CHAPTER – 3

HISTORY OF INDIAN TEXTILE INDUSTRY

POST INDEPENDENCE:

3.1 Pre-Planning Period:

India after independence, its centre had the responsibility of formulating a policy for this industry for ensuring its growth and development, for providing adequate clothing at reasonable prices to the countrymen and for earning foreign exchange through exports.

At the time of independence the composite mill sector was the dominant supplies of clothing to the country. But these machines were in a run down state owing to the earliest compulsion to keep machines running to back the war – efforts, the absence of time for maintains and non availabilities of spares during war period. Inflating prices of the machines in yrs immediately after war as were totally imported.

Firstly the centre decided to become self sufficient in textile restricting and in forties manufactory of machine started at home for both modernization and expansion. Even in such condition its note worthy that the technical gap between the composite mills of India and its counter part in west was not very wide.

Due to partition a bulk of area under cotton cultivation went to Pakistan adding “fuel to fire” we lost to Pakistan the Prime irrigated area
with left out rain fed tracts. Thus the composite mill sector was forced to rely on imports.

Under the influence of the communist 1947, National Trade Union Congress was launched thus started a labour movement. Factory act was amended and shifts were introduced. The Government started exercising control over this industry and the GDI enacted the Cotton Textile (Control) order in 1948 under the provision of the essential supplies (Temporary Powers) in 1946 later on substituted by the Essential commodities Act which excised control through regulatory mechanism over textile industry.

It included
- Control on production of cloth (type, quantities)
- Price control
- Manufacture regulations
- Packing regulations
- Distribution control on cloth, yarn
- Supply, transport, trade, etc.

Further under another notification in 1950, 401 prohibited mills from manufacturing certain types of dhoties, saris, Lunges, bed-sheets, chaddar, bed covers, plain weaves under 10’s count which were reserved for hand loom sector – was first structural deliberate intervention.

3.2 Planning Period

Thus before the Indian Cotton Textile Industry came under the perview of the Five Year Plan of the Government, it was under excessive control of the Government.
3.2.1. First Five year Plan: [1950-51 to 1955-56]

The enactment of the industrial development & regulations act 1951 brought the textile industry under first schedule of the act and hence under licensing regulations. Thus, textile industry was divided into 5 groups - cotton, man made fibres, jute, woolen, silk. Cotton mills came under the licensing regulations.

First plan gave highest priority to agriculture development. Government devoted considerable resources to aid cotton crop development in general and cotton cultivation in particular. This was also because due to scarcity of foreign exchange the Government had it restrict cotton imports and try for self reliance.

In cotton textile industry, the output was sufficient to meet low level demand. The existing capacity was almost fully utilized. The targets for composite mill was to produce 4700 million yards of fabric and handloom 1700 yards. Rs 9 crore was embarked to achieve this target was quite trivial in comparison with the industry’s demand.

In 1952 the Government examined that the mill sector needed around 152 crore for capital renewal which would be more available by low interest loans of 4%. This recommendation was however ignored.

On one hand serious constraint of foreign exchange and on the other hand no indicercous machinery available. So the Government planned to strengthen domestic machine sector which was already
started just after the independence by manufacturing spares. 1.5 crore was allocated for the same. License was issued for new mills to come up. Feeling the need, the Government eased the pressure on cotton imports as spontaneous increase in production was not possible. The manufacture of man made cellulose viscose and close substitutes of cotton were licensed for indigenous production.

The mill sector had highly benefited due to restrictions on cloth imports. This sector had also progressed and had attained the planned targets. This was due to rise in demand fuelled with high growth rate.

Due to various Government policies this sector started losing the advantages (product) to the handloom sector and from this period one can see this sectors share slipping downwards.

3.2.2 Second Five Years Plan : [1956-57 to 1960-61]

In this plan period – the introduction of rigorous design for planning growth – ‘Mahalanobis Model – “ emphasis on import substitution “ – model favoured more allocates on of resources for the manufacturing of investment goods with a view to built up industrial base for rapid growth. In line with this strategy came guideline from 2 official committees – The Kanungo Committee and the Carve Committee.

