CHAPTER - X

PROBLEMS OF COTTON TEXTILE INDUSTRY IN MAHARASHTRA

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The Cotton Textile Industry is one of the oldest and perhaps the most efficiently organised large scale industry in the State of Maharashtra. The industry has reached a most significant stage of its development. Maharashtra alone produces about one third of the country's production of cloth. It is also an important foreign exchange earner for India.

India exported about 17 million kgs. of yarn and 500 million metres of cloth and the total value of exports of both cloth and yarn was about 70 crores in 1970. The share of the mills in Bombay, on the basis of deliveries for exports was about Rs. 25.30 crores for the year. But this prosperous industry of the State is now suffering from several serious handicaps. The main problems of the industry are discussed below.

Problem of raw cotton

At present, the cotton mill industry has been passing through a crisis. This is mainly due to inadequate supply of raw cotton to the mills. Therefore, maximising the production of cotton is the main problem. Due to the decline in raw cotton supply a large number of mills have to cut their shifts and also the working days. A few of them had to declare closer also. With it the enormous increase in the price of foodgrains also greatly affect the purchasing capacity of the people. "He has to live before he can aspire to clothe himself adequately. Being itself in a difficult position, the industry cannot do much to come to the aid of the consumer".[1]

Table 72 shows that the consumption of cloth declines with rise in food prices.

Table - 72

Food-Prices and Cloth consumption

Year	Food Price Index Shifted to 1949 - 100 Base	Per capita availability of mill cloth in metres
1960	126	14.80
1961	126	14.70
1962	130	14.35
1963	135	14.69
1964	155	15.22
1965	172	14.72
1966	190	13.95
1967	222	13.57
1968	228	14.37
1969	106	13.50
1970	196	12.40
1971	203	13.18
1972	210	12.04
1973	239	12.88
1974	363	12.58
1975	347	11.36

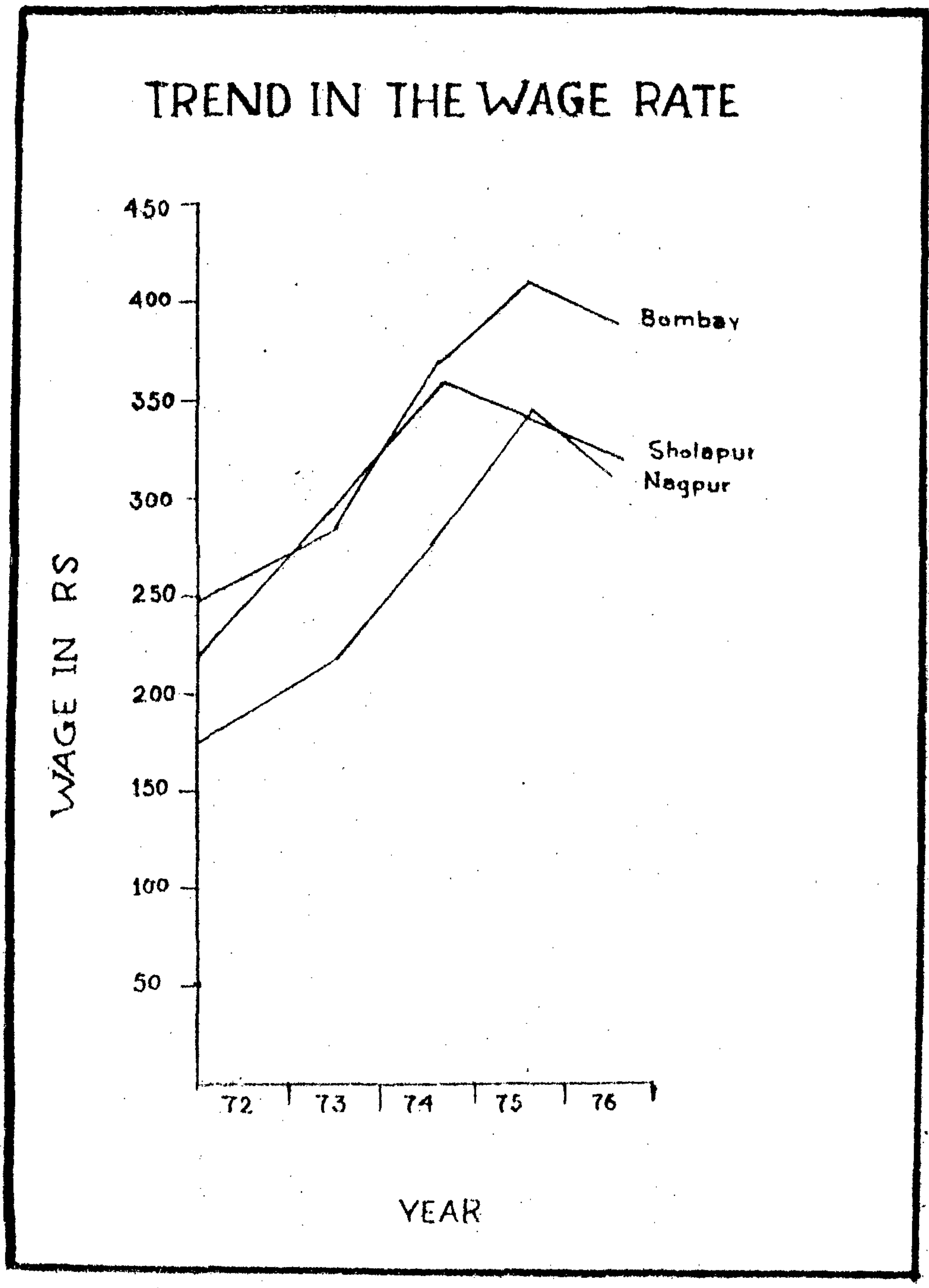
1. Agro-Industries in Maharashtra , Problems and Prospects, 170, p. 96.

