CHAPTER – 2
HISTORY OF INDIAN COTTON TEXTILE INDUSTRY
(PRE-INDIPENDENCE PERIOD)

The history of textile is an old as human civilization itself. Initially use for protection against nature, textile were required increasingly to satisfy mans aesthetic needs for colour and ornamentation in his apparel and surroundings. The transition from the purely functional to the decorative use of textiles has been accompanied by a shift in the manufacture of textile from a highly individualized and specialized cottage craft to a mechanized and large-scale operation. This creative genius of many persons from all walks of life has contributed to this evolution. These changes are closely interlaced with events in other spheres. In the story of mankind, breathtaking inventions have been made, war fights, international rivalries generated, punitive laws passed and personal triumphs and tragedies enacted.

2.1 History of Textile

Scientifically saying textile originated about a million years ago when due to various physical and biological changes man lost his body hair and soon felt the effect of climatic changes thus used the animal skin to cover his body. According to some Christian mythology when eve bit into the proverbial apple, she became conscious of her nudity and even more than of Adam. They must have covered their bodies with some handy materials like leaves. Thus we can say that when Eve bit into the apple. – “Textile was born”.
For hundred of years the textile from India have traveled the globe, clothing the world from kings and queens to the common man. They have included the most exclusive and expensive fabrics as well as the common clothes used for daily wears. In ancient era (around 3000 BC) clothing soon seased to be a mere matter necessity and became a symbol of comfort, luxury and status. Leather was the first textile material and not cotton or wool and tanning was the first textile process invented by man. From tanning of leather to the art of spinning and weaving it must have take thousand of years. Wool was probably spun into yarn before cotton because spinning of cotton involves a knowledge or ability to gather the fibres as well as knowledge of ginning. But sheep skin was natural clothing of nomadic man and spinning of sheep’s wool was logically the next stage.

Excavations at Mohanjo – Daro (about 3000 BC ) have unearthed bits of cotton cloth and twine. The fibres of these bits of cloth belong to the same botanical species as some of the wild cotton found in many parts of India. From those ancient days India has been a manufacturing nation and exporter of fine cotton fabrics to all nations of civilized world. From the time of Greeks and Romans they were exported to Europe. While wool provided warmth, cotton provided delicacy and smoothness of texture and was therefore highly prized by upper class, especially women who seems to wear the thinnest of garments in coldest of evenings.

2.2. European Nations and the Indian Textiles

Fabric such as Dacca Muslin must have been the envy of European crafts man. The Arabs had the monopoly of this trade for many
centuries. After the sea-route to India was formed by Vasco Da Gama in 1498, many of the sea-faring nations of Europe such as Portugal, Holland, France and Britain formed companies mainly for purchasing textiles and species from India and selling than in Europe. It is worth knowing that these companies were usually short of purchasing power and so were perpetually dependent on the Indian merchants (money-lenders) for help. The rate of interest was usually as high as 12 to 18%. Each European establishment appointed an Indian merchant as its broker to perform a variety of function. These Indian brokers advised their patrons about the state of market, acted as an intermediary between the European and Indian Businessman, helped the former to circumvent government regulations and take care of the host of sundry matters. The brakes was an essential factor for European trade to operate and thrive in India. The name of the premise merchants in different parts of the country are frequently mentioned in the records of the Europeans East India companies which has extensive dealings with Indian traders. As the balance of trade between India and European counties was always favourable to the former and the European counters frowned upon the export of billion, the European companies, operating in India has to knock at the “Pedhis” of the indigenous bankers of help is facilitate this commercial activates.

Many business leaders, who with their enormous financial power unlike today influenced the social life of people, with the rise in British power, failed to cope with the rising challenge of the British at the end of the 18th Century. The situation had gone such a radical change by the beginning of the 19th Century that the influence of the merchant princes, or what ever was left of them, on the Indian business and social life had been considerably eroded. In fact it would not be exaggeratio to say that
first half of the 19th Century or the period immediately preceding the rise of industrialization in India, was an era of petty traders and money lenders, who operated in the limited areas and at a modest scale?

