7. Government and Distribution

SYNOPSIS

(A): Introduction

(B): Control measures prior to Independence

(i) Standard Cloth Scheme
    - Distribution Channels

(ii) Major control orders

(iii) Utility Cloth Scheme
    - Distribution Channels

(C): Some control measures since Independence

(1) Major Control Orders

(2) Controlled Cloth Scheme, 1964

(a) Enforcement
    - Textile Advisory Committee
    - A Panel of Technologists

(b) Distribution of controlled cloth

(c) Statutory control on distribution
    —effective from 1-11-1972

(d) Some major changes in distribution

   (i) Revised controlled cloth scheme
       —effective from 1-4-1974

   (ii) Further revision
       —effective from 1-10-1974

   (iii) Significant change in distribution
       —since 19-9-1975
(iv) Further modification
-since 31-1-1975

(e) Period of shortage of controlled cloth
-November, 1976

(f) Executive Machinery - Origin and Functions

(3) Quota for priority distribution at ex-mill price

(4) Stamping of Maximum Retail Prices on Non-controlled Cloth—effective from 15-7-1976

(5) Excise Duty

(6) The Bombay Shops & Establishments Act


(D): Overall observations
(A): Introduction

In a free economic system, in normal times, the Government does not interfere actively in the field of distribution. But the market scene in a country like ours is characterised by intermittent shortages and surpluses of many commodities. Generally, during conditions of scarcity, the distribution mechanism gets disturbed, when it is expected that the manufacturers and those involved in the distribution process perform their business operations with a sense of social responsibility & justice. But such a happy situation seldom obtains. Scarcity conditions generate a sellers' market. The Government then steps in (a) to prevent injury to healthy competition and to improve the operational efficiency of business houses, or (b) to check their practices against the ethics of business through regulatory, protective and promotive measures.

In India, the Government has, from time to time, enforced a variety of regulatory measures to handle situations arising out of the shortages of essential commodities, cotton textiles being one of them. It considered it as its important duty to ensure that cotton fabrics of popular varieties were properly manufactured, reasonably priced and efficiently distributed to the consuming public so as to enable them to reduce their cost of living.
In the last few years, a number of legislations have been enacted in order to coordinate the distribution process by prescribing rules to protect the interest of particular segments of fabric users and by granting legal protection to some distributive organisations. These measures have sometimes restricted the desire or willingness either of the mills or of particular intermediaries to participate in the process of distribution. (It should be noted here that, even during the normal times, a variety of measures have been taken by the Government to develop industry and trade.)

We shall examine, in this Chapter, some of the important legislations/orders passed by both the Central and the State Governments, influencing the distribution of cotton fabrics.

(8): Control measures prior to independence

The years of the Second World War had posed many problems, and the distribution pipe-line was severely affected. They made control measures indispensable for mobilizing the scarce resources to meet the war requirements and to safeguard the interest of the public from the grave effects of an abnormal rise in prices.

(i) Standard Cloth Scheme

The scarcity of cloth was feared after the commencement of the war, particularly in 1941. Production had declined
by nearly 400 million yards. The prices had risen rapidly, in some varieties by as much as 400 percent in less than 14 months. Speculative buyers had entered the market in large numbers and purchased vast quantities of cloth at the higher prices and effectively blocked the supply of cloth to the consumers. Owing to the growing dissatisfaction among the people, the Government had launched a 'Standard Cloth Scheme' in 1943. This might be considered as the beginning of the textiles control, which regulated the supply of raw materials, production, distribution and prices.

The Scheme was launched to provide cloth of defined varieties to the consumers at reasonable prices.

**Distribution channels**

A three-links channel was employed for the distribution of these fabrics, the Government actively participating in the process of distribution. It purchased the standard cloth from the mills at ex-mill price and supplied it to the Provincial Governments to be distributed among the public through subsequent channel components, the retail outlets dealing exclusively in standard cloth. The consumers could get the cloth at cheap rates (i.e., 6½% over the ex-mill

---


price) because (i) the Central Government took 1\% for its services including freights, (ii) the Provincial Governments took 1\% for functioning as wholesalers, and (iii) the retailers were allowed a margin of 3\%.

The prices of the varieties of the cloth manufactured under this scheme were determined by weight. Therefore, the finer varieties were comparatively cheaper.

This resulted in the accumulation of stocks in the distribution pipeline of such varieties as were not suited to the tastes of the people. Moreover, the coordination between the first two links was singularly lacking and, at a later stage, the scheme had been very unpopular.

(ii) Major control orders

The second important measure—and the first of its kind—was The Cotton Cloth & Yarn (Control) Order promulgated on 17th June, 1943. Besides providing for the standard cloth, it gave powers to the Government for regulating the prices and for the distribution of cotton cloth and yarn. The Order provided (i) for the appointment of Textile Commissioner with wide powers to regulate prices, production and distribution of cloth, and (ii) for the constitution of Textile Control Board to advise the

* Singh, Ishwar Datt, op.cit., p.32.
Central Government.

In the beginning of 1944, the Standard Cloth Scheme was discontinued and a series of other controls were imposed (including the amendment of the 1943 Act) to lessen the hardships of the cloth-users by exercising control over fabrics production, price storage and distribution. The important orders promulgated by the Government included (1) The Cotton Cloth (Movement Control) Order, 1943, (2) The Cotton Cloth & Yarn (Forward Contracts) Prohibition Order, 1943, (3) the Cotton Cloth & Yarn (Transmission by Post) Prohibition Order, 1944, (4) The Cotton Cloth & Yarn (Export Control) Order, 1944, and (5) The Textile Industry (Control of Production) Order, 1945.