Problem of inflation

"The unchacked inflation has greatly undermind the capacity of the industry to achieve any degree of resilience in the costs and prices. The chronic shortfall in the output of home-grown cotton has encouraged a flareup in its prices. For instances, during the cotton season 1968-69, the prices of all the Indian varieties outstripped world parity" [2]. The price of Digvijoy Cotton touched the fantastic level of Rs. 1,900 per candy as against the ceiling price of Rs. 1,478 per candy. The price of lower staple cotton like Kalyan also gone up from 1,190 per candy to Rs. 1,600 per candy. Between 1963 and today, the prices of cotton have gone up by 70 per cent. Cotton accounts for nearly 50 per cent of the cost of production. There fore, the price of the cotton must be lowered.

Another cause of inflation is due to the low efficiency of equipment. Most of the mills are old and out-moded and therefore, are burdened with direct and indirect labour costs with the inefficiency of the old modelled mills. The industry had to carry a burden of producing 400 million square metres of controlled varieties of cloth at fixed prices. Again effective from Ist April, 1974, the Government increased the quantum of controlled cloth from 400 to 800 million square metres per annum and included in the controlled

2. Ibid. p.- 97.



Trends in wage rate

category Medium varieties of Sarees, dhoties, drills, shirting and longcloth of prescribed constructions. This is a burden to the industry because the price of the controlled cloth is far below the cost.

High wage-coats

With it the wage-costs also increased sharply. The dearness allowances of Bombay was only Rs. 96 per month in 1963. At present it has been increased to Rs. 193.85 a month. Earning (Basic wages and D.A.) of the lowest-paid operatives in Cotton Textile Mills (in three selected areas) are given in table-73 (Fig. 62).

Table - 73

Increase in wage in three important Cotton Textile Mills areas

Year	Bombay Rs. P.	Nagpur Rs. P.	Sholapur Rs. P.
1972	258.15	196.89	256.21
1973	288.28	218.7	297.27
1974	370.01	279.14	360.77
1975	411.85	342.60	348.16
1976	399.91	315.52	319.70

It involved an additional burden of about Rs. 23 crores a year to mills in Bombay. Wage constitutes about 25 to 30 per cent of the production costs. There has also been an increase in the prices of mill stores, chemicals and packing materials. The cumulative effect of the rise in the prices of the various factors of production has led to an increase in the cost of manufacturing by over 50 per cent during this period.

Problem of Rehabilitation and Modernisation :-

Rehabilitation and modernisation are also a great problem to the Cotton Mill Industry. The majority of the machineries used at the mills are wornout and has in fact long outlived the period of its efficient and economical services. A good number of such machines are forty to fifty years old. The position of the mills were well described by the Industrial Finance Corporation, which says in its Second Annual Report:

"During the war years, the machinery and the plant of the textile mill were put to intensive use, and renewals and replacements could not be carried out on an adequate scale, partly as a result of restrictions imposed on imports and the diversion of the productive capacity or the supplying countries to war purposes.

Since the cessation of hostilites the supply of new machinery has not been adequate to meet the demand, and while prices are approximately three times pre-war or higher, deliveries are extended over long periods. Generally speaking, very few textile mills have adequate reserves or resources to pay for new equipment at present prices to replace their old machinery".

It is clear that a majority of mills are not favourably situated in the matter of their equipment and do not have the necessary resources of their own to buy modern machineries on the required scale. The report of the working group, 1960, estimated that a complete re-equipment of the industry with new machinery will cost Rs. 800 crores - a sum of money which is far beyond the resources of the industry.

