re-organization should be drawn for each of nine locations and more and more emphasis should be laid on consolidation and viability rather than on expansion and target hunting. By concentrated efforts, attempt should be made to revive
non-viable units. But societies, which are in a hopeless state of affairs and where there is a chance of revival, should be liquidated.

(2) **Provision of Raw Materials:**

The MDC should take active steps in gearing the activities of spinning mills. So also new spinning mills should be established. The cotton production should be encouraged by giving bonus against rising scale of production effected by individual farmer.

(3) **Marketing Facilities:**

If TEXCOM finds inconvenient in purchasing grey-cloth produce by the powerloom societies, other alternative arrangements should be made in advance.

(4) **Provision of Credit Facilities:**

Though the adequate credit facilities are the need of powerloom cooperatives, the recovery of credit is not aptly managed. The urban cooperative banks may be requested to extend the credit facilities.
(5) Modernization:

The importance of modernization for powerloom units can hardly be exaggerated. This aspect is now considered of most crucial importance for existence. The term modernization implies rationalization of structure, training of workers, research and experimentation and the orientation of the attitude of workers on one hand and installation of suitable machinery on the other. It will lead to the lowering of the cost of grey-cloth.
STATEMENT 'A'

Financial Estimates of a Powerloom Society
(Comprising 96 looms) (1972)

I. Capital Cost:

(a) Land two acres 3,640/-

(b) Construction of building to house the looms and the residential accommodation for a family running 2 looms 4,00,800/-
   @ Rs. 4,175/- per loom.

(c) Cost of Electrification 1,44,000/-
   including motors starters and other electrical materials, erection and commissioning
   @ Rs. 1,500/- per loom.

(d) Cost of loom including freight, transport, installation, humidification, pirrwinders etc.
   @ Rs. 4,285/- per loom.

Total capital cost per society 9,60,000/-

ii) Working Expenses:

(a) Managerial, Supervisory and Transport cost for a Society per annum @ Rs. 34.05 per loom/month.

(b) Operation cost per annum 1,07,712/-
   Electricity, lighting, stores, spare parts, Excise, water charges etc. per day of 16 hours @ Rs. 3,74 per loom.

(c) Repayment of interest (Average) per annum on loans borrowed 48,202/-

C/c 1,95,139/-
D/f. 1,25,199/-

(d) Depreciation Reserve for machinery @ 10% and building @ 2½%.
(e) General Reserve ...

Total working expenses:

III. Economics of the working of a Society:

(a) Production of cloth per annum @ 26 metres/8 hours

... 14,97,600 metres

(b) Gross earning @ 26 paisa per metre per annum.

(c) Total working expenses (-) 2,33,694/-

Average earning for the Society (per annum):

1,05,902/-

(i.e. Rs. 8,806/- per month for 48 families or average Rs. 183/- per month per family).

Note: Eventhough the average earning per family per month is Rs. 183/-, in view of the higher interest charges in the initial years, it will be possible to pay only Rs. 150/- to every family during the first five years; from the 6th year onwards the monthly earning per family will be Rs. 215/-.

Source: Office Record of Powerloom Project.
Table No. 4.1: Financial Assistance received by the Powerloom Co-operative Societies (1970 - 72).

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of No. location</th>
<th>No. of sheds</th>
<th>Name of financial Institution sanctioning the loan</th>
<th>Total loan sanctioned for the location in lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nanded</td>
<td>4</td>
<td>Maharashtra State Financial Corporation</td>
<td>34</td>
</tr>
<tr>
<td>2.</td>
<td>Basmathnagar</td>
<td>4</td>
<td>-do-</td>
<td>38</td>
</tr>
<tr>
<td>3.</td>
<td>Manwat</td>
<td>2</td>
<td>-do-</td>
<td>12</td>
</tr>
<tr>
<td>4.</td>
<td>Jalna</td>
<td>4</td>
<td>Bank of Maharashtra</td>
<td>32</td>
</tr>
<tr>
<td>5.</td>
<td>Parli</td>
<td>1</td>
<td>-do-</td>
<td>06</td>
</tr>
<tr>
<td>6.</td>
<td>Wadwani</td>
<td>1</td>
<td>-do-</td>
<td>08</td>
</tr>
<tr>
<td>7.</td>
<td>Bhir</td>
<td>2</td>
<td>State Bank of Hyderabad</td>
<td>16</td>
</tr>
<tr>
<td>8.</td>
<td>Latur</td>
<td>4</td>
<td>State Bank of India</td>
<td>32</td>
</tr>
<tr>
<td>9.</td>
<td>Aurangabad</td>
<td>2</td>
<td>Central Bank of India</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total Rs. 197</td>
</tr>
</tbody>
</table>
**APPENDIX - I**

