CHAPTER -II

TEXTILE INDUSTRY IN THE NATIONAL ECONOMY

The Historical Background given in the earlier Chapter indicated that the Textile Industry did require the support of the State for its development and expansion. Expansion procedure is essentially a developmental activity and for its attainment positive Government steps are needed. The Textile Industry as a whole is beset with challenges and problems. In this Chapter an attempt is made to study its problems and to provide a comprehensive and objective study of the various branches of the Textile Industry and their inter-relationship.

CRISIS IN THE INDUSTRY AND STEPS TAKEN:

During the past twenty two years, the Textile Industry has been passing through a period of unprecedented crisis of different nature. Whenever there is an acute or prolonged crisis, there are an overwhelming number of short-term problems to be solved. Nevertheless, an objective consideration of long-term problems is important not only from the point of view of growth and development, but even in over-coming short-term
difficulties that are likely to arise in the future. In fact, many of the short-term problems that the industry faces today might have been avoided if we had attached greater importance to long-term problems in the past.

From 1965 a crisis has been developing in the industry and many mills were closed mainly due to the high cost of production, and reduced profitability. There was a sharp rise in the cost of production because the prices of cotton and raw materials etc. for cloth and yarn, rose enormously. Also, there was a rise in wages. On the other hand inflationary conditions continued to reduce the purchasing power of the consumer. The result was that in 1966 although aggregate production of yarn and cloth was less than in 1965, stocks in the mills were more than in 1965. The reduction in stock was due to lesser production rather than a higher take off mainly. In view of this crisis, the number of mills that remained closed for financial reasons during October, 1966 were 44. This is said to be a record figure, but gradually the number of total sick mills reached 100 during 1972.
In December, 1966, the Government also appointed the Thackersey Committee to make recommendations on the working of uneconomic mills. This Committee suggested the closure of some units and running of two of the five mills at reduced capacity and only after modernisation. The matter was reviewed by the Government and it was difficult for the Government to take decision on Public Investment because, as per the existing law, the Government could not dispense with the original ownership. A comprehensive review of the entire situation was, therefore, initiated. By May, 1967, it was known that the Government would soon bring forward legislation to enable them to take over inefficient and 'Sick' Textile Mills, because the taking over of mis-managed mills and working them through authorized controllers as at present, was not considered adequate.

The organized sector of the industry has been gradually deteriorating in its productive efficiency over the last 20 years with 1971 being one of the worst years in its history. Production of mill made cloth after a spurt in the First Plan period, from 3,727 million metres to


4,852 million metres, slpped to 3,957 million metres by the end of 1971. At the same time the decentralized sector (Handloom, Powerloom and Khadi) had increased its output from 1,013 million metres to 3,399 million metres. The share of the mill sector in the total production which was as high as 79 percent in 1951 dropped to 53 percent by 1971 while that of the decentralized sector increased from 21 percent to 47 percent.

**CAUSES OF THE CRISIS IN THE INDUSTRY:**

The reasons of crisis are manifold, like financial difficulties, managerial incompetence and negligence, obsolete plant and machinery, excess labour and poor industrial relations.

The first and foremost reason is the inadequate and irregular supply of cotton to the factories. The domestic production of cotton has always been below consumption level leaving a gap between supply and demand to be filled in by imports. Imports of cotton are never arranged in time, and when there is a sharp drop in cotton

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production the prices tend to shoot up. This situation was particularly severe during 1970-71 when prices of raw cotton reached an unprecedented high level, leading to sharp rise in mill's costs and consequent decline in its production and profitability. Many marginal mills had to close down.

The point made is that the Textile Industry is subject to violent fluctuations in raw cotton prices and this in turn has a great bearing on its cost of production, productivity and profitability. The solution naturally lies in boosting indigenous cotton production to a level where imports can be kept to the barest minimum or even totally eliminated.

World-wide recession had its impact on the Indian Textile Industry as well. The Cotton Mill Industry has of course had fluctuating fortunes at no time for a continuous period of more than two years. In addition to the cost of inflation, the Textile Industry had also to face a prolonged labour strikes both in Bombay and Coimbatore mills apart from the severe power
cut in almost all the major producing centres, added with inadequate and uncertain supply of power sometimes.

The most important problem facing the cotton Textile Industry today is a steep fall in the off-take of cloth both for the home and export market; resulting in an accumulation of stocks in mills. The sales that are taking place are made almost at unremunerative prices and some of the mills in the industry had incurred heavy losses even during the year 1982-83, which have caused depletion in their working funds. At the same time, the requirements of working capital have risen steeply due to the necessity of financing larger stocks and due to higher current expenses on cotton, wages, stores and power charges. Several mills have reached the limit of their borrowings with banks and in order to continuous working, they are compelled to make sales at distressed prices. A vicious circle has thus been created which has completely demoralized the trade and the industry.

The fall in the off-take of cloth is solely on account of the fall in consumer's purchasing capacity caused by a steep rise in prices of food articles and
other necessities. While the consumer's capacity to spend on cloth has diminished, several factors have been steadily at work in raising the cost of manufacturing cloth of which, the most important single factor was increase in the cotton prices of short and medium staple qualities. During 1981 the cotton prices increased by about 40 to 70 percent depending upon different cotton varieties. Wages are linked to the cost of living index and, since the index has been jumping up month after month presently, wages have recorded a perpendicular rise. All the other items of cost such as stores, fuel and power and interest charges have also been upward in consonance with the general inflation in the country.

In a situation like this, the industry fixes the prices on the basis of what it costs to produce and which it expects markets to pay, depending upon its capacity. But on account of consumer resistance as mentioned earlier, consumer spending on non-food items and particularly on cloth has gone down.

Since last several years the Textile Industry is operating at a very low profit in our country. Even in the best of years, the cotton textile industry's average
profit margin remained between 8 to 10 percent of sales. Such poor profitability of the industry had adversely affected its working capital as well as rehabilitation and modernisation programme. In times of all in consumer demand, while stocks accumulate, the mills have to pay excise and other levies to the Government. In order to sustain the production, the mills require more funds to meet monthly wage bills, stores power and fuel charges and other items of production. Inspite of the present exhorbitant interest charges of 20 to 25 percent paid by the industry, it is not in a position to raise the required funds.

Another reason for the present sickness of the industry is that it is not working to its optimum capacity. During the last two decades the excessive regulations exercised by the Government on the mill sector had promoted inefficiency in both production and management. This has also resulted in a colossal waste of precious raw materials and productive facilities. For example, the mills are not allowed to use filament yarn in warp in

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order to protect the interest of art-silk and Powerloom Sectors which use this yarn to cater to the affluent sectors of the society.

People have been turning more and more to Synthetic Fibres replacing cotton all over the world. In the last decade the demand for blended and mixed fabrics increased considerably in our country. But after having increased its per capita availability of 2.22 metres in 1973 to around 5.35 meters in 1978, its demand has become stagnant during the last 9 years on account of its high price.

The fibre prices must be brought down to international parity and the duty structure on such blended yarn and fabrics should be rationalised to bring them within the reach of common man.

The financial position of a number of cotton mills has been deteriorating, and that unless additional credit facilities are made available by the banking system on an urgent basis, there would be no escape from

closure of some units leading to unemployment.

In the context of the strike in several mills in Bombay from October 21, 1981, and two more units later, and the indefinite strike from January 18, 1982, the industry could not think of any immediate future. The unions call for a hike in the wage would burden these textile mills in the city, to the extent of Rs. 150 crores per annum. The chain reaction of such demands in one region spreading to other areas in the country and its repercussions on the textile economy as a whole can better be left to one's imagination. The structural changes needed in the textile industry are thus many and varied.