(iii) Utility Cloth Scheme

The last regulation which came in force from 1st June, 1945, was important in the sense that it substituted—more or less—the Standard Cloth Scheme by the 'Utility Cloth Scheme'. Under this scheme, the mills were required to set apart 90% of the looms for the production of utility cloth.

Distribution channels

For the purpose of distribution of utility cloth, the country was divided into surplus and deficit zones. The

supplies were made on the basis of population (per capita consumption), inspectors were appointed to prevent black marketing and the dealers were compelled to maintain registers. The goods were supplied directly from the mills to the retailers to save the overheads and the middlemen's expenses. However, in some of the regions, the Government failed to organise proper distribution which led to malpractices and black marketing.

The distribution was accomplished through dealers grouped in 'A' and 'B' categories. The number of 'B' dealers actually handling the cloth in any deficit zone was not more than 2% of the number of bales allotted to that zone. The scheme meant (i) that no quota holders/"A" dealers could sell such cloth to anyone other than a "B" dealer or dealers nominated by the deficit zone, (ii) that no "B" dealer could purchase cloth from anyone other than "A" dealer, nor could he sell any cloth to any one other than a retailer, (iii) that no retailer could purchase cloth from any other than a "B" dealer and a retailer could only sell in retail, and (iv) that the processors could buy controlled quantities of cloth directly from quota holders on the strict condition that such cloth was returned to the same quota holders after processing.

The scheme was in operation in Ahmedabad, Cawnpore and Bombay. In case of Ahmedabad, the Maskati Market and the
Panchkula Market undertook the responsibility of ensuring that the holders of the permits would be enabled to obtain the specified cloth.

The Utility Cloth Scheme was heavily criticised from its very inception, and the demand for the removal of all types of control was made.

In 1946, two more orders were issued: (i) The Cotton Textile (Control of Movement) Order, 1946, to economise in transport and to avoid unnecessary movements back and forth, and (ii) The Cotton Textile (Raw Materials and Stores) Order, 1946, to control the prices of raw materials.

Owing to a growing demand for the relaxation in controls after Independence, the control measures were withdrawn by April, 1943. But the prices of cloth rose so rapidly that controls were imposed again.

(C): Some control measures since Independence

(1) Major Control Orders

In its latest form, the control dated from August 1943, when the Cotton Textiles (Control) Order, 1943, was promulgated under the Essential Supplies (Temporary Powers) Act, 1946. It provided wide powers to the Textile Commissioner relating to controls on production, price and

* Thakkar, N., op.cit., p.139.
distribution.

Such other orders including (i) The Cotton Textiles (Control of Movement) Order, 1943, and (ii) The Cotton Textiles (Export Control) Order, 1949, were promulgated under the same Essential Supplies (Temporary Powers) Act, 1944, for regulating the distribution, movement and trade in cloth and yarn.

From the year 1952, the conditions improved. With regard to the prices of cloth, the industry agreed to exercise voluntary controls in 1960 and ex-mill and retail prices were stamped on cloth. A few restrictions had also been imposed with a view to integrating the production programmes of the mill sector and the handloom & the khadi sectors.

(2) Controlled Cloth Scheme, 1964

Again, on account of abnormal rises in the prices of fabrics, the Government launched a scheme imposing production and price controls over the manufacture and the sale of mill-made dhoties, sarees, long-cloth, shirting and drill with effect from 10th October, 1964. It was devised primarily to ensure an adequate supply of fabrics of these varieties of common mass consumption at reasonable prices and to replace the discredited Voluntary Price Regulation Scheme (VPRS).
Under the scheme, formulae had been prescribed for periodical review of the prices of cloth after taking into account the various elements of costs—cotton, the conversion charges for spinning & weaving, and the processing charges for different processes—bleaching, dyeing, printing, mercerising, etc. The prices so worked out were stamped on the pieces of the fabrics as the ex-mill price. The retail price of cloth, the excise duty, the category and description of cloth and the tex-mark of the mill and the words 'controlled-cloth' were also stamped on it.* Thus, it was known as 'controlled cloth scheme'. In most of the villages of Gujarat, the cloth distributed under this scheme was known as red label cloth.

The area covered initially for the control was 45% of the total annual mill production excluding sales for exports and defence requirements. Both the quantity to be produced and the retail prices to be stamped by the mills on such categories of cloth were revised from time to time in accordance with the formulae prescribed.

---

* Confidential Report of the Ramchandran Committee on Controlled Cloth appointed by the Ministry of Foreign Trade, Government of India, 25-4-1971, (p.4).

° Statement made by Shri Manubhai Shah, Union Minister of Commerce, in the Lok Sabha/Rajya Sabha on 28-9-1964.
(a) Enforcement

For effective implementation of the scheme, a new wing had been created in the organisation of the TO, under an Additional TO, with enforcement staff in every region of the country, particularly where large textile mill complexes existed. In addition, two more committees were also constituted on 15-10-1964 as detailed below:

Textile Control Advisory Committee

This Committee was appointed under the Chairmanship of Shri V.P. Naik, Chief Minister of Maharashtra, with 20 more members consisting of representatives from industry, trade, consumers including members of Parliament, textiles labour and technical experts of the industry and the Textile Commissioner's office.

A panel of technologists

A panel had been set up under the Chairmanship of Shri P.J. Fernandes, Additional Textile Commissioner, consisting of 15 Members including a member of the Tariff Commission, the Directors of South India Textiles Research Association, Bombay Textiles Industries Research Association and Ahmedabad Textiles Industries Research Association and economists and cost accountants. The Panel was to assist the Government and the Textile Control Advisory Committee on different technical and economic
aspects of the control scheme.

