CHAPTER II

REVIEW OF LITERATURE
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This chapter makes a brief review of the literature relevant to the study. There are only limited studies which are directly related to the study concerned. The researcher has made an attempt to present a brief review of the literature available, which consists of reports submitted by various committee reports, articles and technical papers published in the journals, magazines, and websites in the related area.


The Fact Finding Committee was set up under the Chairmanship of Shri A.P. Thomas in the year 1942. The committee submitted their report in the middle of the Second World War. The committee recommended that as a measure of protection to handlooms certain areas of production be reserved for them; because of more serious rivals to the handloom sector were the mill and small-scale powerloom factories.
2.2. Report of the Textile Enquiry Committee, (Second Five Year Plan), 1954, Government of India, New Delhi

The Textile Enquiry Committee headed by Mr. Kanungo appointed in 1954, went into the problems of handloom sector. The committee recommended the conversion of handlooms into powerlooms and felt that would improve the efficiency of performance and the earnings of handloom weavers. On the basis of recommendation, the Government of India decided to allow installation of 35,000 powerlooms in the handloom sector under the scheme of conversion of handlooms into powerlooms during the Second Five Year Period. The main principles of the policy governing the installation of powerlooms are;

1. Powerloom units should be located only in rural areas or a town with a population of 30,000 or less
2. Powerlooms should be normally be housed in weaver cottage themselves
3. Only one powerloom to each weaver should be allotted
4. Handloom weavers with three or more handlooms worked by his family members can be allotted a minimum of two powerlooms
5. Powerlooms are only meant exclusively for the products of cotton cloth only.

2.3. A survey of Handloom Industry in Madras State, 1959, Ministry of Commerce and Industry, Government of India, New Delhi

A survey of Handloom Industry in Madras State was undertaken in 1959 to know the socio-economic significance of handloom industry. The survey recommended that the handloom industry to face squarely the mill competition. From the economic point of view, adoption of powerlooms is the only effective solution.

The Government of India having realised the importance of powerloom sector, had decided to set up a committee under the chairmanship of Mr. Ashok Metha, to enquire into the problems of the powerloom industry. The terms of reference of the committee were as follows.

1. To examine the structure and growth of the powerloom industry with special reference to the types of holding ownership, supply of raw materials, sorts of fabrics produced, marketing, financing and other factors relating thereto;

2. To examine the remunerativeness of the powerloom industry taking into account the cost of production and efficiency of working and the conditions of workers;

3. To consider the relative role to be played by the powerloom industry vis-à-vis that of the handloom and mill industry and to recommend targets of production;

4. To account for the phenomenal growth of unauthorized powerlooms in the part and device means to prevent future unauthorized expansion;

5. To make suggestions for the establishment of powerloom industry on stable footing within the field of operation which should be allotted to it.

The committee went into the working of the powerloom industry and it described the growth of powerlooms as very rapid and phenomenal. It is also felt the growth of powerlooms was haphazard and wholly in contravention of law. It also expresses that, looking ahead over a period of next ten or twenty years, powerlooms are likely to continue to be a part of the country’s industrial economy and their growth should be planned as apart of the overall strategy of development.
The committee recommended that the entire increased requirements of cloths of the country should be allocated to the decentralized powerloom sector and for this the committee has given a phased programme of installation of powerlooms in the handloom sector totaling 1,10,000 powerloom during the next seven year period. The committee also envisaged that the registration of powerlooms will be freely allowed. The committee finds that, the profit per loom per shift varied from Rs. 107 to Rs. 357 depending on the continuity of work. The monthly earnings of the weaver were assessed at Rs. 100 to Rs. 150.


Angadi, V.B has studied the prospects, problems and place of handloom and powerloom industries. It also deals with the socio-economic aspects of weaving communities.


Chorghade, S.V has studied the growth and structure of the powerloom industry, the policy implications and the remunerativeness of the powerloom industry and analysed the problems involved in conversion of handlooms into powerlooms.