**Powerloom Industrial Cooperative Societies initiated by MDC and their share capital as on 31-3-1996**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Share</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.</td>
<td>3.</td>
</tr>
<tr>
<td>Nandigram Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Godavari Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Abhinav Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>Rs. 6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>New Markandeya Powerloom Indl. Co-operative Society Ltd., Nanded</td>
<td>Rs. 6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Momin Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>National Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Venkatesh Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Mahalaxami Powerloom Industrial Co-operative Society Ltd., Nanded</td>
<td>6,400/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Sidheshwar Powerloom Industrial Co-operative Society Ltd., Basmathnagar.</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
</tbody>
</table>

*Contd. ...*
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kranti Powerloom Industrial Co-operative Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Powerloom Indl. Coop. Society Ltd. Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Saraswati Powerloom Indl. Coop. Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Samata Powerloom Indl. Coop. Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Mangal Powerloom Indl. Coop. Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Yeshwant Powerloom Indl. Coop. Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Vaibhav Powerloom Indl. Coop. Society Ltd., Basmathnagar</td>
<td>6,524/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,63,000</td>
</tr>
<tr>
<td>Shri Datta Powerloom Indl. Coop. Society Ltd., Manwat</td>
<td>6,622/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,65,550</td>
</tr>
<tr>
<td>Laxmi Powerloom Indl. Coop. Society Ltd., Manwat</td>
<td>6,622/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,65,550</td>
</tr>
<tr>
<td>Vishnu Powerloom Indl. Coop. Society Ltd., Manwat</td>
<td>6,622/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,65,550</td>
</tr>
</tbody>
</table>

Contd. ...
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambika Powerloom Indl. Coop. Soc. Ltd., Manwat</td>
<td>6,622/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,65,550</td>
</tr>
<tr>
<td>Markendaya Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Laxminarayan Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Saramwati Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Balaji Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Shrikrishna Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Ganesh Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
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<tr>
<td>Shriram Powerloom Indl. Coop. Soc. Ltd., Jalna</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Jiwaji Powerloom Indl. Coop. Soc. Ltd., Wadwani</td>
<td>7,115/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,77,875</td>
</tr>
<tr>
<td>Gajanan Powerloom Indl. Coop. Soc. Ltd., Wadwani</td>
<td>8,125/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>2,03,125</td>
</tr>
<tr>
<td>Choundeshwari Powerloom Indl. Coop. Soc. Ltd., Wadwani</td>
<td>8,125/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>2,03,125</td>
</tr>
</tbody>
</table>

Contd. ...
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaidyanath Powerloom Indl. Coop. Society Ltd., Parli</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Jagmohan Powerloom Indl. Coop. Society Ltd., Parli</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Jyoti Powerloom Indl. Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Samrat Powerloom Indl. Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Raj Powerloom Industrial Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Adarsh Powerloom Industrial Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Vijay Powerloom Industrial Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Jagri Powerloom Industrial Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Vikas Powerloom Indl. Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Pragati Powerloom Indl. Coop. Society Ltd., Latur</td>
<td>7,706/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,92,650</td>
</tr>
<tr>
<td>Ganesh Powerloom Indl. Coop. Society Ltd., Bhir</td>
<td>7,632/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,90,000</td>
</tr>
</tbody>
</table>

Contd. ...
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champawati Powerloom Indl. Coop. Society Ltd., Bhir</td>
<td>7,632/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,90,800</td>
</tr>
<tr>
<td>Kankaleshwar Powerloom Indl. Coop. Society Ltd., Bhir</td>
<td>7,632/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,90,800</td>
</tr>
<tr>
<td>Khandeshwari Powerloom Indl. Coop. Society Ltd., Bhir</td>
<td>7,632/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>1,90,800</td>
</tr>
<tr>
<td>Ellora Powerloom Indl. Coop. Society Ltd., Aurangabad</td>
<td>3,036/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>75,900</td>
</tr>
<tr>
<td>Ajantha Powerloom Indl. Coop. Society Ltd., Aurangabad</td>
<td>2,997/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>74,925</td>
</tr>
<tr>
<td>Bharat Powerloom Indl. Coop. Society Ltd., Aurangabad</td>
<td>3,013/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>75,325</td>
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<tr>
<td>Adarsh Powerloom Indl. Coop. Society Ltd., Aurangabad</td>
<td>3,013/- Preference Shares of Rs. 25/- each fully paid up</td>
<td>75,325</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>80,67,425</strong></td>
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