**OTHER FACTORS:**

One of the basic characteristics of the textile industry is its great HETEROGENEITY. It does not present a single profile as no integrated picture emerges when a study is made. Whether it is from the point of view of technology, raw materials, quality of the products or efficiency of production, there is considerable divergence. Often, one section of the industry does not know what is happening in the other sections by which it might be
profoundly affected. On the one hand, there is talk about open-end spinning, jet spinning and shuttleless looms. On the other hand, there are about 3.5 million Handlooms in the country and 'Amber Charkha' is encouraged. In any consideration of the major problems of the industry, this factor should be given great importance.

HETEROGENEITY arises from three factors. The first from what may be called the different sectors of the industry, namely - Handlooms, Powerlooms and the Mill Sector. Where individuality of design and quality are paramount and price is of secondary consideration, there is no doubt that Handlooms will continue to play a major role in production. One does not think of producing a Banarasi or a Kanjeevaram Sari on anything but a Handloom. But where standardisation and economy of production are important, it is inevitable that Handlooms will gradually be replaced by Powerlooms or even automatic looms. The Powerlooms in the country have been increasing irrespective of the policy of the Government. With the existence of these three sectors, as stated above, often competing with each other and asking for special reservation and privileges, it is difficult for the industry as a whole to progress — except at the expense of each other.
Every time a Committee is appointed to study and report on a particular sector of the industry, its recommendations have had an adverse effect on the other sectors. This is perhaps inevitable, but meanwhile, the only way of enabling these sectors to co-exist is to make them as complementary as possible. Whenever different levels of technology have to compete in the same market, Handicapping them through incentives or penal levies — though highly sporting — is not really satisfactory. Only a reservation of production — not only between Handlooms make the three sectors complementary instead of competitive and would solve the problem.

The second factor that gives rise to HETEROGENEITY is that the Textile Industries using different fibres have tended to remain separate, watertight compartments. In most of the textile producing countries, e.g. U.K and Japan etc., these differences have disappeared in the last three decades. In those countries, rarely is a fabric manufactured from a single fibre. Most of the fabrics have a blend of two and often three types of fibres, and this has resulted in elimination of differences and the creation of some sort
of HOMOGENEITY. In India, however, Cotton, Woollen and Synthetic manufacturing industries have separate organisations of employers, separate laboratories for research as well as for other needs. There is not even a coordinating Committee to consider — say, once a year — problems they face and to see that some sort of common approach is possible. There are perhaps greater contacts among the research bodies, but even that is not very close or continuous. Technical education also has been oriented towards one or other of the fibres, so that a student who has learnt about cotton is often quite ignorant of say, wool. Recent studies in the consumption pattern of textiles have shown that as education went up, as urbanisation increased and as income improved, there was a change in the consumption pattern of textile from grey to finished cloth, from traditional to cosmopolitan garments and from natural fibres to synthetics and blends.

The third factor of HOMOGENEITY is of course due to the considerable variation in the 'Technological Competence' and efficiency within the mill sector. This is the major single factor that has been the cause of sickness and so long as this vast difference between the
best mill and the worst mill persists, industrial sickness, which may take any form of crisis thereto, cannot be eliminated. This naturally brings us the problems of MODERNISATION.

It is, therefore, suggested that the establishment of an INDIAN TEXTILE CONFEDERATION would go a long way in bringing down the problems of the industry, finding out ways and means to overcome the crisis of the industry and placing some kind of HOMOGENEITY in this sector.

MODERNISATION:

Ever since the World War II when most Indian mills were working round the clock — often without adequate supply of essential spare parts — the textile industry has been in great need of rehabilitation. The backlog of modernisation since then has not been made up. The needs of expansion and modernisation often came into conflict. There was also a degree of complacency on the part of some managements because of the profits in the war years and the immediate Post-war period. In the beginning, when finances were easy, machinery was not available because India did not manufacture any machines at that time and
the European manufacturers gave long delivery schedules. The Post-war boom in most of the countries inflated the prices of machinery and some considered the cost to be prohibitive. Even where modernisation was undertaken, it was haphazard and the full benefits were not always derived.

The problems of modernisation of cotton textile mills has been the subject of discussion of several Committee and Study Groups set up in the past. Unfortunately, the solution remains as elusive as ever owing to a variety of reasons, the chief one among them and fundamental one being the lack of finance.

The Working Party, under the Chairmanship of Sir A. Ramaswamy Mudaliar, which was appointed in 1950, remarked:

'...the industry is working with plant and machinery most of which is not only old but completely outmoded and the renewal of machinery is an urgent problem of the industry.'

Commenting on this statement, the 'Working Group of

Cotton Textile Industry' remarked in 1960, 'the present position in the industry has worsened still further'. The Working Group assessed that even to achieve a modest level of modernisation, about Rs. 180 crores would be required out of which the industry could contribute only Rs. 80 crores. It recommended that the balance should be raised as loans from the National Industrial Development Corporation, Industrial Finance Corporation and similar financing institutions. It also recommended that a part of the requirements of equipment should be imported and suggested that Rs. 60 crores worth of foreign exchange should be earmarked for this purpose.

Meanwhile, the interest rates were increasing and mills were finding it extremely difficult to find the finances necessary for modernisation. Further, with rising cost of machinery and high interest rates, the return on investment had to be pretty good if modernisation was to be successful. It meant the areas of modernisation had to be carefully selected, the return on investments worked out fairly accurately, and ensured that the anticipated results of modernisation were realized. In order to accelerate the process of modernisation, the Government of India introduced the soft loan scheme through the
Industrial Development Bank of India for a few industries including textiles. While this has given some fillip to modernisation, complete rehabilitation of the industry still seems as far away as ever. Far more generous financial provisions are needed if the industry is to be brought to a uniformly efficient level of operation.

In view of the importance of modernisation in the textile industry and in view of the vital need to ensure that the best use is made of the available financial resources there are a few concepts as guidelines for mills as well as for financial institutions. It would be worthwhile to look at them here.

The first of these concepts is that modernisation should be planned attempt to improve the technical and organizational efficiency of a mill rather than a haphazard process of replacing old and out-worn machinery by new ones. In such planning, the first step is for the managements to define the aims of modernization is undertaken with three specific objectives:

1. A reduction in cost,
2. An improvement in quality,
3. Diversification of existing production.

Each management should clearly understand which of these three objectives, or which combination of these three objectives, is important from their point of view.

For a really low productivity mill, cost reduction may be of paramount importance. On the other hand, for a mill whose productivity is fairly high, an improvement in quality or some form of diversification of production is more vital. Such a clear definition is necessary both in the selection of equipment and in the allocation of priorities for investment.

The level of modernisation is another aspect that should be considered in the very beginning. What level should a mill aims at? This has to be decided taking into consideration the finance that is available, the present level of technical efficiency and the labour displacement that would be involved. Obviously modern machines of high sophistication are very expensive. They also involve a very high level of labour displacement. This again imposes its own restrictions on modernisation. But at the same
time, every management must ensure a certain minimum standard of quality and efficiency. The objective criterion for managements to follow is that the total cost should be minimised. It is generally found that if the machinery cost increases, labour cost comes down. For a particular level of wages, a particular level of sophistication would result in a maximum saving.

In arriving at the maximum saving, it should be remembered that the new machine is likely to be used for at least the next ten years and wages during this period are likely to be increased so that what is maximum saving today may not be so in a few years' time. Therefore, the level of technology that would be more sophisticated than today's maximum saving will be more economic in the long run.

One of the most important problems of modernisation is the allocation of priorities. Even if finances were available, it would not be possible to modernization of the entire mill within a very short time. Any comprehensive plan of modernisation will have to be spread over a period of time. Therefore, the question of where to start first assumes great importance. This is particularly so for mills
running at a loss which to get the benefits of modernisation as quickly as possible. Priority should be given to those areas where profitability and quality improvement are immediate. This is best achieved when investment is made as near to the consumer as possible. In allocating priorities, improvement in quality that is possible as well as the pay back period for the investment should be taken into consideration.