Anubhai, P.S. examined the need for modernisation of textile industry. It is stated that only a phased programme for improving the performance and productivity of the spinning industry can help the modernisation of textile industry. She also explained that the wide gap between labour productivity and machine productivity is due to the absence of the modernisation programme in the textile mills.

2.8. **Sreenivasan, K.** India's Textile Industry, SITRA, 1984, Coimbatore.

Sreenivasan, K. explained that the textile industry occupies a key position in the economy of our country. He suggested that the textile industry had to go for modernisation and other process to be made efficient, more productive and homogeneous in order to meet the demand for cloth due to increasing population.


Metha Suresh observes that the restructuring of the textile industry is possible only when the Government modifies the fiscal policies on excise duty, import duty, taxation, financing and interest rates. He has also stated that the restructuring of textile industry further depends on the fact that whether Government is able to balance, differing interest of various sector of industry such as organised, private owned, Government owned and co-operative sectors.
2.10. **Mahesh Nanavaty, Textile Exports, Economic Times, 9th August, 1985.**

Mahesh Nanavaty, in his article, explains that the new Textile Policy, 1985 is quite liberal and bold, if it is implemented quickly, because of Indian textile industry is plagued at home by prolonged sickness due to unprofessional management and outdated machinery. Our export credibility in the textile field is further challenged by newly emerged major exporters, China, Taiwan, Hong Kong, Korea and Ceylon. The organised textile sector, composed of some 800 composite cotton mills, is passing through a serious crisis of survival with some 72 mills closed, 24 mills in Gujarat and rest elsewhere in the country. Even most of the well managed mills are locked in the grim battle of survival with demand shrinkage, unhealthy internal competition from Powerloom sector and raising cost of labour and raw materials wasted and worn-out, outdated machinery in spinning, weaving and processing sector. The powerloom fabrics have limited potential in export market as poor substitute to mill-made cloth. The powerloom sector composed of some 6,00,000 looms is enjoying certain advantages over the organised sector. Powerloom fabrics are more competitive and were readily accepted in Africa and West Asia. The advantage has not been fully exploited by the industry due to financial constrains of African buyers with irregular, faulty production, poor wearing and isolated marketing efforts. Modernisation of textile technology is the by term solution, but to meet out stop gap arrangement, there is the need for a new bold export policy to be formulated in the interest of the textile industry.

Tackersey, S. in his report states that the existence of an enormous weaving capacity in the decentralised sector, the diminution of demand for mill made cloth, large scale smuggling of man made fibres and yarn, irrelevant excise duty structures on cotton and man made textiles, large scale piracy of mill names are some of the problems of textile industry.


Cauvery, R. examines the growth structure, policy implications and the comparative analysis of weaving capacity of different varieties of cloth in different areas in Salem District and the cost structure of the Powerloom sector.


Iranna Hatti traces the story of the Indian Textile Industry down through the colonial rule to its present set up. Today textile industry in India comprises two sectors- organised Mill sector and unorganized Handloom and Powerloom sector. In a country of India's size and population, this unorganized sector assumes importance in employment generation, balanced regional development and contribution to national exchequer.
From the point of view of financial assistance and job creation, the Industrial Credit and Investment Corporation of India (ICICI) revealed that it required about Rs. 40,000 for creating a job in ICICI. As against this, for the creation of one job, the investment in village industries of the decentralized sector would be of the order of only Rs. 4,000 to Rs. 5,000.


By 1981, the powerloom sector has grown considerably and the number of licensed looms stood at 5.03 lakhs. More than 95% of the working capital and most of the fixed capital is from non-banking source.

2.15. Sathiavathi, k. “A study of socio-economic conditions of powerloom weavers in Komarapalayam” August 1990

The study analyse the working conditions and socio-economic conditions of powerloom weavers in Komarapalayam. Study reveals, weavers in powerloom factories in Komarapalayam are working for more than 8 hours per day. There is no practice of payment of overtime allowance for the extra work done. Weavers, who have worked between 8 and 10 hours, are asked to work 4 hours on Sundays for which neither extra payment nor compensatory leave is provided.
The powerloom factories in Komarapalayam do not provide the basic amenities that should be provided in factories such as adequate rest room, separate rest room for women, canteen facilities and the like as required by law. Majority of the powerloom units in Komarapalayam are financially sound to meet their fixed and working capital needs. They also borrow funds from outside source when necessity arises. Commercial banks are popular in providing finance to powerlooms followed by moneylenders.

