In the previous Chapter, 'An Analysis of Governments' Textile Policy of 1978 and 1985' has been made. Prior to the announcement of the First Textile Policy in August 1978, there was no comprehensive Textile Policy as such in the country. Piecemeal Policy measures on different aspects of the industry were made from time to time by the Government and formulated in accordance with recommendations of various Committees, Study Groups etc. In the first place the Textile Policy 1978 was discussed along with its salient features etc. and its drawback. Subsequently, the Textile Policy of 1985 was discussed with its objectives and guiding principle along with its salient features and conclusions drawn accordingly.

Marketing has not been mechanised in India. The reasons are two-fold. First, there has to be mass production before mass distribution can be undertaken. Secondly, marketing is not only an economic function but also a sociological activity and consequently, changes in marketing are more difficult to bring about than changes in purely economic or technological fields. The regional differences
in taste and dress habits have also contributed to making mass distribution more difficult. As a result, a lot of the marketing is still done through what may be called traditional channels.

Yarn marketing is done generally through the following chain: Whole Sale Merchant - Retailer - Master Weaver. Where there are cooperative societies it is usually through the Apex Society - Retail Society - Weaver. There have been many modifications to this system. Some mills whose wish is to specialise in certain markets have agents through whom their yarn is sold. As a result of the incidence of sales tax in various states, many mills have opened their own depots in those areas where their yarn is sold regularly. This enables them not only to avoid double sales tax, but also to have the yarn ready for quick delivery. In order to cultivate and develop their markets, some mills have started giving bonuses to their whole salers for a high quantum of sales as well as for efficient performance. They also have salesmen going round to the weaving centres to find out what weavers think of their yarn quality and report back to the mills. They hold annual conferences of dealers to discuss problems of common interest along with technical staff.
Importance of marketing has been realized from the very beginning and also investigated the relationship between the quality of yarn and its market prices. It was rather surprising that there was only a partial correlation and the difference could be accounted for by the sales policy of the mills concerned. Managements who had a regular set of dealers, who fixed territories for these dealers and allotted yarn on the basis of past consumption — no more, no less — and who maintained their price levels constant at least for a month were found to be getting a better price than their quality warranted while those who had no such policy and sold to whoever came to their doors were getting a lower price than their quality should have got.

Attempts have been made in recent years to link a group of Handloom weavers to a spinning mill in their locality. This is not so much a method of marketing but an attempt to make the yarn cheaper for the weaver and to ensure regular supply of yarn in times of scarcity. But this cannot be successful until there is loyalty and mutual sense of obligation between the weaver and the mill. Even in the case of cooperative spinning mills where one might expect greater loyalty, the weaver demands yarn from the mill only in times of shortage, and when yarn is available in plenty in the market, he goes back to his favourite mill for his requirements.
There is a considerable degree of specialisation in the yarn market today. Some are specialising in warp yarns for Powerlooms while some are concentrating on hosiery yarns. Spinning mills which are located within reasonable distance of Powerloom centres are supplying yarn on beams to Powerlooms so that the expense and trouble of warping and sizing are avoided by the Powerloom Factories.

It has also been found that maintenance of a uniform quality was a very important factor in marketing yarn. If a management wished to improve quality, they could do so permanently. Then, after a few months, they could expect to get a better yarn selling price. But if it is improved temporarily for a month, nothing would happen. And if it went back to its original quality, there would be complaints saying that the quality had deteriorated from the previous month. Some mills have a habit of giving slightly longer length of yarn in hanks or a slightly higher weight in cones in order to get a better price. This seems to have become a universal practice now.

BOMBAY and AHMADABAD both have large wholesale markets, where most of the large cloth dealers are based. They are responsible for sending goods to various upcountry markets. The chain of distribution is wholesaler - semi-wholesale - retailer - consumer. They know their markets
well and advise the mills on what type of goods are salable in the various markets. The colours and designs preferred in UP or MP. would not be suitable in Bengal or South India. The large variation in climatic conditions between different parts of India also affects the type of fabrics concerned. There is no detailed or systematic market information on tastes, trends and fashions. Only during last two decades, the Textile Committee of the Government of India has established a 'Marketing Division' and some basic information regarding consumption patterns has been made available. The mills therefore depend on the information supplied to them by their whole salers and on their salesmen who occasionally tour the markets. If a competing mill is selling a particular variety very successfully, the merchant wants something similar and the mill has to produce it with slight modification. In the absence of a system of registering designs and lack of penalties for infringement of such designs, there is very little creative effort in this direction.