(b) Distribution of controlled cloth

An examination of the scheme revealed that initially the Government did not prescribe any machinery for the distribution of controlled cloth. Yes, a Central Consumers Vigilance Committee under the Chairmanship of Shri S.V. Ramaswamy, Union Deputy Minister of Commerce, was constituted to keep a watch on the distribution of cloth—of both controlled and non-controlled categories—from point of view of the consumers. On the same lines, the State Governments were requested to create local consumers vigilance committees of 10 to 15 members representing consumers, social workers, traders, representatives of cooperatives, FPSs and local officials to 'look after the consumers' interests in all Municipal towns having an urban population of 25,000 and above.

Provision had been made to supply as much cloth as the cooperatives and the Fair Price Shops could demand. But, practically, there was no control on distribution, and the fabrics were distributed through normal trade channels. Widespread unfair practices prevailed, which resulted in the nonavailability of cloth or in the sales of cloth at

prices much in excess of the stamped prices i.e., over ex-mill + 20%). Some of the malpractices were as under:

(1) A part of the cloth produced by the mills got diverted to processing houses from where it re-emerged as non-controlled processed fabrics with comparatively high per metre selling prices.

(2) The cloth was delivered through multi-middlemen channels that added to its price, so that sometimes the prices were higher by Rs.1.25 to Rs.1.50 a metre.

(3) These fabrics, being relatively cheaper, attracted a
retailers were not in a position to see even the samples.

(a) Statutory control on distribution

With a view to making available the fabrics to the needy at reasonable prices, the Government introduced statutory control on distribution with effect from 1-11-1974. The sale of controlled cloth was withdrawn from normal trade channels. It was made obligatory to effect its sales through prescribed channels, viz., (1) mills' own retail shops, (ii) Super Bazars in the Cooperative Sector, (iii) NCFC and the chain of cooperative institutions affiliated to them, (iv) Fair Price Shops run under the aegis of the State Government, and (v) any other agency in the cooperative sector specified by the State Government concerned.

Under the revised scheme, the retail price was reduced from 20 % to 12½ % over the ex-mill price. The State Government arranged for the sales of the quotas allotted on a pro rata basis through the above channels by means of a ration card system.

Most of the controlled cloth was being distributed in urban complexes because the retail outlets dealing in cloth in the rural areas were grossly insufficient. The mills' retail shops authorised to sell 10 % of the controlled cloth

were chiefly located at Ahmedabad and a few urban centres in Gujarat. The remaining 90% of the controlled cloth was distributed through cooperatives and other channel components. But there was a paucity of retail outlets as cooperatives could not open sufficient number of shops in the rural and semi-rural areas.

Thus, during this period, the degree of even the awareness of the rural buyers of the scheme was very low.

My field-work showed that the reduction in the margin by 7½% (in the previous 20%) had discouraged a few of the authorised channel components from dealing in controlled fabrics. Yes, non-availability of the required types of cloth like dhoties and sarees in appropriate quantities had also come in the way of the smooth implementation of the scheme.

* Cf.: The finding of the study undertaken by the National Council of Applied Economic Research (NCAER), published in 1975, showed that only 15% of the controlled cloth reached the consumers in the rural areas where the bulk of our economically weaker sections live.

The NCAER concluded that, because of the insufficient number of the retail outlets in the rural areas, the controlled cloth sales were mostly confined to the people residing in metropolitan and urban complexes, which were more articulate than rural people.

(Ref. Commerce, May 7, 1975, (p.822).)
(d) Some major changes

(i) Revised Controlled Cloth Scheme

**--effective from 1-4-1974**

The Government revised the scheme with effect from 1-4-1974. The main provisions relating to distribution were: (i) A sizeable portion of the controlled cloth was to reach the vulnerable sections of the community in the rural and the urban areas at control prices through cooperatives. (ii) No portion of the controlled cloth, handled by the cooperatives, was to find its way to traders/unauthorised channels.

(ii) Further revision

**--effective from 1-10-1974**

In order to eradicate the limitations of the distribution of controlled cloth, the scheme was further revised with effect from 1st October, 1974, on the following lines:

1. Each mill was required to produce 30 % of its

*1. Quantum of controlled cloth: 800 million metres.
2. The area of control had been extended to all five varieties falling under Medium A category.
3. Increase of 30 % over the May 1968 prices allowed.
4. Distribution margin increased from 12½ % to 20 % of ex-mill price.
5. Penalty for non-fulfilment of controlled cloth obligation: enhanced from Re.1/- per metre to Rs.50 per metre.

(Ref.: Ahmedabad Mill Owners' Association, Annual Report, 1974 (p.3).)

Source: Office of GSGSF, Ahmedabad.
production of cotton cloth as controlled cloth.

2. The Textile Commissioner was to allot the requisite quantities of controlled cloth on the basis of population.

3. The controlled cloth was required to be sold through the prescribed channels only. They were:
   (a) Mill's own retail shops and Mills' authorised retail shops in semi-rural areas.
   (b) Super Bazars in cooperative sectors.
   (c) NCC and the chain of cooperative institutions affiliated to them.
   (d) Fair Price shops run under the aegis of the State Governments.
   (e) Any other agency in the cooperative sector specified by the State Government concerned.

The Textile Commissioner had issued some guidelines:
(1) Steps might be taken to take the cloth to semi-urban centres with a population of 15,000 to 20,000. (11) The ration cards/household cards, etc. were to be made the basis for the sale of the controlled cloth. (iii) Cloth might be sold to people with a monthly income of less than Rs.400.

In Gujarat, as in the other States, the cloth was

* ICMF Journal, December, 1974, (p.666).
distributed on the basis of the broad directives given by the Textile Commissioner. But, in the absence of some specific provisions/details as regards the modus operandi of the scheme, each state had developed its own norms for the distribution of the controlled fabrics. Table 7.1 presents the information about the methods followed by 15 states in distributing this cloth to their inhabitants.