Modernization is not something that is done today and forgotten for the next ten years. Often mills get into trouble mainly because they allow things to drift, finally, when wholesale modernisation had to be undertaken, labour displacement becomes a major problem. They also have to find large sums of money which imposes a great financial strain at a time when their profitability is low. Therefore, rather than modernise by fits and starts and create a cycle both in financial commitment and labour displacement, modernisation should be a continuous process. Every year, the processes and products should be reviewed and modernisation undertaken where necessary. Thus, the burden of modernisation should be more evenly spaced.
Any discussion on modernisation would not be complete without a reference to *AUTOMATION* in the textile industry. In a country like India, adoption of automation poses a number of socio-economic problems, apart from those created by the technology itself. Shortage of capital resources, lack of indigenous equipment, problems of spares and maintenance, training of operatives, fear of resulting unemployment, and last but not the least, the attitude of managements themselves in accepting the discipline that automation demands, are all inhibitive to the introduction of large scale automation in India. It is therefore, clear that the problems of the introduction of sophisticated technology in general and automation in particular are complex and should be considered very carefully.

It is also very essential to remember that automation is resorted to not always for economic reasons. Introduction of automation in *JAPANESE TEXTILE INDUSTRY* was primarily due to labour shortage. It can also be adopted because of quality considerations. But in India, the question of labour shortage does not arise. Therefore, if automation comes into use in Indian mills, it should be
economically justifiable and qualitatively essential.

The Textile Industry has sometimes been accused of diverting funds to other industries and thereby not having enough to modernise the mills. A management which cannot run a textile mill successfully obviously cannot run other industries. Further, it should be remembered that not only in India but in most other countries, Textiles is the first industry and, therefore, only the profits from the textile industry have helped in the establishment of other industries. This is logical, historical development that is inevitable in developing nations with a low standard of living. It should be encouraged rather than criticised.

DIVERSIFICATION is another aspect of modernisation. Production pattern — whether in spinning or weaving — has to change according to changes in public taste. This has happened to a considerable extent in the textile industry during the last thirty years.

As far as spinning is concerned, 95% of the yarn produced during the first few years after achieving independence went to the Handlooms and was in 'hank form'. 
Quality differences between mills were not very significant and the reputation of the mill was that counted. But, gradually, as more Powerlooms were established, there was greater demand for 'cone yarn'. Powerlooms needed stronger yarn for warp and the better quality mills were able to meet the requirement. Increasing consumption by hosiery factories demanded soft, low twisted yarn. Mills slowly began to specialise in one type of yarn or the other and the price differentials between them began to widen for the same count. The demand for combed yarn, doubled yarn and mercerised yarn has also been increasing, and specialisation in the yarn market has come to stay as a permanent feature.

Similarly, in fabrics, the demand for finer fabrics, for better finished fabrics and for blended fabrics has been going up and mills have had to change their production accordingly. At the other end of the spectrum, the demand for very coarse fabrics is also on the increase. Production of towels, bedSheets, furnishings, curtains and table cloths is also increasing and many waste spinning mills have mushroomed to fulfil this demand. These trends are likely to continue for
some time and an equilibrium may not be reached for some years. While the average count of yarn in the country has been going finer, the middle range counts are somewhat stagnant; but the production of fine and super-fine yarns on the one hand and coarse yarns on the other is increasing. Mills which have failed to take note of these trends and adjust their production pattern accordingly have been in trouble.

ADMITTEDLY MODERNISATION reduces the labour cost and increases productivity. In the competitive market and in the fashionable world of today, quality plays an important role. The old machines are just not capable of producing faultless and finer cloth that the market requires, either internal or international. But adoption of major technological changes in industries in India poses a number of socio-economic problems apart from those created by the technology itself.

What is important for India in this context is not so much the introduction of whatever is latest, but to adopt known and tried technology in all the mills in India. There are, of course, some mills, e.g. Reliance
Textile Mills, Bombay, Orkay Textile Mills, Raymond, J.K. Mills and Bombay Dyeing etc. which are technologically very advanced and financially strong, which always wish to be in the forefront of industrial progress and they will be pace-setters to the industry as a whole. But, for a majority of low productivity mills, technology that is available within the country, which is economical from the cost point of view and which is capable of producing good quality and which is not too expensive is what is essential. If such technology has to be introduced into a majority of the mills in the country, massive inputs in terms of finance would have to be arranged. Whatever has been done so far may be called 'too little and too late.'

LATEST POSITION OF GOVERNMENT'S ASSISTANCE:

The Cotton Textile Industry requires substantial input of modernization, if it is to remain viable and meet the clothing requirements of the masses. The major incentive to modernization is 'Soft Loan Scheme', which continues to remain in force. Upto the end of October, 1983, 408 applications involving Rs.830.50 crores for soft loans
were received by the IDBI, out of which 371 applications amounting to Rs.533.95 crores were sanctioned, while Rs.333.64 crores was actually disbursed. According to the figures released by the Cotton Textile Export Promotion Council, Bombay up to the end of March, 1986 - a sum of Rs.762.88 crores was sanctioned by IDBI, out of which a sum of Rs.591.20 crores have already been disbursed. With a view to encouraging the mills to replace their old machinery and equipments by improved one, the Government of India took a decision to allow replacement of spindles and looms by indigenously available machinery as well as sophisticated imported ones, which were not being manufactured indigenously. The intending mills were issued the replacement permissions by the Textile Commission's Organisation. For accelerating the pace of modernisation in the Textile Industry along with increase in exports, Government had also reduced the import duty during 1985-84 on the import of certain sophisticated textile machinery, namely - 'Shuttleless looms of 260 cms. and above', 'Open and Spinning Machinery', 'Air Jet and Water Jet Looms to 20 percent'

subject to the condition that 75 percent of the production, out of these items of machinery will be exported for a period of 8 years.

As in 1982-83, import policy for capital goods as well as spares were substantially liberalized in 1983-84 also. A few items of capital goods were also placed under OGL for improving facilities. Permissible spares continued to be under OGL (Open General Licence) and the facilities for importing non-permissible spare items also continued to be available as a percentage of value of plant and machinery installed as on 1.4.1983. The import of highly sophisticated automatic looms was allowed for import under OGL.

SUGGESTIONS:

A number of suggestions have been made as to how this should be achieved. A modernisation fund has been suggested. Liberal Loans from Financial Institutions have been another idea that can be pursued. At present depreciation is allowed only on the original value. But by the time a machine is replaced, its cost is many
times more than the original cost partly because of inflation and partly because of technological advances, so that the depreciation amount is nowhere near adequate to meet the needs of rehabilitation. An amendment to the income tax act to allow depreciation on replacement value, but ensuring that this amount is used only for replacement of machinery could another method of financing the high cost of modernisation today. Only a combination of all these suggestions would perhaps meet the situation. What is necessary is the creation of a sense of urgency regarding this problems as well as devising methods of solving it before it is too late.

Recently, a number of leasing and hire-purchase companies have come into existence and some mills have taken advantage of these companies to acquire machinery on lease or on hire-purchase schemes. There seem to be some distinct advantages in these methods — particularly for expansion — and if these methods would enable mills to Modernise faster, it would be helpful in the rapid rehabilitation of the industry.
Modernisation cannot be rapid if there is not adequate indigenous machinery available. An acceleration in modernisation would mean increased number of machines to be manufactured in the near future. While India produces textile machinery that is technologically satisfactory by and large, there are still many gaps which have to be filled in. Certainly non-cotton sectors are not as well served in this respect as cotton. Since the decentralized sector — particularly the Handlooms — is likely to be with us for a long time and since the demand in the future will be more for better finished products, it is essential that equipment suitable for giving sophisticated finishes to Handloom products should be designed and developed. This is a fruitful area for collaboration between the industry and the Development Commissioner for Handlooms.