Some mills have their own studios where new designs are created. Any designing that is done is based either on their past successful varieties or that of their competitors. A few mills, however, have started leading fashion instead of following it. They have good creative designers who set the trend, but they cater mostly to the all India cosmopolitan markets where tastes are sophisticated.
In many composite mills, there is usually a conflict between the sales people and the production people. The sales people want frequent changes in design, in reed and pick and sometimes even in counts. The manufacturing people would like as few changes as possible, because every change means stopping machines and loss of production. The idea of mass production in spinning and weaving and variety in finishing — which the Japanese Textile Industry has practised very successfully — has not yet come in a big way in the Indian mills.

But now one such innovation in India will be the NATIONAL INSTITUTE OF FASHION TECHNOLOGY (NIFT) slated to become India's foremost fashion institute, its birth will take place within the luxurious surroundings of Delhi's SAMARTH HOTEL during 1987. The need for an institute like NIFT, was in fact felt by the industry for a long time and the Ministry of Textiles had asked for project reports from premier institutions in India, such as the National Institute of Design (NID), Ahmedabad.

What NIFT plans to do, in effect, is change the face of the Indian fashion industry. Largely uncollated, abounding in businessmen with a fast buck mentality and dependent on the creative input form from Western designers,
the trade has suffered extensively from a lack of professionalism. NIFT hopes to create within the country, a professionally trained cadre of fashion manufacturers and designers with whom quality is going to be the key stone.

According to the situation, many of the better quality mills have opened their own retail shops in all the big cities in India. This is not so much to avoid the middlemen as to get customer reaction to their products and as an image-building activity. A few have ventured into garment manufacturing as a means of marketing their fabrics. But garment manufacturing is a highly specialized activity demanding its own methods of manufacture and marketing and, by and large, the mills have not been particularly successful in this field.

The difference between the ex-mill price and the price the consumer pays for the cloth varies from mill to mill as well as for different varieties. The usual difference is of the order of 35 to 40% for ordinary cotton fabrics. For high-priced blended fabrics, it may be as high as 70% or more. This difference is shared by the whole saler, the semi whole saler and the retailer. It also to compensate them for costs of transport, insurance and interest. The Government has attempted to reduce this margin to 25 to 30% whenever controlled
varieties had to be distributed by the trade, but the trade has always complained that the margins allowed by the Government are not adequate. In view of the fluctuation in the price of textile — particularly after the experience of SEPTEMBER, 1974 (recession) when the market collapsed suddenly — many whole salers do not wish to hold stocks except those of high reputation mills and quick selling varieties. This has meant that the mills usually have to carry larger stocks of their production.

This has not been so in India alone. The traditionally strong Textile Industries of Great Britain and Japan — based on natural fibres — have been shrinking. Their respective Government had had to come to their rescue more than once in order to save them from economic and financial ruin. The textile industries of America as well as Europe also have not fared much better, but because they were not as large and the United States has a vast internal market, they have not fared as badly, when compared to other industries in their countries.

As the position stands in India today, the number of composite mills in the private sector has come down considerably. Out of 282 composite units, as on todate (April, 1987) as many as 108 have gone over to the national and the state
textile corporations and another 34 mills remain closed leaving behind only 140 units to operate in the private sector. Not all of these 140 units are operating on an optimal capacity and more and more composite units seem to be heading towards closure. The extent of deterioration that has crept into the working of the industry could be gauged from the magnitude of assistance which the Central Government is obliged to give to keep going the mills of the National Textile Corporation. Between 1967-68, the Central Government was obliged to pump into the working of the national textile corporation as much as Rs. 1,258 crores by way of capital and loan. Besides, since 1983-84, the Government has also to lend further support to the corporation by way of interest subsidy which amounted to Rs. 82 crores in 1986-87 and is expected to go up to Rs. 111 crores in 1987-88. Thus in the budget proposal for 1987-88 the Central Government has provided for an overall assistance of well over Rs. 270 crores for the working of NTC mills, yet its losses including those units whose managements have been vested in it, continue unabated and have crossed Rs. 1,000 crores mark. NTC mills represent around 25 percent of the industry, and if this sector needs assistance from the Government of around Rs. 270 crores per annum to keep them going, leave it to an imagination.