The Table reveals that, as from 1-4-1974, in Gujarat, the cloth was distributed on ration cards. It further shows that there were marked disparities in the method of distribution chiefly because of the different theories adopted by the Civil Supplies Department of the concerned state Government.

The Table reveals that the distribution arrangements failed to satisfy the customers; for, in the States like Madhya Pradesh, Haryana, and the Panjab, the cloth was distributed once in a year, every 6 months and every month respectively! In addition, the same defect of keeping rural buyer away from the benefit of the scheme, though in reduced degree, appeared even after the implementation of the revised scheme. Yes, in Gujarat, as stated in the previous chapters, the cooperative sector outlets tried to serve the clothing needs of the people.

As regards the allocation of the controlled varieties,
### Table 7.1

<table>
<thead>
<tr>
<th>States</th>
<th>Method adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>Cloth was sold on production of a Nation Card which was issued to a person having income less than Rs. 500/- in big cities. On village level the Collector fixed a quota for each district and the distribution was made strictly on population basis.</td>
</tr>
<tr>
<td>Assam</td>
<td>At present, there was no Ration Card system. Cloth distribution was supervised by the Sub-Divisional Committees.</td>
</tr>
<tr>
<td>Bihar</td>
<td>70% of their total monthly allocation was distributed in rural areas.</td>
</tr>
<tr>
<td>Delhi</td>
<td>Out of the total allocation per month, 30% was sold through Super Bazars, 30% through Co-operatives, 30% through Central Govt. Co-operative Stores and 10% through others.</td>
</tr>
<tr>
<td>Gujarat</td>
<td>Cloth was sold on Ration Card from 1-4-1974 onwards.</td>
</tr>
<tr>
<td>Karnataka</td>
<td>Cloth was sold on Ration Cards only. In rural areas, on population basis, as per instructions of Tehsildars.</td>
</tr>
</tbody>
</table>

(contd.)

*ICMF Journal, July, 1974 (pp. 231-232).*
<table>
<thead>
<tr>
<th>States</th>
<th>Method adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala</td>
<td>Cloth sold on Ration Cards only.</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>Cloth was sold at the rate of 10 metres per ration card per annum.</td>
</tr>
<tr>
<td>Orissa</td>
<td>Arrangements for distribution were being worked out. (Details not known.)</td>
</tr>
<tr>
<td>Punjab</td>
<td>Cloth was being sold on ration Cards at the rate of 10 metres per card per month.</td>
</tr>
<tr>
<td>Haryana</td>
<td>Same as Punjab, but once in every six months.</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>Ration Card system was in force, a pair of dhoty or a pair of saree was issued to a person every three months. Grey long cloth was however sold without ration card at the rate of 10 metres per person at a time. Cash memoes were issued for every sale. The sale was entered on the ration card.</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>There was no Ration Card system. The cloth was sold through authorized channels and under strict vigilance.</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>Controlled cloth was sold only on Ration Cards which are issued to persons having monthly income of Rs.350/- or less in the urban area and to those in the semi-urban</td>
</tr>
</tbody>
</table>
Table 7.1 (contd.)

<table>
<thead>
<tr>
<th>States</th>
<th>Method adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>area and to rural areas having not more than one acre of land. The quantum per head was one piece of dhoty or one piece of saree and $\frac{2}{3}$ metres of other cloth or $7\frac{1}{2}$ metres of other cloth only.</td>
</tr>
<tr>
<td>West Bengal</td>
<td>Distribution was made on Ration Cards on first come first served basis. 80% of the monthly allocation was marked for the rural areas only.</td>
</tr>
</tbody>
</table>

while the population basis might be a scientific one, other factors were also important.

(III) Significant change in distribution

--Since 19-2-75

Drastic changes took place in the textiles policy during 1975. Most of these had been enforced in the last quarter of the year. These again influenced the distributive machinery.

With a view to ensuring speedy lifting of stocks in future and making available the existing stock to the consumers, the procedure of distribution was modified with effect from 19-2-75 as quoted below:

For all packings of controlled cloth between 1st March
1975 and 30th June 1975 for which mills have received
Release Orders from the Textile Commissioner but have not
received Despatch Institutions from the National Co-operative
Consumers' Federation by 25-9-1975, and for for packings made
after 30th June 1975, if the mills do not receive the Des-
patch Instructions within five weeks of the date of issue of
Release Orders from the National Co-operative Consumers' 
Federation against whole or part of quantity covered by this
Release Order they shall be free to sell and deliver
quantities covered by this Release Order but not covered by
the Despatch Instructions to: (a) Mill's Own Retail Shops;
(b) Mill's Authorised Retail Shops which are registered or
approved by the State Government; (c) Other Public Sector
or Co-operative Agencies nominated by the State Government.

The mills also will be eligible to sell to private
wholesale Dealers, such packings of controlled cloth made
between 1st March 1975 and 30th June 1975 for which Release
Orders have been obtained from the Textile Commissioner but
Despatch Instructions have not been received till 25-9-1975
and for all packings made after 30th June 1975 for which
Release Orders have been issued by the Textile Commissioner
but for which Despatch Instructions have not been received
within five weeks of the date of the issue of Release Orders.
However, such sales or delivery of controlled cloth by the
mills to the private wholesaler shall take place on the basis
of a specific permission given by the Office of the Textile Commissioner separately on application by the mills. The mills wholesalers should be previously approved by the State Government concerned and this office."

To give effect to these changes, the following additional prescriptions were enumerated by the Textile Commissioner:

"(a) The State Governments may approve specific private dealers as wholesalers for specified mills in the State. One dealer can be approved as wholesaler for more than one mill at a time.