The recommendation of the Kanungo Committee were:

1. Conversion Scheme of Handlooms: is over a period of time and in placed manner handlooms must be gradually converted to
powerlooms to are decentralized sector. Because :- It was seen that handloom would not be in the best interest of either the consumer or industry. It’s productivity was more or less stationary and also it catered to only those people whose dressing habits were determined by community, caste and tradition. On top of that looking at the rapidly growing mill sector the subsidy to handloom sector for the protection would have to go on increasing year of the year which is not feasible.

2. Explanation of the Karve Committee was : - Freezing of the licensed loom capacity of the mills and all additional requirement of cloth should only come from handloom. Thus it concentrated on too much protection of handlooms. The recommendation of Karve Committee was accepted and implement. The common point in both recommendations that no addition to the loom age in mills is as accepted.

For promoting handloom excise duty on its cloths was abolished. But the failure in implementing the conversion recommendation of Kanungo had far reaching effects on the structure of textile industry – powerloom began to mushroom in various parts of the country poising threat to handlooms.

Now the Government, accepted the conversion scheme. The Government, also extended its protection umbrella to powerlooms sector, thus any enterprise owning 4 powerlooms were given advantage of reservation at par with handloom so that handloom are not disadvantaged upon upgradation to modernization.
Seeing the increasing consumer needs and supply constraints, the Government supplemented cotton cloth with man-made fibres. This weaving sector was promoted entirely to powerlooms sector and its registration was necessary. Mills were restricted from using filament yarn in war.

In 1957 cotton textile came under the provisions of the additional Excise [Important Goods] Act, by which central Government withdrew the power of the state Government to levy any tax on a number of items from consumption. Because the centre must have felt that the state had the tendency to realise large amount of revenue by high tax margins of textile which in turn would increase the price pay out by the consumer. This had an adverse impact on yarn and cloth prices.

During this plan period the Government in order to argument supplies, increased imports but due to time consuming procedures and distribution formalities cotton prices kept on rising.

Despite these conditions, demand kept on increasing fuelled by the inflammatory outcome of the second plan strategy. So the Government started negotiating with the industry and the outcome was that the industry accepted voluntary discipline and price regulations schedule. As a result, cloth prices did move downwards. In the same period, the mill sector faced a decline in its output due to 10% hike in usage caste coupled with many other unfavourable direct and indirect events.

During the sixties the country witnessed the drastic shift to man
made textiles which were not only versatile but also extremely durable
with easy care and wash-and-wear qualities. This needed structural
reshuffling. Organised sector was incapacitated by controlled cloth
scheme, price controls, distributions, regulations and socio-economic
obligations. It became increasingly difficult to earn a reasonable return
on investment because of above constraints coupled with cost hicks
arising out of steep escalation in wages and fringe benefits and prices of
all inputs, height taxes on both inputs as well as output of the industry.
The industry faced its first major post-independence crisis in early
sixties.

Due to massive foreign-exchange crisis created by the second plan,
Government decided to increase exports for that its slightly loosened
their capacity restrictions on mills and also aided them to acquire more
recent models of looms. In accordance’s with the 2nd plan, the
Government’s attempt to increase domestic production of cotton proved
abortive, as there were great differences between targets and
achievements. There was a price-spiral effect in the economy
complemented by a rise in wage cost. As a result composite mills found it
increasingly difficult to maintain what voluntary regulation scheme has
introduced and thus a steep rise in cloth price was noticed.

To protect the consumer, the Government introduced statutory controls
over the production and price of cloth in 1964. Particular varieties of
dhoti, sari, long cloth, shirting, drill were brought under a formula for ex-
factory pricing. These were controlled cloth and each mill had to produce
45% of its total production. The Government further pegged retail price at 20% on exactor prices on them.