Rationalisation

Rationalisation is essential; without it, it is not possible for the industry to keep pace with the other countries. Therefore, it is of utmost importance that the efficiency of the mills must be enhanced so as to produce quality textiles at an economic price. The productivity and rationalisation are directly connected with the cost structure of the industry. As for example, some of the new units employ 1.9 persons per 1,000 spindles as against the industry's average of 11. Therefore, the burden of wage cost must be minimised. Not only this, the productivity of the mills will also go up.

Need of More Automatic looms

The industry is most inadequately supplied with automatic looms. The number of automatic looms not only in Maharashtra but for the whole of India is very low. It has "only 18,000, representing about 8.3 per cent of the total loomage of the industry. The percentage of automatic looms to total loomage in U.S.A., Japan, West Germany and Britain are 100, 77.5, 55.6 and 22.8 respectively".[3] There has been no appreciable increase in the number of automatic looms in India in spite of the awareness of their value in reducing costs and in improving the quality of cloth. "The Governments acceptance of an expert body's suggestion for the installation of 3,000 automatic looms in the mill sector for purposes of producing cloth for export and of another proposal for the installation of 7,500 automatic looms in replacement of two existing looms has so far borne no tangible results due to indeouate supplies."

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3. Chaudhuri, Dr. M.R., Indian Industries Development on location, 3rd Calcutta, 1966, p.- 134.

Power shortage

The shortage of power for industrial users continued to be a serious bottleneck in several parts of the country and in certain parts of the country it was even critical. So far as Maharashtra is concerned, "the demand for power during 1974-75 has been of the order on 1805 M.W. while the installed capacity is about 2,000 M.W. which could take care of a maximum demand of 1650 M.W. The peak demand was, therefore, being met by a system of staggering holidays."[4]

In regard to fuel, both coal and furnace oil the industry faces a serious problem. Due to uncertainty in regard to oil imports, factories working on furnace oil are driven from pillar to post in getting supply of oil.

Cost of production

Cost of production not only regulates the structure of the industry but also indicates the growth of the industry. It is found from the previous discussion that at present cost of production is going too higher. The rise in the total cost of production in Cotton Textile Industry was about 38 per cent in 1974 over that of 1973. It could be seen from the following Table - 74.

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4. M.P. Gandhi, Major Industries of India Annual Vol. 10, 1961, Bombay, p.- 71.

Table - 74

Rise in cost of Production

Clement of cost	% share in total cost	% increase in the price	Resultant increase in the cost of production
Cotton	50	37	18.5
Wages	24	36	8.6
Stores & Spares	11	30	3.3
Power	3	25	0.8
Fuel	2	124	2.5
Other expenses	10	40	4.0
Total			37.7

The Table shows that in every case, cost of production is going higher. So far as the cotton which is the principal raw material for the industry acounting for the 50 per cent of the total cost of production is going higher by 37 per cent more.

Wages and salaries which are the next major elements of cost for the cotton textile industry accounting for as much as 24 per cent of the total cost of production also suffers from a steep increase. The overall effect of the above increases and the basic wages cost on the industry imposes an additional burden of Rs. 12 crores for the year 1974. The cost of stores such as dyes and chemicals, packing materials, spare parts, and stores etc. used by the industry, constitutes about 11 per cent of the total cost of production also went up by 30 per cent. Since the value of stores and spare parts consumed by the Bombay cotton mill industry was about Rs. 50 crores in 1973, an increase in their prices to the extent of 30 per cent burdens the mills with extra sum of Rs. 15 crores. The power bill on the Bombay cotton mill industry was about Rs. 12 crores in 1973. But in 1974 that was revised by 25 per cent and for that extra Rs. 3 crores had to be paid. The expenditure of the Bombay cotton mill industry on fuel oil was about Rs. 8 crores in 1973. It also suffered a steep increase of about 124 per cent over the 173 level and, therefore, that bill was increased by Rs. 10 crores during the year 1974. All these rise made cost of production higher. Therefore, the mill industry is running at loss. In February the Indian Cotton Mills' Federation made a representation to the Textile Commissioner urging the Government to reconsider the entire controlled cloth price issue in the light of the tremendous increase in cost and pointed out that cost, between May 1968 and February 1974 had gone up by at least 100 per cent, i.e. the industry is losing about Rs. 50 crores per annum on a production of 400 million square metres of cloth. Cost must be reduced as much as it is possible. In order to achieve this goal the rate of productivity should be increased. Yield per acre has to be raised and the quality should be improved. This will help in lowering the cost of production and improved the quality of production.