(b) Approval be given only to such wholesalers who are located within the jurisdiction of the State to ensure proper supervision.

(c) District Authorities of the State Government may approve or register specific private dealers as retailers of controlled cloth.

(d) Whenever releases are made of controlled cloth in favour of the mills wholesaler, intimation to that effect will be sent to this office and to the concerned State Government.

* Circular Letter No.COL/16/POL/N/75/Vol.III dated 19-9-75 from office of the Textile Commissioner, Bombay, addressed to all Composite Textiles Mills.
(e) The mills when they sell or deliver cloth to the private wholesaler, shall be informing the State Government, District Food and Civil Supplies Office and this office indicating details of the quantities covered by sending a copy of the Transport Challan.

(f) The wholesaler in turn immediately on receipt of the consignment shall intimate to the Textile Commissioner, State Government by which he has been approved and the District Civil Supplies Authorities where he is located about the receipt of such cloth in the manner indicated...

The revised scheme further required the private wholesalers to sell the fabrics only to those retailers who were duly registered or approved.

In Gujarat, there were: (i) 131 authorised wholesalers and semi-wholesalers, (ii) 4746 retail outlets (mostly in the cooperative sector), and (iii) 74.9 mills' authorised dealers and 550 mills' own retail shops dealing in controlled cloth. Thus, there was, on an average, 1 retail outlet for every 4449 persons as per the 1971 population Census.

(iv) Further modification

--since 31-12-1975

This category of cloth which was formerly a hot selling

---

* Gujarat Samachar, 30-9-76.
item had later become an unwanted baby for sometime. There were huge stocks lying piled up all along the distribution pipeline, including the mills' godowns. The NCCT, which was the principal agency, was not in a position to lift the allotted quotas. The industry circles had blamed it for the piled up stocks of around 90,000 bales at the end of October, 1975. The NCCT had countered the criticism by saying that such stock of bales packed as per the revised specifications was of not more than 10,000 bales and had further alleged that, of these bales, as many as 5,000 were of inferior quality. In fact, no accurate stock figures were available. The only thing that was true was that the heavy accumulation of stock disrupted the market. This could not be attributed only to the defective distribution; the purchasing power of the people, too, had been seriously eroded.

Consequently, the Government revised the scheme on 31-1-1976, with the objective of reducing the accumulations of controlled cloth.

Under this revised scheme, the Textile Commissioner permitted the mills to dispose of their stocks of bales of controlled cloth, which were actually packed by them till 31st October, 1975, and for which Release Orders had been issued but Dispatch Instructions had not been received.

within 35 days of the issue of the Release Order in any manner they liked, except that, the mills could not sell the goods at prices higher than the stamped ex-mill prices and that the trader could not sell at prices higher than the printed maximum consumer prices.

It must be noted here that, even when a part of the controlled cloth was thus permitted to be sold through private trade channels (over and above the network of cooperatives), as per my field-work, the Gujarat Government did make efforts to subject sales to its discipline.

(e) Period of shortage of controlled cloth

—November, 1976

After having liquidated the accumulated stocks, the trade channels complained of the shortage of controlled varieties. The quota allotted to Gujarat State was of 2100 bales, out of which it was decided to release 1082 bales. But, only 700 to 800 bales were actually supplied. This was chiefly because the Government has exempted all financially weaker mills in the private sector and those under the CTC from the obligation of producing controlled varieties until March, 1977. In fact, the production of controlled cloth had gone down to such an extent that the

---

* Circular letter dated 4-1-1976 from Ahmedabad Mill Owners' Association to Members.
mills of Gujarat were not in a position to meet the controlled cloth requirements of Gujarat itself. It is feared that the suspension of production of controlled cloth by the Government mills would go against the successful implementation of the scheme as it were these mills that had formerly been contributing substantial shares of the total output. This might also encourage the small retailers, the hawkers, etc., to employ underhand practices of selling such cloth at more than the prescribed prices either as controlled cloth or in the name of non-controlled cloth.

(f) Executive machinery—Origin & Functions

A variety of regulatory and development functions as also those pertaining to the implementation of the scheme relating to textiles have been performed by the organisation of Textile Commissioner, Bombay.

The organisation was initially set up at Bombay during the Second World War with a view to harnessing production of war requirements and dealing with the shortage of supplies in the civilian market and consequential spiralling of prices. It underwent changes as per the needs from time to time and had, in 1973, regional offices to cater to the needs
of the different states. They were located at Bombay, Ahmedabad, Amritsar, Kanpur, Calcutta, Madras and Coimbatore. The important functions performed by the Textile Commissioner were:

(1) To recommend the target of production and to advise the Government on major problems of the Textile Industry.

(2) To scrutinise the proposals for expansion or installation, and to recommend licensing new/additional capacity.

(3) To exercise control over the pattern of production and regulate the supply and distribution of textiles to ensure proper distribution at fair price.

(4) To allocate cotton to mills and to ensure sale of the commodity to the mills within the stipulated ceiling prices.

(5) To give technical guidance and advice to the industry in all its programmes of rehabilitation and modernisation, including recommending financial assistance.

(6) To help the industry in securing adequate supply of raw materials and other resources at reasonable prices and to recommend applications for import of textile machinery and spare parts requirements.
(7) To formulate and administer export incentive schemes for cotton, wool and art-silk textiles including ready-made garments and handloom fabrics.

(8) To regulate the growth of handloom on modern and systematic lines so as to enable it to withstand competition from the organised mill sector by encouraging the adoption of efficient production techniques, and quality control and provision marketing facilities.

(9) To deal with the proposals relating foreign collaboration assistance.