Due to rise in demand for cheap cloth the decentralized power loom sector expanded [23,000 looms in 1953 to 1,53,000 loom in 1964]. The positive impact of this was most of these looms were set up by hand looms weavers. Committees recommended their encouragement.

Negative: The mill owner saw power loom as opportunity for an expanding cloth production and thus after that processing was done in this own department.

The major reason for the recession during the sixties was due to lowering of the purchasing power of average man consequent on the steep increase in food prices. Textile having cotton which is agricultural product, with cotton prices increasing, the production cost increased, increasing the prices of textiles. The cumulative effort of all the harsh policies for mills was that many mills began to go bankrupt i.e., sick. The state Government of Maharastra, Gujarat and Madras appointed an official committee for investigative the problem of the industry. All in three committees came to almost similar conclusion of easing the control measure and suggested urgent modernization of the industry. Faced by massive unemployment and short fall in cloth production due to closing of mills. The Government decided to take over sick mills and passed the Cotton Textiles Companies [Management of Undertaking and Liquidations or Reconstructions] Act. Under this 103 mills were takes over managerially 1/3 rd were in western Indian and another 1/3 in south and rest in other part of India.
In 1966 out of 751 companies in cotton textile manufacturing 174 were under managing agency systems. Government with objective of social reforms in business and industry through suitable act abolished this system. But it was observed that the measure could not have made any difference to the manufacture, what might have been affected was perhaps the nexus for profit appropriation between mills & agents. Throughout the decade the Government made effort in enlargement of cotton cultivation & increase the area made cultivation Government began to promote high yielding varieties of cotton engineered by agronomic research in India. To encourage farmers to devote maximum resources to this commercial crop, support price measured were introduced and Cotton Corporation of India was set up as premier institutional agency.

As a result there was a rise in cotton farmers lobby having their say in the fibre base of the textile industry.

Mean while Government started license synthetic fibre and yarn production. Commercial manufacture of nylon started in 1961 and polyester in 1965. By the end of sixties the Government started second wage war. As the consumer price index for urban manual workers had sharply risen through sixties, the wage board increased the basic wages - mills once again faced hike in wage cost. In 1968 the Government modified the statutory pries control scheme and under this scheme production of specific quantum of certain variety of mills was reduced from 45% to 25% Government purchased this cloth at a fixed price and sold through co-operative marketing channels, thereby subsidizing cloth purchase by the masses.
3.2.4. Fourth Five year Plan [1969-70 to 1974 – 75]

This period saw the Government making a determinant attempt to curb excessive economic centralization that had taken shape of large business houses. Monopolistic & Restrictive Trade Practices [MRTP] Act was passed in 1969. But this act for textile industry hardly created any adverse conditions as the monopoly enquiry commission forced concentration to be “mill” i.e. top 3 firms accounted for less than 50% of market. This plan was mainly directed towards purposeful decentralization in terms of regional balance economic ownership. As a result priority for development of small scale industry arose thus in textile power loom sector began to receive legitimacy thus power loom was allowed to grow. Our major difficulty remained which had become aggravated through out the year - that was recurring short fall in domestic availability of cotton in relation to its demand. These periodic gaps were filled by imports which were noticeably declining as the year meant by. In 1973 the Government moved to provide utmost protection to handloom, with this in mind and in order to ensures availability of cotton yarn in Mank from for handloom weavers Government placed restrictions on mills by introducing a scheme called as HANK YARN OBLIGATIONS [hank is a form of packing which is highly amenable to some manual back processes in handloom weaving]. This obligation specified that at least 60% of the cotton yarn delivered, accounted for a quarterly basis were to be packed in hank form of which no less than 90% of yarn packed would be in counts unto 40’s. Although this was aimed at regulating the spinning industry it did bring under its cover those composite mills which were selling yarn.
In 1975, the credit restrictions were imposed on mills sector. It was argued that the instrument of credit financing must be deployed to make available larger quantities to the newly emerging industry rather than to the traditional, well-established ones. As a result, the mill industry found its short-term credit margins considerably reduced.

