CHAPTER – I

INTRODUCTION

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INTRODUCTION

Textile has traditionally meant a woven fabric. The term has been derived from a latin word ‘texere’ meaning to weave. There are many fabrics which are still made by weaving yarn on a loom. But today, all other types of fabrics are also considered to be textiles. They include knitted goods, felt, laces, nets and braids etc.

The Textile Industry is the oldest and single most important industry in India, both in terms of providing employment and meeting out one of the essential consumption needs of the people. Clothing comes next to food and prior to lodging amongst the basic needs for the existence of human beings.

Indian Textiles have been enjoying a unique and enviable worldwide reputation for more than 3000 years. When people in other parts of the ancient world were content to be clad in hides and barks, Indians produced exquisite fabrics with aesthetically conceived designs of colourful diversity.
HISTORICAL BACKGROUND OF TEXTILE INDUSTRY

The growing of cotton appeared in India earlier than elsewhere. The people of Indus Valley used cotton to make their clothing. In the oldest classical reference to cotton in European Literature, Herodotees, the famous historian of ancient Greece, says, with delightful ignorance “certain world trees that bear wool instead of fruit, which in beauty and quality, excels that of sheep and Indians make their clothes from these trees.” The Romans were acquainted with this tree grown wool during their wars in the north-east Asia. In ancient times, India had an active trade in textiles among other items with Rome. The Arab travellers in the ninth century India reported that “In this country, they make garments of such extra ordinary perfection that nowhere else in their like to be seen-sewed and woven to a degree of fineness, they may be drawn through a ring of moderate size.”

India has been the home of textile from time immemorial. The fabrics produced by Indian handicraftsmen were so extra-ordinary, beautiful and refined that these were universally demanded.
Certain inventions in England revolutionised the art of spinning and weaving which was the misfortune for Indian Industry as the use of power to drive machinery enabled England to turnout cheap cotton goods on a large scale. Moreover, to the misfortune of Indian Industry the country’s political sovereignty was lost and the political subordination of India not only let to strangulation of India’s European trade, but even at home she was left completely at the mercy of England, which forced upon her cotton pieces without the payment of duty. In the 19th century, M/s Fergusson and Company, a leading firm of English traders in Calcutta put up the first cotton manufacturing in India. The first Mill, the Bowreah Mill, situated 15 Miles away from Calcutta comprised 20,000 spindles and 100 looms. During the first two decades, the technical supervision was entirely of non-Indians. The second Mill was known as the Fort Gloster Mill. In 1854 it has 30,000 spindles.

The Mill started by Cowarjee Nasabhos at Bombay in 1854 called Bombay Spinning and Weaving Mill. It had 17,000 spindles and machinery was supplied by M/s John Heatherington and Sons of Manchester. Few years later the Mill was sold to Tapidas
Vaijivasdas who refloated it as the Alliance Spinning and Weaving Mills. Simultaneously he also launched another industrial enterprise, the cotton cleaning company.

The growth of the Mill Industry during 1869 to 1892 was phenomenal. By the end of 19th century the textile Mills were spread all over the country particularly in centres like Ahmedabad, Sholapur, Bombay, Surat, Nagpur and Kanpur.

**EVOLUTION AND GROWTH OF TEXTILE INDUSTRY IN INDIA**

In 1901, 190 Mills existed in India but 16 of these were idle. By 1904, the number increased to 204, comprising 113 spinning units 86 composite units and 5 weaving units. Spindlage recorded remarkable increase, rising from 49 Lakhs at the opening of the century to 52 Lakhs. The number of workers increased in 1904 as compared in 1901. The number in 1904 was 1,86,000 whereas in 1901 it was 1,56,000, of these 75 per cent were men, about 14 per cent were women and the rest were children and young persons. Between 1904 and 1910 India added 39 Mills, 36304 looms and 9,82,327 spindles. The number of mills increased to 258 is 1919. The first World War proved a boon to the Industry reached a large
number of important towns and covered the area from Punjab to Madras including Bengal. On account of the worldwide depression during 1923-29 the industry got a great setback. It could be recovered from shocks of the depression only after 1933. The number of Mills increased to 344 in 1929 and 389 in 1939. Within a period of four decades the number of Mills doubled. After the second World War, the textile industry made a slow progress. The quantity of cloth produced in the country continued to decline almost upto 1950, which was a result of shortage of raw materials and power.

After partition 22% of the total cotton producing area came under Pakistan which resulted in a deficit of about 20 lakh cotton bales for Indian Textile Mills. India had to depend to a greater extent on USA, Egypt, Kenya, Tanganyika, Sudan and others for her cotton requirements. This resulted in a heavy drain of the country's financial resources.