The Textile Commissioner performed the functions relating to the evaluation of production targets as also the study of market trends, including price levels, from time to time. He furnished all technical data to the Government to enable it to frame the policies regarding the development of the textile industry. It had in all 979 employees, of whom 105 were officers.

(3) Quota for priority distribution at ex-mill price

In the absence of a statutory control over the distribution of fabrics in the country, a plan for the supply of cloth direct from the mills to the consumer cooperative

---

@ Ibid.
stores functioning under the centrally sponsored scheme and the Fair Price Cloth Shops approved by the State Government was framed by the Textile Commissioner in 1964. The mills' request to supply at ex-mill plus 4% was not accepted by the Textile Commissioner. In the final analysis, the mills were required to comply with the demands for cloth from both the classes of establishments at ex-mill rate in respect of 10% of each mill's total packings of cloth for civil consumption specifically earmarked for the purpose.

The scheme as such was a good one. But the small size of the order quantity generally came in the way of its satisfactory implementation. Again, a few cooperatives had reported that they used to face difficulties in placing firm indents in the absence of samples of the fabrics representing the reserved quota.

(4) Stamping of Maximum Retail Prices on Non-controlled Cloth—effective from 15-7-1976

The Government introduced a system of stamping the retail prices on non-controlled cloth with a view to making available the fabrics to the consumers at reasonable prices. Under this scheme, the mills were required to stamp the

* Vides: Letter No. CCH/4156 dated 17-10-64 from the office of Textile Commissioner, Bombay.
prescribed maximum retail price per metre, including excise duty and local taxes, for each variety, with effect from 16th July, 1976. The salient features of the Scheme were:

1. The Scheme was applied to all non-controlled cloth including bed sheets, pillow cases, handkerchief and towel.

2. Stamping was also required to be done on seconds, fents and rags and on powerloom cloth processed by mills and independent processors.

3. From 15th July, 1975, to 31st October, 1976, the mills were required to stamp the prescribed maximum retail price on every alternate metre of non-controlled cloth and, from 1st November, 1976, such price was to be stamped on every metre.

4. In case of non-controlled dhoties and sarees and bed sheets, handkerchief, pillow cases, towels, etc., stamping was to be done as follows:—
   (a) When sold in pairs, the maximum retail price per pair was to be stamped on the face plait and on the other end of the second piece; and,
   (b) When sold in singles, the maximum retail price per piece was to be stamped on the face plait.

5. Exemptions: The stamping regulations were not to apply
to the following types of cloth:—

(i) Cloth delivered directly to the industry for industrial use.

(ii) Cloth containing not less than 60% by weight of art silk.

(iii) Cloth meant for export purposes.

(iv) Cloth purchased directly by the Government from the manufacturers.

(v) Grey powerloom cloth.

(vi) Chindies.

Exemption was not available in regard to industrial cloth channelled through intermediaries.

There existed a marked variation in the method of stamping prices among the different mill units. In case of certain mills, the trade margins stamped on cloth were as high as 35% to 45% over the ex-mill prices. Even those mills owned by the NTC were not exceptions to this. Statewise decisions had been taken by the NTC in this regard. For instance, the retail prices to be stamped as prescribed by the NTC (Maharashtra) Ltd. were: Ex-mill + excise + 30% trade margin and, in grey cloth, the margin stamped was 45%. The NTC (Gujarat) Ltd., prescribed the retail prices to be stamped at ex-mill + 30% margin + excise.

In the private sector, in November, 1976, the stamped prices varied between 35% and 40% over the ex-mill price + excise—mostly 35% in plain cloth, and 40% in case of the fancy varieties.

The Textile Commissioner issued, in November 1976, a circular to the mills of Gujarat and Rajasthan stating that they had stamped very high prices on cloth and thereby allowed more than 35% trade margin to intermediaries. My discussions with a few retailers did show that the prices of some of the varieties were higher than those of the pre-stamping period.

This inflated the per metre selling price of cloth. For instance, a particular mill of Bombay, in its 83/56 dark colour poplin variety, had stamped the ex-mill price at Rs.4.50 instead of Rs.3.30. By adding a 30% margin to the figure, the retail price it stamped was Rs.6.20. The same variety was available around Rs.5.50 during the pre-stamping period. In such a situation, the only benefit to the consumer was that he could know the prices; but, whether the prices stamped were reasonable or not was beyond his knowledge. Yes, as the trade channels depended mostly on 'udhari', the price stamping may discourage them.


Sandesh, 16-11-1976.
Even today, there are some mills which are implementing the scheme honestly. But, in the larger interests of the consumers and the industry, the Government should evolve a machinery—or, make an arrangement—to see that the prices are stamped under strict supervision so that they are reasonable, just and consumer-oriented.

(5) Excise Duty

The Government levies the excise duty on the cloth manufactured by the mills. As these are added in the calculation of the prices, their burden is ultimately borne by the consumers. They are collected by the Government at the point of production, i.e., at the mill level. In the fabrics distribution, each intermediary operating as a channel component pays the amount of excise duty to the vendor, along with the purchase price.

Since 1957, the Government has been imposing additional excise duty on cloth instead of the sales tax. This has freed the cloth merchants from the complexities—such as filling up forms and presenting the books of accounts—of the sales tax collections.

The impact of the excise duty on the consumer depends upon the category of the cloth and the rate applicable to it.
In general it can be stated that the burden on this account has increased steadily. Table 7.2 presents the figures of excise duty on cotton cloth and yarn collected by the Government annually since 1949-50.