2.3 Industrial Revolution in England and Indian Textile Industry

Though India was an industrial nation long before Europe, still industrial revolution first started in Europe and not in Asia especially India. From the dawn of history India has been exporter of cotton textiles, irony carvings, spices etc to Europe but still industrial revolution took place in Europe. Many reasons as revival of spiral of enquiry, protestant ethic, renaissance, desire for achievement and domination that pervaded Europe and Great Britain could be the reason cited for industrial revolution taking place in Europe and the reason why it did not start in India was probably due to caste system, when one caste or community is given a monopoly for a particular kind of work and they know that there is going to be no competition from anyone else, and also they cannot practice another profession. But competition is a prime factor in economic development. Indian artisans took longer time with increasing skills to produce so that there was enough of work for everybody. Weavers produced five cloths which took years together.

One should mark that the industrial revolution in England took place from 1750 to 1850 while establishment of British rule in India was from 1757 to 1857. This gives us a clear indication of the reason for why Britishers ruled India that was once known as “Sone Ki Chidiya”. Industrial revolution in Great Britain gradually brought an end to the long era of Indian exports and Indian prosperity. As the upper class of
European counties clamoured for Indian five cloth, strict laws were enacted to restrict imports. The birth of the industrial revolution combined with the increasing political domination of India by Britain helped to accelerate the reduction of exports to Britain and gradually cheap, machine made goods from “Lancashire” began to flood Indian market. As a result traditional textile industry was destroyed and the increasing population has to depend on agriculture for other livelihood.

Thus from an industrial nation India became an agricultural country exporting raw material (cotton) and importing ready goods. (clothes) The situation was so worst that Gandhiji once said “If Lancashire refused to supply textile, half of the Indian population would have to go naked”.

Industrial revolution started in textiles with the invention of flying shuttle by Kay in 1738 and of spinning Jenny in 1764 by Hargreares following water frame by Ricard Arkwright. All that remained was now to find markets for the cheap clothes from Lancashire factories. These were provided by large population of India dominated by Britishers. Since those days every nation wanting to industrialize itself had started textiles. Since this industry could easily get cotton as raw materials grown abundantly in all tropical countries also being labour intensive industry solving the problem of unemployment, even in twentieth century most of the developing nations started textiles.

2.4. Textile Revolution in India

The first steam train was introduced from Bombay to Thane in 1854 and following this soon almost the whole of Indian Sub continent
criss wise crossed by railways and telegraph was introduced between various presidencies. With the opening of the Suez Canal it became quick to import goods into Bombay and carry them England through the, expanding network of railways. Bombay thus became the gateway for increasing India trade with great Britain and Europe. As an effect of industrial revolution in England modernization in Indian industry started from 1850. With the industrial revolution starting in India, the first mill was set up by N Dawar in 1854, with an Englishmen as a partner and this laid the foundation for a strong and growing textile industry in Bombay and soon after in other regions of India. In 1856 the first mill in Ahmedabad was established by Ranchodlal Chotalal. It is notable that during that time with no railways to this city, all the machines were carried on bullock carts from Bombay port. In the beginning most of the mills were spinning mills supplying yarn to the handloom weavers. They started with coarse yarn but gradually as they gained more experience they went on to spin finer counts.

With the outbreak of the civil war in limited states in 1861, the supply of raw cotton was cut off to great Britain where textile industry was the back bone of the British economy. Naturally the anxious British Government encouraged the supply of raw material from its colonies among which India was the principle cotton growing country. This shot up the prices of Indian staple is an unprecedented degree and generalized a speculations mania in 1864-65 the like of which India had never witnessed before or since. More importantly, in the process of developing their own enterprises, the alien government contributed a lot to the development of Indian economy. The establishment of the British rule brought infrastructural changes of far reaching consequences. The introduction of uniform currency replaced nearly thousands legal tender
which circulated in the country previously innumerable customs barriers which has created serious impediments in the growth of trade and commerce were abolished. The cumulative effect of all this ushered India into the industrial age. This was reflected most convincingly in the starting of the cotton textile industry in the middle of the 19th Century under Indian management and with Indians capital.