1. Economics Times: May 1, 1987 (New Delhi Ed.)
2. Ibid.
3. Ibid.
to gauge the extent of relief that must need to be provided for the working of the entire industry.

The basic causes of marketing problems have been the unabated smuggling of manmade fibre, filaments and fabrics on the one hand and the growth of an enormous weaving capacity in the country on the other, synchronising with the diminution of demand for textiles, particularly after the emergence of manmade textiles which, are not only versatile but also highly durable. The substantial cost advantage from labour exploitation and widespread tax evasion accruing to middlemen financiers controlling the decentralised Powerlooms over mill textiles which suffer from rigidity of the cost structure, is yet another potent factor that has accentuated marketing problems. Malpractices relating to stamping of false trade descriptions of textile fabrics and large scale piracy of mill names and mill trade marks have added to the misfortune of the industry.

Lack of correct statistics has led to undetected over production of textiles, while the production of mill cloth is computed on the basis of statutory returns, that of decentralise sector is based on estimates by the application of a ratio of 1 kg. of yarn as being equivalent to 10 metres of cloth in the case of cotton textiles, 9.06 metres in the case of cloth fabricated from viscose spun as well as filament
yarn, 3 metres in the case of blended cloth, and 14 metres in
the case of fabrics produced out of polyester or nylon filament
yarns. The origin of ratios for conversion of yarn into cloth
production was the report of the Thomas Committee of 1942.
This Committee assessed the production of cloth by the Handloom
industry on the basis of applying a ratio of one lb. of yarn
as being equivalent to six yards of cloth up to 1930-31 and
4.57 yards from 1931-32 onwards. This ratio was changed to
five yards a pound some time in the sixties and when the metric
system of weights and measures was introduced, the ratio was
converted to 10 metres. The production ratio of 4.57 yards
(4.18 metres) per pound of yarn related to average count of
22. The ratio came to be changed to five yards a pound of
yarn subsequently because production of yarn had gone finer
and the average count was around 25. The countries of this
ratio however even today for the estimation of cloth production
when the industry has gone further finer does not reflect the
real position. According to the latest available official
statistics which relate to 1983, the average count of yarn
consumed by Powerlooms during that year was around 36. Between
1983 and 1986, the average count must have still finer due

4. Economics Times: May 1, 1987 (New Delhi Ed.)
to larger consumption of superior varieties of long-staple cotton. Therefore, providing for allowance for higher reed-picks for cloth using finer yarn, the ratio of yarn to cloth in the case of Powerlooms cannot be less than 12 metres per g. of yarn to get a realistic production of cloth by the decentralized sector.

If this revised ratio is applied to yarn delivered for civil consumption, our studies show that production by the decentralized sector is underestimated by about 800 million metres in the case of cotton cloth and by about 600 million metres in the case of manmade fabrics. This unrecorded production of about 1,400 million metres is a drag on the market which is overstocked with textiles. As the market structure stands today, around 22 percent accrues to tax evaded and unrecorded textiles production, 6 percent to controlled cloth, including Janata cloth, cheap cloth and polyester fibre-duty free cloth, 8 percent to hosiery cloth and of the remaining 64 percent, a lion's share is appropriated by cheap Powerloom and Handloom textiles and only 12 percent of the market is available for mill textiles, as against 70 to 75 percent of the market at the beginning of the First Five Year Plan. This is a serious setback to the composite textile industry.
Though the industry is facing a declining market of textiles, yet we have to shoulder an ever rising cost of production. Cotton prices have again been on an upward flight so also the prices of polyester fibre and filament. To meet the colossal losses arising out of the cotton monopoly procurement scheme estimated to be well over Rs. 300 crores, the Government of Maharashtra had imposed in the last year's budget a turnover tax of 1.25 percent which came to be enforced notwithstanding the stiff opposition and agitation from the trade and industry, apart from works contracts' sales tax. The total incidence of sales tax, including the additional sales tax and the turnover tax manmade fibres, flamed and yarn works cut to much as 8 percent. The Maharashtra Government has also increased the sales tax payable on readymade garments from two to four percent and at the same time has withdrawn the exemption which was available in respect of garments of value of Rs. 30 or less. The Bombay Municipal Corporation, too, has proposed a rise in the control duty on cotton from two to three percent ad valorem. Thus the industry is saddled with higher prices for cotton and also with the burden of additional taxes of the states and the local government.