The study suggests that, powerloom co-operative may be started in Komarapalayam to ensure continues work, to improve their socio-economic conditions and to provide better working conditions for powerloom weavers. The employment and exploitation of child labour in the powerloom unit should be stopped. Also Government machinery should be geared up to punish the employers who are making the female workers to work during night shifts.

2.16. Indra Doraisamy and Ratnam, India's Textile Exports, Textile Magazine, April 1994

Powerlooms in the decentralized sector have made rapid strides in our country during the last decade. The value of exports by powerloom in 1981 is 25 million dollars and in 1991, 427 million dollars. The powerloom enjoys the additional advantages of high productivity and better quality when compared to handlooms and excise advantage plus lower wages compared to the mill sector.

Ramakrishnan, R. examines the profitability of powerloom units and has tried to analyse the performance of powerloom industries.


With their small scale of production, poor wages and working conditions and lower tax payments, the powerloom gave competition to composite mills. Because of competition, many composite mills in India were closed even before liberalization. This phenomenon got accentuated after liberalization, resulting in the closure of 82% of all mills between 1994 and 1996 and 80% decline in the workforce.

2.19. Mathivanan, M.S. Chairman, Powerloom Development and Export Promotion Council (PDEXCIL), PDEXCIL – Main bastion for powerloom exports, Tecoya Trends, 24th June, 2000

The powerloom units are not in a position to get adequate working capital from the banks. Unless the working capital to the extent required, is provided, the powerloom units, even though they undertake modernization, may not be able to run the units effectively. It is therefore imperative to provide working capital to the extent required.
The powerloom units are situated in rural and semi urban areas. The branches of the nationalised as well as leading banks located in these areas, do not show much interest in extending credit to the small such powerloom units. These banks look forward to large-scale units for extending funds.

2.20. Asha Krishnakumar, Weavers in Distress, Frontline, April 27, 2001

The thread of life is running out for the weavers of Andra Pradesh. Marginalised, ironically, by government policies, and pushed into the vortex of unemployment, debt and starvation, handloom and traditional powerloom weavers have been driven to death. Karimnager collector says “Suicides in Andra Pradesh are routine among farmers, powerloom or handloom weavers”

Minister for Handlooms and Textiles says that the powerloom owners must be discouraged from committing suicide as they do it only after getting into a financial mess.” With no policy support from the Government, no means to invest in technology and no market-savvy master weavers to help them adapt to changing consumer tastes, the traditional powerloom owners and weavers of Andra Pradesh are increasingly driven to desperation and death.

Chidambaram, K and Natarajan, L were made an attempt to study the marketing efficiency of the channels used for gray cotton fabrics manufactured in powerloom units in selected areas of Coimbatore District. The main objectives of the study are:

- To identify the alternative channels used for marketing of grey cotton fabrics by the powerloom owners in Coimbatore District.
- To calculate the marketing cost, marketing margin and price spread for different channels used for marketing of grey cotton fabrics.

This study is confined to the Coimbatore District of Tamilnadu. The study is based on primary data collected from the manufacturers of grey cotton fabrics. A sample size of 220 powerloom units was taken up for the study. The sample units were decided into three groups, small, medium and large. Units having looms upto 12 are termed small and those having 12 to 47 looms are termed medium and those having 48 looms and above are termed large.

In this study, marketing efficiency was examined for three different channels for small, medium and large units. The marketing costs, marketing margins and efficiency indices for three different channels of small, medium and large units were estimated separately. The study concludes with channels which is most marketing effective for small, medium and large units.

The impacts on India of the elimination of MFA quotas and of selected reforms to domestic textile policies have been analyzed by Elberhi et al. using a global general equilibrium model. The impacts of MFA quota removal are analyzed based on the terms of the Agreement on Textiles and Clothing, which called for the removal of all quotas by January 2005. The package of domestic reforms analyzed included removal of restrictions on imports and exports of cotton and cotton-based products and removal of the Hank Yarn Obligation. These reforms were assumed to lead to an increase in labor productivity in India’s apparel sector to levels achieved by China.