Constantly increasing volume of imports of machine made yarn and cloth was having a ruinous effect on the callings of the local spinners and weavers. Though many cities lay in the vicinity of the cotton growing areas, the mercantile groups were very slow to realize the profitable possibilities of modern industries, so when Ranchhodlal Chhotalal as former civil servant decided to setup a textile mill, he received very less encouragement from other business leaders. Soon they realized this profitable area and many textile mills were floated in the country.

1870s was very unfavourable period for cotton textile industry as the country faced several natural calamities and business recessions. To make the matter worse the government imposed in 1892 heavy exice duty on the production of Indian mills. These factors affected badly the profits of the textile industry as many of the companies suffered heavy losses. Thus the 19th century and the first 3 decades of the 20th century was a continuous tug-off war between Lancashire mills which tried to bring political pressure on the Indian Government and Indian industries which was fighting for the existence against rising exports from Britain. In 1897, only in the small city like Ahmedabad there were 21 textile mills with 4,18,922 spindles and 5,466 looms.
2.5. Impact of Swadeshi Movement on the Indian Cotton Textile Industry

Though the concentration on the production of cotton yarn continued, perhaps many companies sooner or later started weaving departments anyways but the rise in “SWADESHI” movement in 1905 hastened the move. Opinion leaders in India especially had been propagating the virtues of “Swadeshi for quite some time, in fact some whispering in this regard had been heard even before Ranchhodlal’s first mill was founded. A number of citizens had established the “Swadeshi Udyog Vardhat Mandali” in 1875. All of a sudden the nation realized that its salvation lay in the maximum possible use of home made goods. The Swadeshi movement had a profound effect on the textile industry and the number of mills, spindles and looms increased. In Ahmedabad itself at least 10 mills started between 1905 to 1909.

2.6. Effect of First World War on Indian Textile Industry

Around in 1908 the industry was striving hard to cope up with the recession in the economy. Then the First World War came with its dramatic effect on Indian industrial situation. Most of the Indian textile industries were still young and incapable of meeting foreign competition. The government had al alone perused a policy of laissez –fair which was unquestionably prejudicial to the Indian industries as it could offer no protection against the challenge of imports. The war drastically reduced imports of industrial goods from abroad. Thus demand for Indian textiles picked up and the industry gained in strength. On the other side though the government had turned a deaf ear to the demand for protection all these years, the destiny unwittingly granted it through a bloody
instrument. The textile industry was a beneficiary of this new situation. Though there was some shock and panic when the war broke out, within a year, the fortunes of the industry showed an upward trend. There was a great spurt in demand, wages remained almost constant. Beginning with the year 1916 the industry enjoyed an unmixed prosperity and made unprecedented profits.

The decision of the government to increase import duties under financial compulsion helped the cotton mills to consolidate themselves still further. The benefits of the First World War to the textile industry were far more enduring then many during the bloody years would have thought. The war left the textile industry up a strong enough position to withstand the effect of the resumption of imports from England after the cessation of hostilities. Also the scepter of Japanese competition has little adverse impart on the fortunes of the industry. Exploiting the gap between the supplies and demand, Japan had stepped up its exports to textile goods to India during the war. For a variety of reason Japan enjoyed a competitive advantage in Indian markets and demand for its goods rose successfully after the cessation of hostilities. And yet the combined English – Japanese commercial tie-up did not affect the prosperity of the Indian mills adversely. In fact the years immediately after the was witnessed an unprecedented boom during which textile manufactures earned fabulous profits. Along with other things, the favorable rate of exchange had prompted many key plays in this industry to place large orders for foreign machines Never before was the value of Indian rupees in terms of starlings as high as it was in the early part of 1920. Before and during the war years the exchange rate had fluctuated between 1 sterling to 1.5 sterling to a rupee, but in November 1919 it suddenly registered a steep rise because of decline in the world supply of
silver. In the subsequent months it reached to the level of 2 st to a rupee. Under these conditions the prospects for Indian importers looked bright indeed.