The bick has recommended a fair selling price inclusive of excise duty and sales tax of Rs. 69.09 per kg. for PSF and Rs. 146.88 per kg. for POY. It is unfortunate that the
fibre and filament manufacturers should have thought fit to ignore the recommendations of the bureau and jack up their prices to Rs.74/- to Rs.76/- in the case of PSF and the Rs.170/- in the case of POY. Thus we are witnessing a strange phenomenon wherein the user industry is languishing, the producers of raw materials are prospering.

The power tariff applicable to Bombay mills has been hiked by as much 32 percent i.e. from 68 to 90 paise per unit from February 1986 casting on the Bombay Cotton Mill Industry and additional burden of Rs.22 crores per annum. The State Electricity Board has hiked the tariff very recently by another five paise per unit in addition to the fuel adjustment charge. The fuel cost of the industry has also gone up. The compulsion to use the high priced furnace oil in Bombay in the place of cheaper fuel, namely coal, has cast on the Bombay Cotton Mill Industry and additional burden of well over Rs.80 crores per annum.

The Bombay Municipal Corporation has doubled the water charges payable by Textile Mills, which were already exorbitant, from Rs.60 to Rs.120 per 10,000 litres as against Rs.5 to 10 in other textile centres. Consequently a medium sized mill consuming annual about 400 million litres of water for processing of textiles will now have to incur a cost of Rs.48 lakhs per annum as against Rs.24 lakhs previously. For the
Bombay Cotton Mill Industry as a whole which consumes about 25,000 million litres the additional burden will be Rs. 15 crores per annum.

The prices of all other inputs like dyes and chemicals, stores and spares, packing materials etc. have also been continuously rising apart from the rising dearness allowance payable to the labour employed.

The cloth prices have remained almost stagnant since the last two years. In spite of lower production of cloth, the stocks held by the mills in 1986 were more or less the same as in 1985. The first major step needed is to shift all the duties leviable at the fabric stage whether by way of basic or additional duties of excise, to the fibre and yarn points and whatever revenues which are currently made available to the states in respect of cloth by way of additional excise duty in lieu of sales tax, could be made available from out of the revenues collected from the fibre and yarn duty so that the fabrics could continue to be free from sales tax. Alternatively manmade fibres may be made totally exempt from excise duty and whatever revenues are expected from textiles, should be recovered by so spreading the incidence between yarn, both spun and filament.
The rationalisation of the excise rate structure on cotton fabrics particularly of counts 51 and above is a welcome move and is calculated to encourage the consumption of long and extra-long staple varieties of cotton, which would certainly be in the interest of the cotton cultivator.

The textile sickness has the most deterrent factor to marketing. It is no doubt true that the textile modernisation fund of Rs. 750 crores set up under the auspices of the industrial Development Bank of India (IDBI) provides for modernisation loans as well as special loans, in addition, towards promoter's contribution for weak but viable units. We have to wait and see its results.

The expansion of export market for Indian textiles assumes crucial importance because of the restricted home demand and the existence of the surplus capacity. China, Korea, Taiwan, Japan and Hong Kong export as much as 6 to 8 billion each of US dollars worth of textiles while India's achievement is less than 2 billion US dollars. Korea, Taiwan and Hong Kong have gained a spectacular ascendancy in the international market by exporting a large range of textiles, including the garments. Pakistan is doing spectacular business in yarn. China, a late entrant to the international market, has increased its exports at a very rapid pace since 1978 posing a challenge to other countries. Our textile
mills have not been exporting more because exports are not profitable. The international landscape of textiles is also fast changing. Nearly 85 percent of 2.84 million looms at the global level is automatic, of which more than 3,08,000 are shuttleless. Shuttle looms are fast giving place to shuttleless looms. There is an increasing tendency to switch over to open end spinning. Countries competing with India in the international markets like Pakistan, Hong Kong, Korea and Taiwan are having the benefit of duty-free import of high-tech plant and equipment to sharpen their competitive edge. India is, therefore, lagging behind in the race for technological excellence. As such there is need for a similar facility of duty-free imports of textile machinery being extended to the industry if export efforts of the country are to be stepped up commensurately with the growth of the world market in textiles. Manmade textiles have secured a sizeable place in the world market and India should not lose any chance to gain a foot-hold in this area. The industry is confronted with the problem of rejects which make the exports uneconomic.