URGE FOR SPEEDY MODERNISATION:

The Textile Industry has expressed concern over the delay in formulating and implementing an effective modernisation scheme, even though nine months have passed since the announcement of the New Textile Policy 1985 on June 6, 1985.
The cost of modernisation as estimated earlier at Rs.2,475 crores (at 1980-81 prices) would now go upto Rs.2,800 crores due to further obsolescence in mills and increase in the cost of machinery. The industry has not been able to keep pace with the technological development around the world due to various inhibiting factors like cyclical and low profitability, high capital costs and interest rates and controls on production. It was hardly earn an average of 8% return on the capital employed, as against 16% by other industries. Inspite of such handicaps, the industry had done its utmost in retaining for investment a higher ratio of funds after taxes as compared to other industries. The huge backlog of modernisation can, therefore, be cleared only if enough funds are made available to the industry.

For the purpose of achieving modernisation, the following suggestions are made which may suit the requirements of the Textile Industry under the present circumstance:

1. The rate of interest on Soft Loans should be scaled down to 7.5% with a repayment

period of 15 years and moratorium of two years. The existing ceiling of Rs.5 crores should be raised to Rs.20 crores.

2. Out of excise collection from the Industry, 10% should be made over to the Industrial Development Bank of India (IDBI), free of interest to be utilised for grant of Soft Loans.

3. The long-term fiscal policy has proposed that industrial units be allowed to fund with the IDBI, 20% of pre-tax profits for purchase of machinery and equipment.

4. In view of the special needs of the textile industry, the mills should be permitted to set aside up to 30% of pre-tax profits before depreciation.

5. Provision should also be made to place at the disposal of the mills 20% of excise duty paid by each unit to be credited to the 'Modernisation Fund'. This would enable the weak and marginal mills to undertake modernisation on a regular basis.

6. The facility of investment allowance should be continued for the industry as an added incentive for modernisation.

As such it is high time that the Textile Department, Ministry of Finance and the Government of India jointly pay
Immediate attention towards these suggestions which are highly conducive for the ill-health of the industry due to old machinery. Necessary amendments may be made in the existing rules and regulations applicable to the Textile Industry. The immediate need of the industry is for the required funds to be made available by liberalizing the policies and making the rules more flexible, as suggested above, enabling the industry to get equipped with most sophisticated machines as early as possible. The impact of an early modernisation will be highly profitable, as the old machines are just not capable of producing faultless and finer cloth that the market requires specially at the international fronts. In the competitive market and the fashionable world of today, quality plays an important role, which is only possible if speedy modernization is materialized. A similar emphasis has already been made in this respect earlier in this Chapter.

**TEXTILE MODERNISATION FUND SCHEME**

On June 6, 1985 the Government of India announced its Textile Policy 1985. This includes a series of steps proposed to be taken to protest the Textile Industries of
India as a whole. One of its clauses proposes that a 'Textile Modernisation Fund' shall be created. Textile machinery, if not manufactured indigenously, would be allowed to be imported liberally at international prices or slightly lower. One of the main reasons for the present problems faced by the Textile Industry is inadequate modernisation. Modernisation in Ginning will receive priority. Concessional finance will be made available for this. Necessary modernisation shall be taken up in the spinning, weaving and processing sectors. Adequate funds would be provided for modernisation under the 'Soft Loan Scheme' of the Industrial Development Bank of India.

It is very much encouraging to note that in pursuance of Textile Policy 1985, the Industrial Development Bank of India (IDBI), Bombay announced its 'Textile Modernisation Fund Scheme' on July 22, 1986, which states:

IDBI along with other financial institutions has been providing assistance for modernisation of Cotton Textile Industry at concessional rates over the past 10 years.

under its 'Soft Loan Scheme'. While some good results have already been achieved, the task is far from complete. The Textile Policy 1985 announced by the Government of India laid stress on modernisation of Textile Industry. In the recent past, there have been further advances in commercial application of newer technologies to spinning, weaving and process. The need for upgradation of products and improvement in productivity has become more urgent.

In the light of this, it has been felt necessary to create a 'Textile Modernisation Fund' to provide a focal point for modernisation efforts in the industry. The fund besides providing assistance at concessional rates to both weak but viable units as well as healthy units will also relieve to some of the special problems of weak but viable units.

One of the problems faced by weak units in availing modernisation assistance from institutions has been their inability to raise adequate promoters' contribution for their schemes. In order to obviate this difficulty, the weak units would be granted Special Loans
on softer terms to meet a part of the promoters' contribution.

The Textile Modernisation Fund Scheme will be operative with effect from August 1, 1986 for a period of two years, to be reviewed thereafter.

ELIGIBILITY CRITERIA FOR ASSISTANCE:

Rupee term loan assistance under the Fund Scheme will be available to Textile Mills for financing modernisation primarily aimed at:


b). Export Orientation.

c). Energy Saving.


e). Fuller utilisation of capacity through de-bottlenecking.

In line with the aforesaid objectives, the mills are expected to prepare detailed modernisation programmes and quantify the physical and financial requirements of modernisation, including margin money for additional working capital, and also bring out clearly the specific
technological improvements in crucial areas of operation with their impact on productivity and profitability.

One of the main requirements for getting assistance under the Fund Scheme will be the availability of Competent Management to the unit concerned to carry out the modernisation programme and also to manage the operations of the unit efficiently. Towards this end, IDBI may stipulate conditions relating to broad-basing of the Board, appointment of Senior Technical/Financial Executives, professionalisation of the management and constitution of such Committees as may be considered necessary.

The success of the modernisation programme would, to a large extent, depend upon the availability of adequate working capital. Only a unit with adequate working capital can reap the full benefits of the modernisation programme. So IDBI would like to be assured that the units have made adequate arrangements with their bankers for meeting working capital requirements at reasonable rates of interest.

Through this Fund Scheme, IDBI expects to disburse about Rs.750 crores to the industry over the next five years.

years. Under the Fund Scheme, loans upto Rs.6 crores will be granted at a concessional rate of interest of 11.5% P.A. The ceiling of Rs.6 crores for concessional assistance under the Fund Scheme will be over and above the assistance under earlier Modernisation Schemes of IDBI remained operative upto July 31, 1986.

These loans will be repayable over a period of 12 years. It is expected that with the introduction of Special Loans for promoters' contribution, the bulk of assistance under the Fund Scheme will be utilized by weak but viable units which are in urgent need of Modernisation. The modernisation undertaken with the assistance provided by the 'Textile Modernisation Fund Scheme' will lead to better productivity and improved profitability and shall also increase export competitiveness of the Textile Industry as a whole.

**IMPORTANCE OF MODERNISATION FUND:**

With the Second Anniversary of the new Textile Policy (June 6, 1985) on the cards, the fortunes of the country's Ancient Industry seem mixed. The new textile policy has undoubtedly done away with the sector-wise
categorisation of the industry into organized mill sector, Powerloom Sector and Handloom Sector. Instead, it has classified the industry according to its manufacturing activity, namely, the Spinning, the Weaving and the Processing Sector. Thus mill looms and Powerlooms are placed on equal footing. The Handlooms have, however, been bestowed special consideration in view of their employment potential and their rural ring. To impart Handloom Sector a stability in its manufacturing activity, the entire controlled cloth manufacture has been transferred to the Handlooms.

Following various policy initiatives pursued by the Government, the performance of the Textile Industry in both 1985-86 and in the current year (1986-87) has so far been encouraging. Total cloth production in the country has been around 484 million metres higher, having risen from 12,014 million metres in 1984-85 to 12,498 million metres in 1985-86. Although the output in the organized mill sector has shown some downtrend in the current year (1986-87),

this has been amply made up by the sound performance of both and Handloom and Powerloom Sectors.