The results of the analysis indicate substantial increases in output and net exports of textiles and apparel as a result of the package of domestic reforms, resulting in total annual welfare gains of about $810 million. Gains are particularly large for cotton-based products, and percentage increases in output and exports of cotton-based products exceed increases in raw cotton output. The estimated benefits of domestic reforms are increased substantially when the impacts of MFA quota removal are included. With MFA quota removal and domestic reform, annual welfare gains more than double to $1.97 billion. This model-based assessment likely results in an underestimate of the potential gains from domestic reform because it excludes any impacts of increased productivity of factors of production other than labor. It also excludes the impacts of potential improvements in efficiency from integration and restructuring in other segments of the value chain, particularly weaving.
Impacts on India of domestic and Multi Fiber Arrangement (MFA) quota reforms, 2003

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<th>Domestic and MFA reform</th>
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<td></td>
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<td>Exports %</td>
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<td>5.7</td>
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Andhra Pradesh has the second largest concentration of weavers in the country, after neighbouring state of Tamil Nadu. The annual production of handloom cloth is estimated to be around 450 million meters, both in the co-operative and private sectors. The study analyses the problems pertaining to selling and other related activities such as procurement, prices, proper planning, designing, unsold stocks, absence of market research, competition, etc of marketing of Handlooms in Andhra Pradesh. The study also highlights the problems faced by weavers in marketing their products.
Marketing Problems:

The competition from the large scale sector and powerlooms threatens the very survival of the handloom industry. The main reason for this situation is the textile policy of 1985, which permits any body, any where in the country to install powerlooms. It gave rise to a number of powerlooms on the one hand and on the other hand powerloom lobby got stay orders against the reservation of 22 items for exclusive production by handlooms. The prices of yarn, chemicals and dyes are increasing from and time to time owing to this drastic rise in the prices of yarn, dyes and chemicals. Non-availability of hark yarn and rise in excise duty on yarn, too are an endemic problems for the handloom weavers. The study finds out that:

- Handloom products are facing keen competition from powerlooms.
- Inadequate working capital for the day to day weaving activities.
- Due to lack of efficient production policies and absence of technical knowledge handloom sector failing in introducing new products.

The study makes the following suggestions:

- A separate bank to be set up to finance handloom sector.
- Introduction of new product, new design and modernisation of looms.
- Handlooms need to be encouraged in their efforts at tapping and developing overseas markets.

With the Multi-Fibre Agreement (MFA) coining to an end, competition in the Indian textile and garment industry will increase manifold. One of the main factors determining their competitiveness would be unit cost, where India has fared poorly in the recent past. The unit cost depends upon factor prices and productivity level. The study attempts to examine these factors in detail for the cotton yarn and garment industries for selected states using panel data analyzing for 1989-97. The study suggests that large-scale production should be encouraged in this sector. Disbursement of credit, cheaper raw materials, greater availability of electricity at reasonable rates, promotion of better capacity utilisation and flexible labour laws are some other steps necessary to help the cotton yarn and garment industries become more cost-effective.


India’s textile industry contributes around 14 per cent to industrial production and 27 per cent to the country’s export earnings. It is the second largest industry in terms of direct employment and estimated to have created 35 million jobs. India accounts for 25 per cent of the global yarn production. Yet, India’s textile industry faces many problems; Fragmented structure with dominance of the small scale sector, high power costs, interest rates and transaction costs, unfriendly labour laws and logistic disadvantage in terms of shipping costs and time. Only 5 to 10 per cent of mill cloth for the total fabric stitched in India is produced by the organized sector.
While the total global textile trade at the end of 2003 was estimated at US$395 billion with textile comprising US$ 169 billion and clothing US$ 226 billion, it may go up to almost US$ 856 billion by 2010 driven mainly by the WTO-mandated lifting of quota restrictions on developing countries. The end of 2004 saw phasing out of all ‘quotas’. Over the last decade, quotas have been relaxed and by 2002 were to comprise only 49 per cent of the textile imports in major importing countries (European Union and North America). Indian exports are expected to surge as much as 250 per cent following quota elimination.