The post war boom conditions did not last beyond 1922. Manchester’s re-entry into the Indian markets and Japanese commercial invasion of the country stank the home market, a series of political troubles and development of indigenous industries in China drastically cut off a major foreign market for Indian cotton yarn. These factors depressed the prices of Indian textile goods. To add to the woes of the Indian producer, the cost of production showed an upward trend in 1923, owing to among other things was high cost of raw material followed by a crop failure in the United States that year. The impact on weaving mills was far less as maximum of the yarn produced was consumed by themselves for producing cloth.

2.7. Indian Cotton Textile Industry and The Great Recession

In the meantime a great disaster far greater in magnitude than the post war recession hit the industry in fact the whole economy in 1929. In India the onset of the great depression was attended or caused by a step fall in the prices of agricultural products in 1929-30, resulting in the severe contraction of the farmers purchasing power and a general down-swing of prices. The impact of this unwelcome development on the cotton textile industry was practically severe because the demand for its large part of the production being of coarse varieties, depend on the paying ability of the rural buyers. However this time there was a change in the attitude of the government which gave the industry some hope. As
mentioned earlier the Indian textile industry had to face from the very onset a veiled hostility of an alien government. At any rate it received no positive encouragement from the ruling power. Throughout the 1920s when the Japanese competition began to bite and Manchester renewed its challenge to the Indian producer, Indian public opinion clamoured for government intervention. In 1927 the weight of Indian opinion produced some effects on the government. In the first instance, a duty on the imports was levied. As depression deepened and the financial condition of the government became more acute, the revenue duty ranging between 11% to 15% on the entry of all piece goods and an additional 5% protection duty on the imports from countries other than England was imposed in 1930. In the subsequent years the duty was again increased to 25% on British goods and 33 ¼ % on non-British goods. These measures reduced the rigors of foreign competition, so that while in 1928–29, the home production logged slightly behind the figures of imports, by 1930-31 the ratio of import and indigenous production rose to nearly 1:3. Indian textile manufacturer found some relief. More importantly the acceptance of the principle of protection by the alien government which has so far sworn by an altogether negative policy gave some hope and promise.

2.8. Second wave of Swadeshi

The wave of “Swadeshi” movement which once again swept the nation in 1930-31 also served to proper up the sagging morale of the Indian industrialists. This new movement left much grater and more enduring impact on the county than its earliest counterpart. For while the effect of the earlier swadeshi movement was confined to the urban centres alone, the message of the new wave reached the rural masses as well. The organizers of the boy cott of foreign goods appealed to the
textile mill owners not to use imported yarn. On the part of masses there was an increase awareness of the benefits of using home made products - a factor which could not fail to influence the demand situation of textiles. The situation in the beginning of the 1930s thus was a combination of factorable as well as unfavorable factor for the textile industry. Many industrialist like Kasturbhai Lalbhai looked upon the 1930s as the years of opportunity and not of crists. If the prices of the mill products were low, so was the cost of machinery. Thus the savings in installing new equipments could partially offset low returns. Moreover overhauling the machinery could lay the foundation for future prosperity, when economy would take a more favourable expansion. The only way to drive off foreign goods from Indian markets was to produce them at home and there was no better moment to intensify the drive than the beginning of the 1930s, when middle class, the traditional uses of such good was willing to accept such indeqenous production in preference of foreign goods.

2.9. Indian Industry Competing with Japan and Britain

The government continued to fortify its protective measures against foreign competition. The duty on Japanese goods was increased in successive stages to 75% by 1933. So Japan entered into agreement with India under which Japanese imports were to be limited to 325 million yards. (Quotas) at the same time the impact of the Swadeshi movement on the consumers had not yet lost its vigours.