The 1986-87 ECONOMIC SURVEY revealed that Textile Industry posted a higher implied growth of 18 percent in 1985-86. What is particularly noteworthy is that while the target of cloth production in the SEVENTH PLAN period was 14,500 million metres the requirement of spindles for achieving this target by the end of the Seventh Plan period had already been exceeded. The lifting of ban on creation of fresh weaving capacity in the organised sector coupled with full fibre flexibility between cotton and man-made fibres and yarn had given a fresh impetus to the textile mills and the Textile Industry had responded to these moves in a positive manner.

Modernisation of the Textile Mills under the new policy has got a shot in the arm when the Government announced 15 The 'The Textile Modernisation Fund' with an investment of Rs.750 crores. Textile machinery manufacturers were asked to update technology and reduce cost of production. The

facility of 'Soft Loan' from IDBI and other financial institutions would continue.

That the Textile Industry has achieved a turn around in its fortune in recent years is well demonstrated by the fact that Garment and Cotton Textile exports have been showing sustained growth during 1986. Exports of Garments during 1986 increased to Rs.1,323 crore against Rs.1,063 crore in 1985, representing an increase of 24 percent. In 1985 also, Garment exports had shown an increase of 26 percent. Cotton Textiles, which included exports of Cotton Fabrics, Yarn and Sewing thread also showed buoyant exports last year (1985-86). Cotton made-ups and manufactures totalled Rs.656 crore in 1986 against Rs.648 crores in the year 1985.

Notwithstanding these positive developments in the textile scenario of the country, the fact remains that the textile industry requires massive capital investment for modernisation as it is saddled with obsolete equipment and faced with falling demand for its products. Moreover, demand recession coupled with large-scale smuggling of cheap fabrics from neighbouring nations has crippled the
country's Textile Industry. Besides, it is difficult for the industry to market synthetics and blended fabrics, the cost of manufacture of which is prohibitively high due to heavy excise duties levied at different stages of manufacturing of synthetic fibres, yarn and fabrics. Besides, cheap smuggled fabrics from across the borders have played havoc with the domestic market, pulling down the prices of textile products. In the following table, the position of cloth production during the last three years is given from which it is revealed that the performance of the Textile Industry has so far been encouraging:

**PRODUCTION OF CLOTH DURING 1984-85, 1985-86 & 1986-87**

(In Million Metres)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Mill</td>
<td>3432</td>
<td>3376</td>
<td>3303</td>
<td>(-) 73</td>
</tr>
<tr>
<td>Powerlooms</td>
<td>5445</td>
<td>5886</td>
<td>6149</td>
<td>(+) 263</td>
</tr>
<tr>
<td>Handloom</td>
<td>3137</td>
<td>3236</td>
<td>3323</td>
<td>(+) 87</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>12014</strong></td>
<td><strong>12498</strong></td>
<td><strong>12777</strong></td>
<td><strong>(+ 279)</strong></td>
</tr>
</tbody>
</table>


(Table - 2.1)*
On Modernisation, it is pointed out that while the industry needs about Rs. 2,800 crore, the Textile Modernisation Fund has set apart only Rs. 750 crore. It is claimed that the fund is too meagre to provide any measurable relief to the whopping investment needs of the industry. Unless both the industry and the Government meet periodically and review the situation, the industry's attempts at modernisation would not take off on the right track, it is apprehended. No doubt, the Government has been sympathetic to the industry's plea and after the new Textile Policy in June 1985, this was followed by a number of measures like economy of scale in synthetic fibre manufacturing units, reduction in excise duty on polyester staple fibre and its blended products, broad-bandring of the industry etc. to reduce the price of raw material and boost consumption. While the full effect of these measures is yet to be realised, it is generally felt that consumption has not been picking up to the desired scale. Moreover, the production capacity of the industry as a whole is much more than can be absorbed by the market. The net result is under-utilisation of capacity, high cost of production and low profitability. Besides, the National Textile Corporation
is also beset with problems of management. The immediate needs of the Textile Industry are swifter modernisation and rationalisation with measures for rehabilitating and resultant surplus labour, including creation of a fund for 'REHABILITATION OF RETRENCHED WORKFORCE', effective and timely monitoring of sickness, swift decision concerning rehabilitation/closure of sick and marginal units and formulation and effective implementation of a 'pragmatic export policy'.

PROSPECTS:

How will the Textile Industry be like at the turn of this century? Past experiences and an intelligent reading of the present conditions will help to assume some possible changes.

The first assumption may be the dress habits of the future in India. It is a well known fact that always as education improves, as urbanisation increases and as industrialisation grows, there is a gradual long-term shift away from coarse to medium and fine fabrics, from grey to better finished cloth, from natural fibres to synthetics and blends and finally, from traditional to cosmopolitan
garments. As the socio-economic changes in the country are accelerated, this trend is likely to continue for the next two decades before it stabilises itself. This conclusion has an important bearing on the future Handloom Industry whose production is based largely on traditional garments and natural fibres and which has no facilities for the finishing of Handloom fabrics at present. Therefore, if the Handloom Industry is to retain or increase its share of the market, it is essential that finishing facilities should be provided for it and it should produce more cosmopolitan garments.

The production of 'knitted fabrics' has also been increasing as a faster rate than 'woven fabrics' and this trend is also likely to continue in the future.

It has been found that during the last fifteen years or so, the average count of yarn for the country as a whole has been going finer by about 0.5% per annum. As far as apparel fabrics are concerned, public taste has been moving towards finer fabrics. But there is another significant trend in non-apparel fabrics which should also be noted. The use of furnishings, towels,
bed sheets and table cloths, all of which are made of very coarse yarns, are increasing and likely to go up quite considerably in the next two decades. As industrialisation grows, the need for industrial fabrics such as filter cloth, tarpaulin and canvas is also likely to pick up. The pattern of consumption will, therefore, be moving finer as far as apparel fabrics are concerned while it will be moving coarser in the case of non-apparel fabrics. This conclusion is important from the point of view of cotton development.

One of the important factors concerning consumption pattern is the relative role of synthetics and cotton. Man-made fibres of various types have come into increasing use in recent years because of their special characteristics and also as substitutes for cotton. The question of God-made fibres versus man-made fibres has been a matter of discussion and debate. Though an equilibrium has been achieved in most other countries, in India, however, divergent views have been expressed with regard to the relative roles of cotton and man-made fibres.

This brings us to the fundamental question of the basis of planning in any area. In a highly sensitive,
fashion conscious and universally required commodity such as textiles, should the planning be done on the basis of consumer preference or in the interests of a particular group or section, however important it might be? If the consumer preference is for blends, to curtail the production of polyester would not improve the sale of cotton fabrics and would be to the detriment of the farmers themselves in the long run.

At such a stage it is important, to have a look at what has happened in other countries of the world, so that it may be helpful in forecasting our own needs. By observing U.S.A. and Western Europe, it is found that the situation has stabilised itself around 40% for cotton and 60% for synthetics. Even among man-made fibres, the non-cellulosics have been increasing at a much faster rate than cellulosics. Inspite of the fact that U.S.A. is a cotton producer and Europe is not, there does not seem to be any difference in the consumption pattern. On the other hand, in the U.S.S.R., it is found that cotton accounts for about 60% and man-made fibres are only 25%. And

among man-made fibres, cellulosics consumption is nearly double that of non-cellulosics. While cotton consumption has remained more or less constant in the U.S.A., and Western Europe, in the developing countries, the use of both cotton and man-made fibres has been increasing. The proportion of man-made fibres consumed by any particular nation — especially non-cellulosics — seems to be related to the level of technological sophistication and the level of economy rather than to any other factor. Factors such as climate or cotton production do not have any relationship to the consumption of synthetics.