In 1972, the NATIONAL TEXTILE CORPORATION (NTC) was set up with a view to run mill taken over under the 1967 act. This corporation was organized as a holding company with subsidiary companies located in Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, and Delhi.

Now controlled cloth production was partially shifted to nationalize mill sector and the mill sector continued to be required to fulfill a portion of coarse cloth quota. It was in this period it had been observed that production of controlled cloth at the price fixed by Government became distinctly uneconomical. At the same time, the Government was alarmed by the growing sickness in the industry. The services of the sickness could be traced in general terms as the structural aspects of the developing national economy.

The Government set a task force on modernization which recommended massive modernization program with capital supply at a very low rate. Under these recommendations, the machinery industry had grown considerably thereby dependency on imports reduced. What the task force recognized was not merely the need for the mills to undertake machinery renewal on a massive scale involving huge financial outlay, but to cast this removal into a sound program with rigorous planning.
Towards the end of this plan period, Sivaraman committee appointed to advise on a development strategy for handlooms made forceful recommendation for proactive governmental recommendations to support handloom as a result in the following plan, Government, was to assign a key rely to handlooms sector the cotton cloth production. In expectation of stabilizing supply of yarn for handloom weavers the Government enforced the licensing of co-operative spinning mills. Thus certain selfreliance was to be imparted to handloom for making it less dependent on private sector spinning industry for its yarn supply.

3.2.5 Fifth Five year Plan [1975 – 76 to 1980-81]

This plan was ideologically similar to that of the fourth plan. It represented continuity. From 1976 onwards Government. started adopting a more liberal approach. Having moved several steps in the direction of satisfying producers interests outside of the mill sector, as well as consumer’s interest, Government have felt it timely to attend to the problems of the mill sector.

The recommendations of the task force on modernization paved the way for what come to be known as soft loan based modernization. Policy, low interest rates, conversion in moratorium and amortization period were hall marks of this scheme implemented by the premise industrial finance institution of the country – IDBI, IFCI, ICICI. Thus concessions were initially made to weakest mills but in course of time it extended to the entire mill industry conferring this no particular advantage on the weaker amongst the mills.
Meanwhile the effects of “oil crisis” in 1973 which shook the Indian economy badly Government. was compelled to reconsider its options on diversifying the raw material base synthetic fibres and yarn. The aim was to realize maximum revenue to pay for the excessive increase in cost of oil to the economy. The potential for revenue was observed in consumer market which showed a sharp shift towards synthetic goods. Thus it was decided to liberalize the policy regarding synthetics and to adopt what came to be called as multifibre policy. The fifth plan saw a massive stepping up in the allocation for synthetic fibre industry in several areas like – DMT, Caprolactum, nylon, polyester.

The yarn 1975-76 were particularly distressing in cotton availability. Government. stepped up imports of viscose and at the same time compelled every mill to consume at least 10% of its raw material requirement in from man made fibre. This was the genesis of the multifibre policy which took shape in 1976. Side by side government liberalized imports of synthetics fibre and yarn with marginal lowering of the duty structure and expansion of imports quota. Within domestic market, the dirty structure was pegged at high levels which was done to enhance revenue generatio. Government also took late decision of shifting production of controlled cloth from private sector to the handloom, while keeping the role of nationalized sectors intact. For the first time in three decades the mill industry felt that the Government had taken measures specifically to strengthen the industry domestically.

In 1978, to promote the powerloom sector further excise concessions was provided to this sector as well as independent processor of the cotton fabrics. Government also took a bold decision to accord formal legitimacy to the power loom sector. It announced a policy for
"regularizing" the "unauthorized" power looms. This meant that it would issue new permits to anyone who wished to 'regularize' the ownership of power looms illegitimately in existence.