The Table reveals that this tax had brought a mere Rs.14.33 crores to the exchequer in 1949-50. The amount had risen to Rs.70.99 crores in 1957-58, the year in which the Government had loaded cloth with an additional excise of Rs.6.39 crores. Since then the amounts have gone on fluctuating and, since 1970-71, they have progressively increased, with the budgeted figure for 1975-76 having reached the peak of Rs.114.63 crores.

The rates of duty levied by the Government were not static. They were subject to change by the Finance Act every year. The latest rate structure of the excise is presented in Table 7.3.

The Tables indicate that, since 16th March, 1976, the excise duty has been collected on value basis and has covered Pents and Bags also. They also show that the increases in the duty influenced mostly the finer varieties of fabrics.

(6) The Bombay Shops & Establishments Act

The provisions of the Bombay Shops & Establishments Act are applicable to the intermediaries dealing in cotton
<table>
<thead>
<tr>
<th>Year</th>
<th>On Cloth</th>
<th>Auxiliary Duty</th>
<th>Additional Duty</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949-50</td>
<td>12.33</td>
<td>0.00</td>
<td>0.00</td>
<td>12.33</td>
</tr>
<tr>
<td>1950-51</td>
<td>9.26</td>
<td>0.00</td>
<td>0.00</td>
<td>9.26</td>
</tr>
<tr>
<td>1951-52</td>
<td>16.36</td>
<td>0.00</td>
<td>0.00</td>
<td>16.36</td>
</tr>
<tr>
<td>1952-53</td>
<td>13.46</td>
<td>0.00</td>
<td>0.00</td>
<td>13.46</td>
</tr>
<tr>
<td>1953-54</td>
<td>21.67</td>
<td>0.00</td>
<td>0.00</td>
<td>21.67</td>
</tr>
<tr>
<td>1954-55</td>
<td>27.59</td>
<td>0.00</td>
<td>0.00</td>
<td>27.59</td>
</tr>
<tr>
<td>1955-56</td>
<td>29.18</td>
<td>0.00</td>
<td>0.00</td>
<td>29.18</td>
</tr>
<tr>
<td>1956-57</td>
<td>51.66</td>
<td>0.00</td>
<td>0.00</td>
<td>51.66</td>
</tr>
<tr>
<td>1957-58</td>
<td>64.60</td>
<td>6.39</td>
<td>0.00</td>
<td>70.99</td>
</tr>
<tr>
<td>1958-59</td>
<td>57.40</td>
<td>19.49</td>
<td>0.00</td>
<td>76.89</td>
</tr>
<tr>
<td>1959-60</td>
<td>46.75</td>
<td>19.36</td>
<td>0.00</td>
<td>65.11</td>
</tr>
<tr>
<td>1960-61</td>
<td>45.94</td>
<td>18.70</td>
<td>0.00</td>
<td>64.64</td>
</tr>
<tr>
<td>1961-62</td>
<td>47.51</td>
<td>17.88</td>
<td>0.00</td>
<td>65.39</td>
</tr>
<tr>
<td>1962-63</td>
<td>58.37</td>
<td>18.71</td>
<td>0.00</td>
<td>77.08</td>
</tr>
<tr>
<td>1963-64</td>
<td>57.36</td>
<td>19.24</td>
<td>0.00</td>
<td>76.60</td>
</tr>
<tr>
<td>1964-65</td>
<td>55.66</td>
<td>18.58</td>
<td>0.00</td>
<td>74.24</td>
</tr>
<tr>
<td>1965-66</td>
<td>50.49</td>
<td>18.56</td>
<td>0.00</td>
<td>69.04</td>
</tr>
<tr>
<td>1966-67</td>
<td>56.66</td>
<td>17.57</td>
<td>0.00</td>
<td>74.23</td>
</tr>
<tr>
<td>1967-68</td>
<td>51.12</td>
<td>17.24</td>
<td>0.00</td>
<td>68.36</td>
</tr>
<tr>
<td>1968-69</td>
<td>59.35</td>
<td>17.65</td>
<td>0.00</td>
<td>77.00</td>
</tr>
<tr>
<td>1969-70</td>
<td>57.49</td>
<td>18.15</td>
<td>0.00</td>
<td>75.65</td>
</tr>
<tr>
<td>1970-71</td>
<td>56.60</td>
<td>17.21</td>
<td>0.00</td>
<td>73.81</td>
</tr>
<tr>
<td>1971-72</td>
<td>59.75</td>
<td>20.84</td>
<td>0.00</td>
<td>80.59</td>
</tr>
<tr>
<td>1972-73</td>
<td>57.60</td>
<td>24.06</td>
<td>0.00</td>
<td>81.66</td>
</tr>
<tr>
<td>1973-74</td>
<td>62.85</td>
<td>25.63</td>
<td>0.00</td>
<td>84.48</td>
</tr>
<tr>
<td>1974-75 (Revised Budget)</td>
<td>75.50</td>
<td>25.91</td>
<td>101.41</td>
<td></td>
</tr>
<tr>
<td>1975-76 (Budget)</td>
<td>86.00</td>
<td>26.63</td>
<td>112.63</td>
<td></td>
</tr>
</tbody>
</table>

* Figures of processing duty, handloom cess and auxiliary duty are included in basic duty.

### Table 7.3

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GOOD CLOTH</th>
<th>PENTS</th>
<th>RAGS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>duty</td>
<td>duty</td>
<td>duty</td>
</tr>
<tr>
<td></td>
<td>value</td>
<td>basic</td>
<td>value</td>
</tr>
<tr>
<td>Tariff 19-1 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advalorum fabrics containing 100% cotton or less than 30% polyester.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If value exceeds Rs.2.50 per square metre</td>
<td>12½%</td>
<td>33½%</td>
<td>2½%</td>
</tr>
<tr>
<td>If the value below Rs.2.50 per square metre</td>
<td>6½%</td>
<td>33½%</td>
<td>1½%</td>
</tr>
</tbody>
</table>

Explanation 1 for Advalorum
Coating, suiting, tussore, caduory, gaberdine, bed-ford, satin, denim, laypet, lace, knitted fabrics, tapestry, furnishing fabrics including jacquard, certain cloth, gadlapat, mattresses, fabrics, terry towel, including turkey towel, terry towelling cloth including turkey towelling cloth, blanket canvas, duck filter cloth, trading cloth and buckram cloth.