Moreover, the trends in public taste in India are moving towards blends. Increasing quantities of fabrics are being produced from a combination of fibres rather than from a single fibre. This trend is likely to continue for some time. Natural and man-made fibres supplement and complement each other and their blending is dependent on the end-use of the fabric.

In the light of the above discussion, therefore, only a comprehensive 'fibre policy' embracing all fibres would be successful in ensuring an orderly growth as well as a satisfactory supply of the clothing requirements of
Further, at present the ratio of synthetics to cotton is about 1:4 in India. As a result of observation of what has happened in other countries and the rate of consumption and taste of the Indian people — it would be reasonable to assume that by the end of this century, cotton will account 65% of textile consumption and man-made fibers 35%. Of this 35%, non-cellulosics are expected to increase at a much faster rate than cellulosics because of their durability as well as easy maintenance. In view of the popularity of blends, one might also expect the consumption of staple fibre to increase more than filament yarn, as far as apparel fabrics are concerned.

So far, we have discussed the qualitative changes that are likely to take place in the future pattern of consumption. But these are of little help unless the broad quantitative needs can be estimated with a reasonable degree of accuracy. The total quantum of textile production by the end of this century would depend on the following factors:

1. Increase in population,
2. Per capita consumption of cloth,
3. Textile exports.
The population of the country has been increasing at 2.2% per annum during the past ten years. Assuming that the growth rate will steadily decrease to about 1.25% during the next two decades as a result of all the family planning efforts, the population by the end of this century is estimated to be about 820 millions.

But when it comes to estimating per capita consumption, we are face to face with a number of imponderables. India has one of the lowest per capita consumption in the world. In terms of weight of fibres consumed, United States stands first with 22.2 Kg. per head and the Soviet Union consumed 13.4 Kg. As against these figures, the consumption in India is woefully small at 2.1 Kg. per head. Even China has a consumption that is 50% higher than India. It may be that the high level of consumption in the advanced nations is due to the universal use of heavy carpets and woollen blankets which are necessiated by climatic conditions. In terms of apparel fabrics also, there is higher proportion of wool and woollen blends which are heavier than cotton fabrics. In view of these factors, the per

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capita consumption in terms of metres would perhaps be a more realistic comparison. Even then, the consumption in India is perhaps less than a quarter of what is in advanced countries.

According to an official statistics, the per capita consumption has come down in the last twenty years, from about 15.5 metres to about 13.5 metres. It should also be realized that there is no direct relationship between a rise in the average per capita income and textile consumption. If the middle and higher income groups were to have a further rise in their incomes, their dress habits are not likely to change substantially and there may be a little or no increase in textile consumption. On the other hand, if the income at the lowest level were to increase, there may be substantial increase in the consumption of textiles.

It is against this background that the per capita consumption has to be estimated. A fibre manufacturer has suggested a growth rate of 5% per annum taking into account both the increase in population and improvement in per

per capita consumption, which would mean a per capita consumption of 25 metres by the end of this century. This would be possible only if the most optimistic forecasts of our plans regarding economic development and standards of living are reached. On the other hand, if the stagnation of the decade in consumption were to continue for another decade or more, that per capita consumption might not be much higher than 15 to 16 metres. It seems safe, therefore, to assume a consumption of 20 metres as being more realistic. This also happens to coincide with one or two other independent estimates.

It would, therefore, mean that the total internal cloth consumption would increase by 88% from the 1980 figure of 9800 million metres to 18400 million metres in 2000 A.D.

Exports of textiles from India have been fluctuating between 8 and 10% of the total production during the past decade. While fabric exports have shown a tendency to come down, there has been a marked increase in the export of readymade garments — particularly Handlooms — and made-ups. Handloom garments are outside the quota limits
imposed by the advanced countries such as the E.E.C. and the U.S.A., and the scope of exports is quite considerable, provided our Handloom garment manufacturers can improve quality and keep up with the fashion trends of the exporting countries.

There is, however, one limitation to Indian exports. World-wide trade in synthetics has been expanding rapidly, but trade in cotton fabrics has been stagnant. India's exports are confined almost wholly to cotton and are not in a position to export either synthetics or blends because of cost and quality considerations. However, in view of the advantage India enjoys in Handloom fabrics and garments and also because of the fact that cotton fabrics seem to be having a revival throughout the Western World, it is reasonable to expect India to maintain at least the same share of world trade as at present. That is exports might reach about 1500 million metres by the turn of the century.

What would be the fibre requirements for producing 20 billion metres of cloth annually both from a qualitative and quantitative points of view? And how is this supply going to be ensured?
partition of India, the country has been short of cotton. While we have qualitatively become self-sufficient, quantitatively, we are still short. Assuming that the fabric production would reach a figure of 20 billion metres in 2000 A.D. and the increase will be steady and gradual over this period, and assuming that the consumption of synthetics would increase in a similar fashion to 35% of the total consumption, the fibre requirements for the future are worked out in the following manner:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cotton consumption (Bales of 180 Kg.)</th>
<th>Synthetic Fibres (Million Staple Fibre)</th>
<th>Total Man-made Fibre (Million Kg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cotton</td>
<td>Synthetic Cellulosics</td>
<td>Synthetic Non-Cellulosics</td>
</tr>
<tr>
<td></td>
<td>Consumption (Kg.)</td>
<td>Staple Fibre</td>
<td>Non-Cellulosics Fibre</td>
</tr>
<tr>
<td>1980</td>
<td>72</td>
<td>128</td>
<td>29</td>
</tr>
<tr>
<td>1985</td>
<td>83</td>
<td>178</td>
<td>42</td>
</tr>
<tr>
<td>1990</td>
<td>91</td>
<td>241</td>
<td>46</td>
</tr>
<tr>
<td>1995</td>
<td>99</td>
<td>322</td>
<td>146</td>
</tr>
<tr>
<td>2000</td>
<td>105</td>
<td>435</td>
<td>144</td>
</tr>
</tbody>
</table>

From the above figures, it is obvious that the country would need a cotton production of 91 lakh bales in 1990 and approximately 105 lakh bales in the year 2000. This represents an increase of over 25% during the present decade.
and another 20% during the next decade. Similarly, there will be a four-fold increase in the various types of synthetics that will be required. These estimates of future requirements — both with regard to cotton and man-made fibres — give an indication of the efforts that will have to be put in by the agriculturists as well as fibre producers and also by the Government, if cotton is to be imported, in order to fulfill the clothing needs of the country.

The development and use of different fibres is the responsibility of various agencies in India. On the other hand, recent trends in fabric production have been towards greater HOMOGENEITY. Therefore, to plan for the development of a single fibre, ignoring the existence of other is neither desirable nor possible. Only a unified and comprehensive policy embracing all fibres and taking the consumer needs into account would be successful in ensuring an orderly growth as well as satisfactory supply of the clothing requirements of the consumer. The evolution of such a long-term policy should be one of the major consideration of the Government of India and the Planning Commission.
What can be the size of our TEXTILE INDUSTRY in 2000 A.D., in order that it could produce 20 billion metres of cloth per annum? Today, the industry has nearly 22 million spindles and 200,000 looms in the organized sector of the industry.

Since there is a ban on the installation of 'New Looms' in the mill sector, the increased cloth production will have to come mainly from the decentralized sector. Even if the ban were to be relaxed or modified, one does not expect a major increase in looms in the mill sector. However, in view of the greater demand for better finished cloth, one may expect an expansion of the finishing facilities in the mill sector and also the coming into existence of 'Independent Processing Houses'. This brings us to the relative role of the mill sector, the Handlooms and the Powerlooms in the future. Inspite of a ban on the installation of Powerlooms one expects them to grow and be authorized at a later stage. Consequently, a major portion of the increase of 85% in cloth production during the eighties and nineties will come from the Powerloom sector rather than from the mills or handlooms. While it is difficult to forecast a precise figure, it will not be occasion of
surprise if at least an addition of another 200,000 Powerlooms arise by the end of this century (2000 A.D.).