3.2.6. Sixth Five Year Plan. [1980 – 85]

The basic objective of the planners for the textile industry was to make available textile in adequate measures and at reasonable prices for the population and at the same time to encourage and support the production of cloth in the handloom sector to the maximum possible. The demand for cotton textiles as given by the consumption sub-model together with the cloth requirements for the protected exports of cotton fabrics indicated that demand for cotton cloth including silk, blended and mixed fabric would rise to 13030 million meters by the end of the sixth plan. The estimated exports was 1400 million meters in 84-85. It was envisaged that an addition to the capacity should be permitted in power loom sector and a series of measures by way of disincentives would be devised competing with the handlooms while targeting the production of handloom that could be achieved had been taken into consideratio in context of organizational and technological problems involved in reaching the millions of handloom weavers spread in different parts of the country.

To achievement envisaged production target, considerable addition to the capacity in terms of spindles was needed. While creating additional spindle preference was given to the existing while to bring them to an economic size. Also arrangements were made to meet the requirement of the Hank Yarn for the handloom sectors.
A provision of Rs. 90 crores was made in the plan for rehabilitation and modernization as well as installation of additional spindles under the National Textile Corporation (NTC). Despite this, the performance of NTC was not satisfactory. As a result of the takeover of sick units, the number of mills under NTC increased from 111 to 125. Against the largest of Rs. 220 crores, NTC spent about Rs. 26 crores on modernization and renovation.

**Table- 1**

The pattern of production in three sections projected for 1984-85:

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Cotton</th>
<th>Non-Cotton</th>
<th>Blended</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organised - Mills</td>
<td>3500</td>
<td>400</td>
<td>1000</td>
<td>4900</td>
</tr>
<tr>
<td>2. Unorganised - Powerloom - Handlooms</td>
<td>2600</td>
<td>1200</td>
<td>500</td>
<td>4300</td>
</tr>
<tr>
<td></td>
<td>3150</td>
<td>200</td>
<td>750</td>
<td>4100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13,300</td>
</tr>
</tbody>
</table>

**Table- 2**

Achievement of the sixth plan in terms of production of cloth of organized and unorganized sectors.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Targets</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized</td>
<td>4900</td>
<td>3420</td>
</tr>
<tr>
<td>Unorganised</td>
<td>8400</td>
<td>8530</td>
</tr>
<tr>
<td>Total</td>
<td>13,300</td>
<td>11,950</td>
</tr>
</tbody>
</table>

The organized sector could not achieve the target and the unorganized sector overruled it.

**Table- 3**

The target and achievement per capita and consumption of cloth:

<table>
<thead>
<tr>
<th></th>
<th>Per Capita Consumption of cloth (Meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>15.24</td>
</tr>
<tr>
<td>Achievement</td>
<td>13.7</td>
</tr>
</tbody>
</table>
The reason for this fall in the per capita consumption of cloth was that the consumption non-cotton and blended textiles had exceeded as compared to cotton textiles and because of the durability factor of such fabrics, there was lower achievement of per capita consumption of cloth.

The export target of 1400 million meters could not be achieved due to protectionist policies of the importing countries on overhand lack of dynamic marketing strategy by Indian exports on the other hand.

The textile industry as a whole did not fair well during the six plan. The government has to take over sick units for socio-economic reasons. The main reason for the poor performance of the sixth plan can be summed up as follows:

1. Sluggish market demand.
2. High cost of inputs aggravated by shortfall in cotton crop at times.

3.2.7 Seventh Five Year Plan (1985 – 1990)

Before analyzing the seventh five year plan of with respect to textile industry following problems were observed in the industry at the end of the sixth plan.

1. The industry saddled with problem of obsolescence of machinery and technology.
2. Further the production capacity of the industry as a whole was much more than can be absorbed by the market. So consequential effect was underutilization of capacity.

3. High cost of production.

4. Low productivity.

5. NTC was also beset with problems of management.

In the seventh plan due to chronic sickness of the textile industry, the government appointed a high powered experts committee to recommend measures for revitalizing the textile industry.