* Effective Rates of Duty on Cotton Fabrics and Fabrics containing Polyester Fibre under T.T.Nos.19-1(1) & 19-1(1)A from 16-3-76.
Notification No.106/76 dated 16-3-1976 for Auxiliary Duty.
Notification No.48/69 as amended by 75/76 dated 16-3-1976 for Cotton Yarn Duty.
Notification No.50/69 as amended by 73/76 dated 16-3-1976 for Cotton Yarn Duty on Pents.
textiles as to the dealers in other commodities in Gujarat. They are related to registration and re-registration of shops, business hours (both opening hours and closing hours), holidays, age of the employee/s, their hours of work, salaries, leaves, retrenchment, the registers to be maintained, etc.

This Act restricts the shopping hours for the consumers and ameliorates the working conditions of the shop personnel. The weekly holidays provide business to the itinerant traders including those of textiles.

(7) The Minimum Wages Act, 1948

This piece of legislation was passed by the Central Government in 1948, which empowered the State Governments to apply its provisions to the establishments specified in the Schedule of the Act. In Gujarat, it has been made applicable to as many as 18 occupations. The cloth merchants utilizing the services of employee/s have to pay basic rates of pay and special allowances to the latter as decided upon by the State Government from time to time. In Gujarat, the wages to be paid were fixed up zonewise and employee classwise. For the purpose, the geographical area of Gujarat was divided into 3 zones, Zone-I, comprising of cities having a population of 2 lakhs and more, Zone-II of towns having a population of over 70,000 but less than 2,00,000, and
Zone-III of the remaining places. The minimum wages payable from July, 1975, on to them were as exhibited in Table 7.4.

Table 7.4

<table>
<thead>
<tr>
<th>Class of employees</th>
<th>Zone I</th>
<th>Zone II</th>
<th>Zone III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I A</td>
<td>Rs.350</td>
<td>Rs.300</td>
<td>Rs.230</td>
</tr>
<tr>
<td>Class I B</td>
<td>Rs.300</td>
<td>Rs.230</td>
<td>Rs.200</td>
</tr>
<tr>
<td>Class II</td>
<td>Rs.250</td>
<td>Rs.200</td>
<td>Rs.190</td>
</tr>
<tr>
<td>Class III</td>
<td>Rs.200</td>
<td>Rs.190</td>
<td>Rs.180</td>
</tr>
</tbody>
</table>

This Act has certainly rationalised the wage structure of the cotton textiles distributive agencies.

**Overall observations**

The ameliorative measures were taken by the Government very late, i.e., in 1943 during the World War II, when the situation had become nasty and uncontrollable. In fact, in those days, the alien Government was more interested and busy in meeting the political situation and in accomplishing the immediate success of the war efforts rather than in providing necessities to the public.

The imposition of the Standard Cloth Scheme and its implementation had showed that though the cloth was supplied under the scheme at 6\% over the ex-mill price, there was inadequate coordination between the first two links—

---

Central and the Provincial Governments. The margin allowed to the manufacturers, the defective pricing system and the improper distributive arrangements had proved to be the major defects of the scheme.

A coordinating agency—office of the Textile Commissioner—helped the Government in executing the regulatory measures. But, again, the 'utility scheme' was not of much help to the public and was criticised heavily.

Free India (on 15-8-1947) inherited an administrative set-up as also a regime of controls imposed earlier during the post-war period. Both these had become vital tools of the Government policy; controls for commandeering scarce resources were continued after Independence.

The 'Controlled Cloth Scheme' had been introduced for the benefit of the vulnerable section of society. But, while launching the scheme, the Government did not pay adequate attention on its distribution aspect on which its successful implementation depended. Consequently, the benefits were usurped by some anti-social elements and, initially, the potential beneficiaries were at a loss to enjoy them. It was after an unimaginable long period of about 8 years that statutory controls were imposed on distribution. Cooperatives had been given a key role in the distribution.
Numerous piecemeal measures had also been taken by the Government from time to time. A series of changes—in quantity, price and distributive arrangements—had been made, in consequence of related experience, to make the scheme more beneficial to the weaker sections of society. Intermittent shortages and surpluses of this category of cloth indicated the lack of a comprehensive policy; for example, Government's decision to exempt the NTC and other weaker mills from the controlled cloth obligation resulted in a shortage of cloth.

My field-work showed that, in certain cases, the cloth supplied under this scheme was neither cheap nor wearable. Some families used these varieties as non-wearable materials—as mattress covers, etc. So far as the distribution was concerned, the inadequate outlets in the rural areas, where most vulnerable population resided, created an impression that the primary objectives of the scheme had not been fully accomplished as the cloth did not reach the poor people in requisite quantity.

The Public Accounts Committee of the Parliament (PAC) had also expressed dissatisfaction with the way this scheme had been implemented. In its 223 Report, the Committee

*Cf.: The survey made by P.T.I. also pin-pointed this aspect.
said 'the primary objective of the scheme is to make available cheap and durable cloth to the weaker section of the people, but in spite of all refinements, incentives and penalties introduced from time to time, the Government has yet to come truly to grips with this major problem.'

*Financial Express, 2-5-1976.*