In order to bring about a HOMOGENEITY especially between the three sectors, Handlooms should be increasingly used for the production of high-cos fabrics with sophisticated designs where uniqueness of design becomes more important than the cost of production. There is an increasing demand in the country for Novelty Fabrics with unusual blends and the mills as well as Powerlooms are not capable of producing them. Development of such fabrics, keeping in view the requirements of foreign buyers, on a large scale for table cloths, furnishings, carpets etc. would certainly help the Handloom sector in the coming decades.

A very big expansion in the knitting industry is also expected. Similarly, there will be significant expansion of the Garment Industry and it will replace the traditional tailor to a very large extent by the end of the current century.

Textile Industry has been considered a labour intensive industry in the past, but during the last two decades, developments in technology have made it a highly
capital intensive industry. Success depends not so much on employing a large number of people but on employing a group of highly skilled workers and ensuring a high rate of productivity both from the man and the machine. Assuming there will be a productivity increase of 50% — which is a very modest figure — the number of workers in the existing mills can be expected to come down by 30%. On the other hand additional workers would be required to the extent of about 50% for increase in machine utilisation as well as additional spindles. On an average, there might be an increase of 20% in employment in the mill sector. But since a major portion of the cloth production is expected to come from Handlooms and Powerlooms, employment in these areas may increase by about 50%. In terms of numbers, perhaps an additional 2,000,00 (two lakh) workers might be employed in mills while 5,000,00 (five lakh) workers might be able to find work in the decentralized sector.

TODAY there is a big demand in the country for starting Textile Mills. But this may not always be so. As entrepreneurial skills improve and as technical education
becomes more wide-spread, people might think of starting other industries, and capital for development in textiles might not be forthcoming. The only way to avoid such a situation and to ensure a healthy and prosperous TEXTILE INDUSTRY which will serve the needs of the consumers, both national and international, is to eliminate its sickness, and to make itself-reliant and efficient and reasonably profitable. This would need massive assistance (finance) from the Government of India for MODERNISATION, as already emphasised earlier in this Chapter, as well as strict monitoring on the part of financial institutions to ensure efficiency of management. In this connection a recent decision of the Central Government about GUJRAT SICK MILLS may be seen below under the heading 'Rationalising Textiles'.

It is worth mentioning here that even in advanced countries like the U.K. and Japan, the Governments have had to come to the rescue of the Textile Industries of those countries in order to rehabilitate them. It is suggested that a 'Centre' for the study of 'Industrial Sickness' be established jointly by the Industry, the financial institutions and the Government of India for taking various remedial steps good for the health of this industry.
RATIONALISING TEXTILES:

On October 27, 1985 the then Union Finance Minister, Mr. V.P. Singh at Ahmadabad, announced that the Gujarat Government will take over the 12 closed textile mills in the state for which the Centre will give a loan of Rs.65 crores. Mr. Singh further said that the Centre will advance Rs.30 crores this year (1985-86) and another Rs.35 crores next year (1986-87) for the take over by the State Textile Corporation. This announcement by the Union Finance Minister on behalf of the Central Government is viewed as a welcome of the gestures of the Central Government enabling the Gujarat Government to reopen the closed textile mills whose labour force of about 30,000 had been rendered jobless for over a year. The closed units were expected to be reopened after completing the process of 'nationalization' through an ordinance.

This step of taking over sick textile mills is highly commendable which involved the Central Government's participation only in the form of a loan. The objective of nationalisation, was to absorb the maximum number of

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unemployed workers. However, this will lead to the scrapping of non-viable units but their workers will be rehabilitated.

In the light of this decision, it is apparent that in future, if any state Government recommended to take over of a closed or sick textile mill or any other industrial unit, the Central Government will ask it to adopt this pattern. The National Textile Corporation, which is already managing 103 textile mills in the country, could not by itself shoulder the burden of other mills if they are closed down.

Other viable units could well be handed back to the old managements if the closure was involuntary. This would be consistent with the new textile policy which dis-favours automatic and universal nationalisation of sick mills, some of which are old and uneconomic units which have been more or less reduced to junk.

The textile policy 1985, along with the last policy 1978 has been discussed under a separate Chapter, "An Analysis of Government Policies vis-a-vis Textile Industry", wherein both the policies have been discussed at length and their relative merits and demerits have been pin-pointed and conclusion thereof has been drawn.
categorically, so that in the light of the discussion one may know what are the ways and means for the prosperity of the Textile Industry.

The above mentioned observations pave the way to the conclusion — that the increased machine utilization and increased production per spindle — are dependent, first on the availability of finance and secondly on the earnestness of managements of marginal units to modernise and improve them.

FUTURE OF TEXTILE TREND IN INDIA:

A viewpoint from the "Window on Investment" presents that the happy days are here again in near future. The prospects for the Textile Industry and, in turn, of investors in shares of Textile Companies, have brightened considerably, as the 'New Integrated Textile Policy 1985' — which is certainly bold, dynamic and growth oriented — has opened up a new era of growth for the century-old 'TEXTILE INDUSTRY OF INDIA, which of late was in very bad state of affairs for more than a decade.

It is estimated that the worst is over for the Textile Industry as a whole, as its sickness is going to be reduced and its health will improve considerably with the proper course of financial doses. In the light of the Economics Times Share price Index for Cotton Textile which was just around Rs. 109 way back in 1973, is now placed at around Rs. 283. The rise in man-made fibre sector is more pronounced, and the Economic Times Index for them has made a spectacular growth from just around Rs. 147.8 in 1973 to as high as 842.1. It may be noted that both these indices had reacted from 323.8 and 991.5 respectively which were reached before the presentation of the Union Budget for 1986-87.

The Cotton Textile Sector was the hardest hit — as an industry group — during the last two decades or so. Uneven supplies of raw materials like cotton and synthetic fibres, and that too often at exorbitant prices, various in comprehensive restrictions placed on the use of various raw materials, obsolete plant and machinery, and above all an unprecedented 18 month-old strike in the Bombay Textile Mills, had sapped the vitality of the industry. In these circumstances the
mushroom growth of Powerlooms administered a fatal blow to the industry — which is called the organized sector mill industry on the strength of their sharp price competition derived from their substantially lower overhead expenses and consequently the cost of production.

But the Textile Policy 1985 has saved the mill sector from further ruin by providing for early and proper modernisation of the industry, by restricting the competition from the Powerlooms by ensuring regular supplies of raw materials, and by removing the curbs on the use of synthetic fibres and yarn.

The process for the revival of the cotton mill sector has begun. A total restructuring of the industry is the objective. But this will be possible at the cost of at least 150 mills which have no financial backing, no managerial support, and the plant and machinery of which can be sold only as junk.

Thus the future belongs to only those mills which are well managed, financially sound and can be modernised easily. Finance for rapid modernisation is not a problem. The Government of India is finalising a Scheme for it and
the World Bank is very much willing to support this modernisation programme.

In these circumstances, those mills which had started modernising their plant and machinery in advance, are likely to benefit the most. In fact, such mills have been coming out with much improved results this year - 1986. Century Mills, Mafatlal Fine Mills, Morarjee Mills, Arvind Mills and most of the other Lalbhai Group Mills have turned out quite encouraging results. Several other mills have also been doing better. And the prospects for them will brighten all the more will implementation of the modernisation programme.