Whichever way it is looked at, the marketing of the textile industry is lower than the average for all industries in the country. It is also obvious that the variation from year to year is also much greater in the textile industry than the other.
The question naturally arises as to what are the reasons, first for the poor marketing system in the textile industry, and secondly, for the high variability from period to period.

In the first place, clothing is one of the basic needs of all human beings. Consequently, no Government can allow the price of such a commodity to go up to a level that is beyond the reach of the common people. Therefore, every time the price of textiles shot up in India, great public concern was voiced by all concerned, and steps were taken by the Government to bring down the price of textiles. The industry has often been warned that it should not charge high prices, controls over prices have been introduced, price stamping has been resorted to, and at times, even distribution controls have been imposed. Whether these steps did in fact bring the prices down is a different matter. But certainly the mills could not take advantage and charge market prices. In order to mop up excess profits, excise duties have been imposed on particular varieties of yarn or cloth. These steps have been inevitable. But, in times of depression, the mills have had to fend for themselves, get rid of their stocks at any price and incur losses. It means that whenever the market is good, the mills are subject to controls and when the market is bad, it is their own funeral. Consequently, it is not
surprising that the average profitability is lower than for other industries which is an outcome of the poor marketing system in the industry.

Another factor that should be considered is the price of cotton. It is a commodity that is highly variable in price as well as quality. And during the last 4 years, India has generally been short of cotton, and subject to big fluctuations. If the cotton prices tend to fall, there is a demand from the cotton growers for exports of cotton. On the other hand if the cotton prices are higher than the world prices, the industry cannot import unless the Government announces that such imports would be permitted. And the moment that decision is made known, the suppliers of cotton in other countries also raise their prices because they know that Indian mills have to import the cotton within a given period. Many of these decisions of Government are often taken late because of administrative delays in decision making so that by the time the decision is implemented, the situation changes and the decision is no longer appropriate. Since the advent of the multi-fibre policy, a similar situation has arisen in the area of staple fibre also. The production within the country is not adequate and the imported fibre is cheaper. But in order to enable indigenous fibre to be consumed, a duty has
been levied on imported fibre also. While this may be necessary, in its implementation, there have been snags and problems.

Lack of modernisation is one of the major reasons for the poor marketing of many mills. The mills which are modern and which have been able to change their pattern of production according to changing tastes, are generally above average marketing activities and profitability also. The existence of larger number of mills in the low profitability area brings the average for the entire industry down. Many reasons have been given for the lack of modernisation such as low profitability, high cost of machinery, and so on. While these might have some validity, it is nevertheless management's responsibility to maintain their equipment at peak production levels and to modernise them as quickly as possible.

Another important aspect that should be considered with regard to poor marketing is the level of taxation — particularly excise. Textile consumption is especially sensitive to price levels since it is postponable item of purchase. And if the price increases as a result of additional imposts of duties, there will be an impact on marketing activities as well as on demand.
The cotton textile industry is expected to pay a total of \( \text{Rs.291 crores} \) by way of excise duties alone. These do not include sales tax and other levies. Though excise started as a means of providing help to the Handloom industry and as a means of mopping up additional profits, today it is a major contributor to the exchequer and it would be unwise to expect any reduction from it.

It is difficult to apportion as to how far each of these four factors namely - restrictions imposed by the Government, raw material prices and lack of modernisation and excise duties is responsible for the poor marketing system in the textile industry, for which a detailed and independent study over marketing systems is required. Even then, it is difficult to draw definite conclusions because of various other factors such as whether a mill is spinning or weaving, whether it is located in a high wage area or a low wage area and whether trained workers and supervisors are available in a particular region. All one can say with any degree of confidence is that these four factors have led to the poor marketing system in the textile industry. There is a saying among some people in the industry that they expect a two-year boom, a two-year gloom and two-year doom.

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