Problem of transport :

Besides these the rural localities in Maharashtra generally lack adequate transport, communications, power, technical education and other facilities. The existing road mileage in the state in particular is very low as compared to that of many less industralised states in India. Moreover, most of the roads in Maharashtra are qualitatively poor, unmetalled and unsuitable for all-weather traffic. The importance of effective development of road and water transport and godown facilities in such areas are essential.

Problems of decentralisation :

Decentralisation is a burning problem to the industry. The town of Bombay and its suburbs are heavily burdened with more than 50 per cent of the mills of the state, and the production cost involved is also very high in the metropolitan town of Bombay. Again as the business is more profitable in the raw materials growing areas decentralisation is very essential for the industry. But at present the industry is already showing its deficit budget and in this condition it is a problem to charge the producing centre from one place to other. Because the shifting charges also will be a great burden to the mill at first, therefore, the help from the Government and as well from the private section is essential.

All these problems discussed above are seriously affected the production of the industry.

The seriousness of the problem may be judged from the findings and comments of the following committees and institutions.

<u>Planning Commission</u>

The Planning Commission gave an analysis of 150 inefficient units of the industry in the 'Programmes of Industrial Development, 1951-56'. It indicated that 25 units had already closed while 35 units were operating at a loss. Besides these 60 units, the remaining 90 units were working at marginal or only slightly above marginal efficiencies. Rationalisation in terms of modernisation and re-equipment of cotton textiles occupied third place in the list of priorities laid down for industrial development under the Second Five-Year Plan. The Second Plan admitted the existence of considerable arrears of replacement in cotton textile industry whose role in the country's economy as an earner of foreign exchange cannot be minimised.

The Cotton Textile Enquiry (Joshi) Committee, 1958.

A Committee under the Chairmanship of Shri D.S.Joshi, Textile Commissioner was set up in May 1958 by the Government of India to undertake a study of the problems of the industry with special attention to the patterns of production, management, rationalisation, finance and incidence of different elements in the production cost. The Committee, reporting in July 1958, found that the deep-rooted causes contributing to the malady faced by certain sections of the industry, referred to the need for the replacement of out-dated machinery, rationalisation, modernisation, major repairs and overhauls, rectification of inefficient management, and improvement of productivity of labour.

Secondly, the Committee felt that there was a need for a more continuous and sustained study in the sphere of market intelligence and research. It urged the Government and industry to take steps as early as possible to devise a mechanism to fill up a gap which existed in the statistical and economic analysis of the production vis-a-vis consumption and prices.

Thirdly, the Committee considered that it was high time that a uniform or standard costing system should be introduced in the industry to measure the relative efficiency of units in different centres or areas.

Considering the problem of closure of a number of textile mills during the recent years, the Committee suggested that mills which had outmoded and obsolute machinery should be scrapped and a new licence should be issued for starting a new mill at or about the same locality. Mills which were suffering from mismanagement should be investigated into and appropriate action should be taken to avoid recurrence of mismanagement. Mills of intrinsically uneconomic size should be made economic by proper balancing. The Committee felt that rationalisation subject to the conditions of the 15th Indian Labour Conference might not be quick enough for some centres where margin of excess labour was large. It suggested the setting up of a Rationalisation Sub-Committee for the industry as a whole to consider and lay down policies and principles governing rationalisation from time to time.

Formation of Sub-Committees on a regional level was also recommended to deal with individual schemes of rationalisation within their respective areas. The rate at which rehabilitation could be effectively undertaken was limited by availability of foreign exchange, paucity of funds with the mills, and non-availability of certain essential items of machinery from indigenous source.

At least, the Committee recommended that where the management was unresponsive, it would be necessary to take over the management of such mills. For managing the units taken over by Government, the Committee suggested for the setting up of an autonomous Corporation which would function independently of the Government.

In November 1958, the Government of India announced the following decisions on the recommendations made by the Joshi Committee : (1) The Textile Commissioner will exercise a continuous watch on the general trends of production of the different varieties of cloth and issue such directions as may be necessary to arrest any imbalance of production. The Textile Commissioner has also been entrusted with the collection of correlated statistical information about stocks and prices from the production to the consumers' end. (ii) The Survey Organisation in the Textile Commissioner's Office is proposed to be strengthened

to ensure a continuous study and regular survey of the marginal and sub-marginal units of the industry.
(iii) The suggestion of the Committee has been accepted. For rationalisation, the approach on the lines approved by the 15th Indian Labour Conference would be both proper and helpful. (iv) As regards modernisation, every case of replacement will have to be judged on its merits both from the standpoint of the interests of the national economy as well as of the interest of the textile industry. A proper psychological climate should be created within the country to facilitate the introduction of automatic looms. (v) The suggestion of the Committee relating to the setting up of an Advisory Committee consisting of all interests has been accepted. (vi) The Government has also proposed to set up a Rationalisation Sub-Committee to deal with individual schemes of rationalisation.
(vii) For dealing with extreme cases of mismanaged mills, the Government has not accepted the suggestion of setting up an autonomous Corporation intended to take over the management of such mills. (viii) A cotton Textile Consultative Board, with the Minister for Commerce and Industry as Chairman, has been been set up to provide a forum for consultation with the industry from time to time.