Another favourable factor for the bright prospects of the Cotton Mill Sector is the flexibility in the use of raw material provided in the Textile Policy 1985. As broadbanding has been allowed even for the fibre industry, the cotton mill sector will get enough synthetic fibre and yarn at reasonable prices. Fiscal Reliefs — more of which are expected in the coming days will further help the industry to come into its own.
No doubt, as mentioned earlier, this process of development will lead to the destruction of the weak and inefficient units, but the strong units will grow, and grow faster. Investors in these textile mills which are financially sound and managed efficiently — as has been indicated at the end of the First Chapter "A Historical Retrospect of Cotton Textile Industry In India Since Independence" — and are modernising their machinery and equipment to move in line with the latest technological progress in the Western World — will certainly gain a lot.

The Cotton Textile Mills which provide bright hopes for investors, include Century, Morarjee, Standard, Mafatlal Fine, Arvind (along with a few other Jai Bhai Group Mills), Bombay Dyeing, Bharat Vijay and Jagjit Mills. The outlook for Piramal, Mahindras, Lakshmi, Rajasthan Spinning, Madura Coats and Victoria can also be considered good.

In order to explore further India's export potential to various countries including Textiles, certain new agreements have taken place viz: New Indo-Japanese Ties in Textiles and Steels, Indo-Vietnam Trade Ties,
Trade Pact with U.S.S.R., and Indo-U.S. Trade Agreement, Indo-Iran Trade Agreement and again another Indo-U.S. 5-year Textile Agreement signed in Washington on February 7, 1987 which is alone expected to boost Indian's total textile potential by 60 percent compared to that of 1985. All these agreements, as a whole, are supposed to be highly beneficial for boosting the exports of Indian Textiles to these countries.

The New Yarn Policy announced by the Government of India on December 23, 1985 is also highly welcome and would go a long way in reassuring foreign buyers who are interested in purchasing cotton yarn from India, resulting to boost the export trade of Indian Cotton Textiles.

TEXTILE INDUSTRY AND ITS ROLE IN
THE NATIONAL ECONOMY

The Textile Industry provides around 10% of the total employment in the country. Around 70-75 million people are directly or indirectly supported, deriving partial or full sustenance from the cultivation of cotton

or production of textiles. The Textile Industry has a high linkage and hence there are wide range of industries and activities which in various measures depend on and derive their sustenance from the Textile Industry. The industry thus touches the national economy at many points and has a chain and multiple effects on it. It has a sizeable weight in the country's index of industrial production and contributes significantly to its G.N.P., and by way of direct and indirect taxes, it pay Rs.6,000 million or so to the National Exchequer. The textile industry also earns Rs.5,000 million in foreign exchange per year through the exports of its products. Hence when the textile industry is prosperous, it boosts the National Economy as a whole.

INDIA occupies the Second Position in terms of number of spindles, the FIRST being the U.S.A. and as an exporter of cotton textiles, India ranks THIRD, the First and Second being JAPAN AND HONGKONG; in terms of cotton consumption, India ranks FOURTH, the First three being China, U.S.S.R., and the U.S.A.
A large domestic market and plentiful supply of domestic cotton are the two basic factors responsible for the growth and development of Cotton Textiles into a major key industry in this country. The performance of the textile industry during 1979 was extremely good, as the production of all varieties of yarn in 1979 was placed at 1,231.49 million Kgs.

It is also clear that export of Cotton Textile has been on an increase. The export of cotton fabrics in 1976-77 was increased by Rs.500 million. The most dramatic increase in exports was in the area of cotton apparel which had shown an increase of 3 times i.e. exports were Rs.636.52 million in 1975-74 which shot up to 2,419.50 million in 1976-77. Textile being one of our major industries, it is essential that India maximises its textile exports to capture the lucrative international markets.

India is one of the largest textile producing countries in the world. In terms of installed capacities, production of cloth and yarn, and employment potential, the Indian Textile Industry has perhaps few equals on the international textile scene. It is also an industry of
diverse interests operating on a multi-tier base. We have the decentralised sector comprising the Handlooms and the Powerlooms, the organized cotton mill sector consisting of both private mills and Government owned National Textile Companies (NTC) group of mills and other sectors like the Woolen, the Art-silk and synthetics and the Pure Silk. Then, there is the co-operative sector which is growing very fast particularly in the spinning field.

The Indian Textile Industry has a unique structure of six sectors, viz- Khadi, Handlooms, Powerlooms, Garment Sector, Co-operative Sector and Knitting Sector. 'KHADI', the chosen cloth of Gandhiji is the product of cloth which is hand spun yarn woven on Handlooms is the most labour-intensive sector as both spinning and weaving are done manually and thus are capable of providing employment to millions of the country’s rural poor. The next sector namely Handlooms, is one in which mill-spun is woven on manually operative cottage looms and absorbs six million people is also labour-intensive. The next is the Powerlooms sector which is a cottage industry. It weaves an ordinary Powerlooms, the yarn being supplied to the mill
industry. Similarly, Garment Sector, Knitting and Co-operative have also provided employment both in urban areas to a large number of people, thus playing considerable role in reducing unemployment and contributing for the growth of the Textile Industry of the country as a whole.

India has made rapid strides since 1854 when the first textile mill was established and has come to occupy an enviable position, a large domestic market protected from competition of foreigners, substantial cotton cultivation to meet almost the entire requirement of the industry, an industrial infra-structure steadily acquiring the capability of supplying equipment and stores, skilled manpower and a class of experienced professional managers who can independently undertake any important assignment in the industry in the country as well as abroad.

Thus, the Textile Industry of India is a huge industry encompassing a variety of installations representing a wide cross-section of the community, and producing a whole range of fabrics, both for the domestic and international markets, to suit every pocket, specific
needs and variegated tastes of the consumers at national and international level. Although it is facing a lot of problems and is encountering different crises of various nature, it has a very important role to play in the overall economy of the country and therefore, its orderly growth and development assumes \textit{NATIONAL IMPORTANCE}, of course which will not be possible until the Government gives more serious attention towards its problems, liberalising rules relating to excise and other duties, providing more incentives and financial help where necessary, so that it may be able to stand strongly in the international market.

\textit{IN CONCLUSION, it cannot be denied that by the end of this century, it is expected that India will need 20 billion metres of cloth to clothe its entire population and meet a demand of 1500 million metres for exports. In order to meet this requirement, cotton production will have to increase by 50\% and there will have to be \textit{four-fold increase in the production of synthetic fibers} also. If these quantities cannot be produced due to any reason, within the \textit{country}, they may have to be imported if people are to be reasonably well dressed and if the \textit{industry} will}
consist of 29 million spindles are some 10% of this may be in the form of open-end spinning. While there will be very little expansion in the organized weaving sector, there will be a very substantial increase in the number of Powerlooms and a marginal increase in the Handloom sector. Finishing plants, knitting facilities and the garment sector will also expand considerably, as detailed above.

On the whole, it is expected that the industry will not only be more efficient but also uniformly efficient and capable, more productive and homogeneous. There will be a marginal increase in employment in the mill sector but a substantial increase in the decentralized sector. The three sectors of the industry — particularly the mechanized and the Handloom sectors — will become complementary and not competitive. The quality of production will also show a major improvement.

In view of these arguments and discussion, by the end of this century people in India will certainly be better dressed than they are today. They will be more cosmopolitan and informal in their dress habits and traditional garments (except sari) will have more or less disappeared. FASHION changes will be faster and regional and communal differences
in dress will also tend to disappear altogether. A general uniformity in the way of dressing throughout the country might emerge. This may contribute to National Integration, for which the Textile Industry of India is sure to play a vital role, as hitherto. Last but not the least, cloth is only next to food in terms of need of the masses and hence rapid development of the Cotton Textile Industry is vital. Thus, the industry has an important role to play both in the economic prosperity of the country and in the supply of an essential commodity — cloth for the entire nation.