On the basis of the recommendations of the expert committee a New textile policy was announce on 6th June 1985. This policy aimed at increasing the production of cloth and its availability to the weaker sections at reasonable prices. It underlined the vital role of textile industry from point of view of both output and employment. It had accorded faster growth and seeks to treat weaving sector in the organized mills as well as powerlooms at par for a healthy and fair competition. The policy of scale in man made fibres by allowing large size plants. The policy recommended with drawls of restrictions on expansion of capacity of both spinning and weaving sections. It also recommended measures for revival of sick units. However potentially unavailable units have been recommended for closure to avoided continuous drag on the economy of the country interest of the workers of such unite was protected by creating a fund through a suitable cess on the industry. Production of controlled cloth was proposed to gradually be shifted to handloom sector by the end of the seventh plan. The policy was expected to increase, exports, production, productivity and per capita consumption of textiles.
The target of production of cotton textiles in all the three sectors was projected to be 8750 million meters and the total production was target at 14,500 million meters. The NTC had be provided with an outlay of RS. 117 crores for modernization of nationalized mills during this plan. Still NTC continued to run up losses.

According to the mid-term appraised of the seventh plan, the production of cloth of the organized sector of the textile industry had continued to decline. The powerloom had continued to gain over the will sector. The textile Modernization fund (TMF) was introduced in 1986 with a corpus of Rs. 750 crores.

The Textile Policy of 1985 was reviewed by a high powered committee set up in March 1988. Under the chairmanship of Shri Abid Hussain then members of planning commission. This committees focused on institutional arrangement needed for restructuring of textile industry for its integrated development recommendations were:

1. Restructuring and modernization organized mill sector and institutional arrangement like Textile Restructuring Assets Trust’s (TRATS) for improving its efficiency, for development of handloom & power loom sectors.
2. Upgradation of cotton processing facilities because of predominant role of cotton as main raw material.
3. Devising ways and means for increasing textile exports.

Compared to sixth plan, the industry grew to some extend in the seventh plan because of change in areas of licensing, import of technology and capital goods allowing broad banding of product in a number of industry. Thus of liberalization measures than before.
3.3 Summary:

Growth of the textile industry since 1950s

Table- 4

Annual Growth rate (compounded) during the decades. (In percentage)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Period</th>
<th>1951-61</th>
<th>1961-71</th>
<th>1971-81-82</th>
<th>82-92</th>
<th>92-97</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.of Mills</td>
<td></td>
<td>2.3</td>
<td>3.4</td>
<td>0.8</td>
<td>4.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Cotton Production</td>
<td></td>
<td>4.0</td>
<td>3.5</td>
<td>2.5</td>
<td>3.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Cotton Yarn</td>
<td></td>
<td>3.8</td>
<td>0.2</td>
<td>1.2</td>
<td>3.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Cloth production (All types)</td>
<td></td>
<td>4.3</td>
<td>1.2</td>
<td>3.2</td>
<td>6.4</td>
<td>8.7</td>
</tr>
<tr>
<td>Per Capita availability of cloth</td>
<td></td>
<td>3.0</td>
<td>1.7</td>
<td>2.8</td>
<td>2.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Textile Exports</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>24.6</td>
<td>24.1</td>
<td></td>
</tr>
</tbody>
</table>

(Source : Compendium of Textile Statistics 2000)

Textile industry had a significant presence even during the pre-independence as however due to partition a major portion of the cotton growing area went to Pakistan and as a result, the growth was slightly slowed down due to constraints in the availability of cotton. Due to concerted efforts, the country could increase the production of cotton which has augmented the growth of the industry.

It is seen from the above table that the growth rate during the first two decades had been gradual though lower and growth had been considerably slower during the 1960s and 1970s. The growth had picked up significantly during 1980s in almost all segments. The policy
measures initiated in 1991 in the direction of liberalization of economy and trade had accelerated the rate of growth during 1990s.

Since 1961 the organized (mill) sector indicates a negative trend. Thus the growth since 1961 had been at the instances of the expansion of the decentralized sector. The growth of the textile industry had also been reflected in the growth rate of the per-capita availability of cloth. Similarly the exports had also increased phenomenally during 1990s.