After some signs of recovery in the industry in 1934, the prices again slumped in 1935-36 and showed no sign of recovery well until after the but break of the second world war in 1939. The result was a
continued reduction in buying powers? The major group of consumers. At the same time Japan clearly maneuvered to imports more than its quotas permitted and the quantum of imports from that country always exceeded the limit till an end was put to the trade between the two countries. To add to the hardship of the Indian producers, the duty on the British goods had been reduced on a plea that imports on Japanese goods had been reduced after the introduction of the quota system. The Indo-British agreement in 1935 brought down the daily on British cloth from 25% to 20% and that yarn from 6.25 to 5%. These rates were again revised in March 1939 to affect a further 5% cut in the import duties on cloth. In the period of slacken demand and stiff competition the industry was in need of more money to keep themselves going. The fall in the prices of some of the essential inputs such as raw cotton, stores, colours and chemicals, was not as steep as in the case of the final product (cloth). There was an increase in the expense per loom. Thus all signs baring perhaps the spirit of swadeshi which had generated some optimism in 1934 gradually vanished and the industry continued to remain doldrums throughout the 1930s. Only those mills in the industry which did consistently well were the mills which catered to the taste of higher income groups. Depression normally affects those groups which caters to low income groups.

Around in 1938, the wage bills too increased as a result of the implementation of interim recommendation of the Textile Labour Enquiry Committee without any corresponding change in the cloth price. Such facts had affected the quantum of profits. Now the only way to maintain the profit level was to decrease the cost of production by achieving economies of scale. So many textile companies introduced double shifts in order to achieve the economy of scale.
Though the general outlook for the textile industry or for that matter for the economy as a whole remained uncertain almost till the end of the 1940, enduringly favourable trends were clearly visible as the war progressed with the resultant drastic reduction in imports. Also the neighboring countries, whose needs were met through imports from western countries and Japan before the war, now came to depend increasingly on India after the traditional sources of their supply were closed. The result was that Indian mills were now called upon to satisfy not only the internal requirements but also to supply goods to the countries of East and South East Asia. It was a god-sent opportunity for the Indian textile industry, while they prepared themselves to meet the challenges; they found that the government was more than willing to help them. To assure maximum production the government offered a series of incentives to textile manufacturers and invoked the infamous Defense of India Rule to ban strikes and lockouts. Several provisions of the factories Act were relaxed and several efforts were made to ensure the supply of stores and raw materials necessary for uninterrupted operations. The industry somewhat resented the introduction of the Excess Profit Tax and Compulsory Deposit Scheme in 1940. The positive factors were however somewhat tempered by a few negative elements in the environment. The dazzling success of Japan of the eastern borders created panic in the market and caused an unprecedented dislocation in the manufacturing and trading activities. This set back was temporary as the Japanese threat receded, the industry recovered.

Like wise the impact of Quit India Movement in 1942 had only a limited impact even though the worker struck work for prolonged periods at every manufacturing centre to express their solidarity with the
national cause. Due to long strikes, there was a fall in production caused by these developments coupled with the virtual cessation of imports, the supply lagged far behind the demand. The prices of the textile goods consequently skyrocketed. In case of some varieties of cloth the rise was as high as 400% under these conditions, beginning with 1942, the mills all over the country set off on a course of unprecedented profits and prosperity.

The sale–profit ratio in the textile industry however declined in 1944. This was due to change in the polling of the government which abandoned the “hands-off” altitude and clamped a number of controls to protect the consumer interest. A scheme to require the textile mills to produce what came to be known as the ‘Standard Cloth’ through devised earlier was enforced in 1942 and the task of distribution was entrusted to the provincial government. What, however affected the earnings of the textile manufactures most was the Promulgation of the Cotton Cloth & Yarn (control) order 1943 under which the government fixed the ceiling price of different varieties of goods. The prices fixed were somewhat lower than those ruling in the market, such though there was no reduction in the cost of production. The earnings of 1945 were further slashed as a result of a drastic cut in the government’s requirements after the termination of the hostilities.

Conclusion:

Indian Textile Industry had clothed the people all over the globe and was a well developed cottage industry but with the advent of Britishers the industry had to undergo tremendous ups and downs to survive inspite of its excellent competitiveness till the day India acquire its independent.

After independence the fate of this industry was in the hands of Indian Government which is analysed in the next chapter.