During the period 1967 to 1985, the government had disallowed expansion of organized weaving industry. The Textile Policy announced in 1985 removed the restriction on expansion of organized weaving. However, the fiscal policy continued to discriminate against organized weaving and processing. The composite mills are generally reluctant to invest in modernisation. Thus, the share of the organized mill sector in total fabric production of the country come down from over 70 per cent in 1951 to less than 4 per cent in 2004. Despite lower labour costs, Indian productivity is a third of the USA and 36 per cent lower than China’s. Also, absenteeism in India is 13 per cent and rejection levels 3.3 per cent and 19 per cent of shipments are delayed. The Government should provide all support to meet the challenges of removal of the quota regime. Textile sector requires modernisation, which needs heavy investments. The TUF Scheme, with a corpus of Rs 250 billion, is one of the key initiatives of the centre to prepare the industry to meet needs of heavy investments and for the challenges ahead. Also there is a need to support, strengthen and prepare the grassroot producers in the informal sector that comprise a significant part of the textile sector in India.
Tamilnadu is a major player in the Indian Handloom industry in terms of production and exports. Tamilnadu, which has the largest concentration of handlooms in the whole country, provide employment to more than 20 lakh people, account for nearly 30% of the country’s handloom textile production and 50% of export earnings.

The handloom co-operative societies in Tamilnadu are, today, lurching from one crisis to another and caught in a vicious cycle of lack of demand pilling stocks, mounting losses and diminishing state patronage while the member weavers were affected by the absence of production orders, raising unemployment, dwindling incomes and resultant poverty. The study was conducted to examine the critical production and marketing related problems faced by the handloom co-operative societies in Tamilnadu.

Production Problems:

The major production problems faced by the handloom co-operative societies in Tamilnadu were:

- Non-availability of required count of yarn
- Increasing prices of yarn
- Poor quality of looms
- Lack of training and research programme
- Lack of innovative designs and designers
- High cost of labour
Marketing Problems:

The major problems in marketing of handloom products were;

- Competition from powerlooms and mills
- Absence of diversified product range
- Incapacity for professional marketing
- Changing tastes and preferences
- High prices of handloom due to high productivity cost and low subsidy
- Absence of timely and sustained support from the government.

The researcher concludes that it is the responsibility of the State Government to protect and preserve the ailing handloom industry. In this regard the following suggestions are offered.

- The Government must restrict the export of yarn to stabilize the prices of cotton yarn.
- The Government must implement the handloom (reservation of articles for production) Act of 1985 with all seriousness.
- The Government may restore the subsidies to the handloom products so as to make them cheaper and competitive in the market.
- The Government and its agencies can organize trade fairs and exhibitions at various levels in regular intervals to create and retain the demand for handloom products.
- It is imperative for the handloom societies to find new uses and users for its products, to widen its market bases.

Badri Narayanan, G. emphasizes that, in the recent years, the Indian textile industry has been facing a severe recession in terms of employment, which continued despite fundamental changes in tariff structure among other policy aspects in the mid 1980’s and in 1991, though there are symptoms of recovery of late. The output, wages and fixed capital stock have been growing consistently during the past four decades in real terms in the textile industry as a whole.

Also observed that in a post Multi Fibre Arrangement (MFA) regime, employment in the sector is bound to increase owing to absence of trade restrictions and prospects of huge investment in general and in complying with environmental regulations, though the labour regulations might affect the magnitude of that increase.

A majority of the earlier studies reviewed above are relating to the organised textile industry, handloom industry and their problems. Existing literature on decentralized Powerloom sector is very limited. These studies are also date back to the seventies and two decades have gone since then.

Hence, the present attempt is a complete study of Powerlooms in Namakkal District, which accounts for nearly 25 per cent of total Powerlooms in Tamilnadu and 5 per cent of whole of India.