In April 1959, the Cotton Textile Advisory Committee appointed an ad-hoc group of members representing mill management, labour and textile technologists to work out the details of the functions of the proposed committees on rationalisation, modernisation and maintenance.

The Group made the following four recommendations :

(a) There was great need for proper maintenance of machinery in all mills. The poor state of maintenance in many mills was due partly to lack of finance and partly to unavailability of spares. There should be a small body at the top for maintenance and five or six separate regional bodies consisting mainly of technicians.

(b) As regards modernisation, the individual units might be left free to decide on the items and phases of modernisation.

(c) The Rationalisation Committee should formulate norms and assist in their implementation wherever necessary.

(d) The Rationalisation and Maintenance Committee must seek the assistance of the Textile Research Association at Ahmedabad, Bombay and Coimbatore.

The Central Wage Board for the Cotton Textile Industry, whose recommendations were accepted by the Government of India in March 1960, had drawn pointed attention to the importance of speedy rationalisation and stressed that time and come for the active participation of the Government for the speeding up of the process of rationalisation.

The Working Group for the Cotton Textile Industry was appointed by the National Industrial Development corporation in August 1959 under the Chairmanship of Mr. D.S.Joshi, the then Textile Commissioner. The Group was appointed to study the need for rehabilitation and modernisation of the cotton textile industry and , in particular, to examine the extent of finance necessary, foreign exchange required, the amount which would be provided by the Industry and how the balance of the needs might be met from public or private financing agencies, including the NIDC.

The level of modernisation envisaged by the Working Group was a modest one which is nearer to the minimum level. If the entire organised sector of the mill industry of the present size were to be set anew, the cost would be in the neighbourhood of Rs. 800 crores which might be taken as the desirable maximum.

(i) The Working Group estimated the cost of modernisation at a bare minimum level at Rs. 180 crores. Thus the programme would entail an annual expenditure of Rs. 30 to Rs. 35 crores during the Third Plan period.

(ii) The Working Group estimated that Rs. 60 crores worth of machinery would have to be imported during the Third Five-Year Plan period for the purpose of modernisation and rehabilitation. This was exclusive of spare parts for the existing machinery and components required by the indigenous manufacturers of textile machinery which were estimated to cost Rs. 23 crores. The Group expected that at least 75 per cent of the machinery requirements at the end of the Third Plan would be met by indigenous manufacturers.

(iii) The Working Group calculated that, of the estimated cost of Rs. 180 crores, the industry would be in a position to gather a maximum of Rs. 80 crores from its own resources, including borrowing from directors, banks, etc.

The possibilities of obtaining external finance were also examined by the Group. According to it, individual agreements by units with their opposite numbers for supply of machinery on credit terms presented certain difficulties.

Considering the question of closed and 'sick' units, the Group examined that there were 39 mills accounting for a total capacity of 680,000 spindles and 11,170 looms, representing about 5 per cent of the total installed capacity of the industry, which were closed. Out of these, 20 mills were fit only to be scrapped and which could not be revived. For this purpose, it suggested a "closure fund" for paying compensation at the rate of Rs. 10 per spindle and Rs. 400 per loom to euch units. This amount should be found by levying some kind of licence fee or premium on new licences for expansion.

The Group suggested the setting up of a Textile Mills Standing Advisory Committee or Group consisting of top level representatives of management, labour and technicians to examine causes of closure, losses and unsatisfactory working of less efficiently run textile units. This recommendation was accepted by the Government.

The proposal of the Group that five new units with a capacity of 25,000 spindles and 500 looms each and equipped with up-to-date types of machinery should be permitted, as an experimental measure, for production of faultless,quality cloth entirely or largely for export was also accepted by the Government.

It is gratifying to note that the Government of India accepted the modest scheme of modernisation and rehabilitation, recommended by the Working Group, estimated to cost Rs. 170 crores and proposed to review constantly the position during the different Plan period so as to expedite the pace of modernisation, rehabilitation and diversification of the cotton textile industry.