The five year plans were formulated for an all-round development of the country. The Indian textile industry continue to be predominantly cotton based. In contrast the textile Industry, world over has become a multifibre industry.
SIGNIFICANCE OF TEXTILE INDUSTRY

IN INDIAN ECONOMY

The Indian Textile Industry has a significant presence in the Indian economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. As per data released by ITMF for the year 1999, the Indian textile industry also contributes significantly to the world textile production capacity and availability of textile fibres/yarns. This industry contributes about 21 per cent to the world spindlage and 6 per cent to the world rotorage. With China’s dismantling of 10 mm spindles India has emerged as a country with the highest spindlage in the world. With almost 5.64 mn. looms (including 3.89 mn. handlooms), this industry has also the highest loomage (including handlooms) in the World and contributes about 57 per cent to the world loomage.

This industry also contributes significantly to the world production of textile fibres and yarns including jute. This industry also contributes significantly to the world production of textile fibres and yarns including jute. In the world textile
scenario, it is the largest producer of jute, second largest producer of silk, third largest producer of cotton and cellulosic fibre/yarn and fifth largest producer of synthetic fibre/yarn. It is also the third largest producer of cotton yarn.

A study by the International Textile Manufacturers' Federation (ITMF) has also indicated that this industry enjoys comparative cost advantage in raw material cost and labour cost in the production of various textile items vis-à-vis major textile producing countries.

The textile industry in our country is one of the few industries which has the potential to emerge as a true global player. The government has already embarked on a role of industry-friendly, pro-active ‘facilitator.’ The States in order of their importance in our country are:-

1. MAHARASHTRA Bombay, Sholapur, Pune, Nagpur, Amravati, Akola, Jalgaon.
2. GUJRAT Ahmedabad, Vadodara, Surat, Jamnagar, Bharuch and Bhavnagar.
3. MADHYA PRADESH Gwalior, Indore, Bhopal.
Recognising the fact that industry needs a concerted strategy and time-bound action plan to convert its core competence in availability of all major raw materials, skilled manpower, managerial competence and entrepreneurial skill to a competitive strength as a producer and supplier of top quality textile at competitive prices while protecting its domestic turf, the Government has initiated the policy measures as outlined below.

**GOVERNMENT INITIATIVE**

The Government is fully alive to the problems and prospects of the vital sector of the economy which occupies the unique position in the Indian Economy. The Government has launched upon a series of measures for a rapid preparation of the textile industry for the new W.T.O. order. During the last few years, considerable progress has been made:-
A New Textile Policy (NTXP-2000) has been framed to give direction and focus to action for the growth of the industry.

Several significant programmes were launched to align and restructure the industry to succeed in the globalised economy.

Following the announcement of the NTXP-2000 new plans and programmes have been placed on the anvil and work is going on to put them into implementation mode.

NEW TEXTILE POLICY NTXP-2000

The NTXP-2000 redefines the goal and objectives and focuses on strategic thrust areas, so as to strengthen the textile industry and make it globally competitive by facilitating and enabling technological upgradation of all manufacturing segments of the industry.

GOALS & OBJECTIVES

The objective are to:-

Facilitate the Textile Industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing.
 Equip the industry to withstand pressures of import penetration and maintain a dominant presence in the domestic market.

 Liberalise controls and regulations so that the different segments of the textile industry are enabled to perform in a greater competitive environment.

 Enable the industry to build world class State-of-the-art manufacturing capabilities in conformity with environmental standards and for this purpose to encourage both Foreign Direct Investment as well as research and development in the sector.

 Develop a strong multi-fibre base with thrust of product upgradation and diversification.

 Sustain and strengthen the traditional knowledge, skills and capabilities of our weavers and crafts people.

 Enrich human resource skill and capabilities with special emphasis on those working in the disorganised sectors of the industry, and for this purpose to revitalise the institutional structure.
Expand productive employment by enabling the growth of the industry with particular effort directed to enhance the benefits to the north-east region.

Make Information Technology (IT), an integral part of the entire value chain of textile production and thereby facilitate the industry to achieve institutional standards in terms of quality, design and marketing.

Involve and ensure the active cooperation and partnership of the State Governments, Financial Institutions, Entrepreneurs, Farmers and Non-Governmental Organisations in the fulfillment of these objectives.

SCOPE OF THE STUDY

The Textile Industry in Uttar Pradesh comprises many Companies. Among these three companies have been taken for the study. Due to non-availability of appropriate data, it was not possible to include the remaining companies in this study. The period covered under the study extends over six years from 1998-99 to 2003-04. The Companies included in the study are as follows:-

The British India Corporation Ltd.
⇒ The Elgin Mills Company Ltd.
⇒ Cawnpore Textiles Ltd.

PURPOSE OF THE STUDY

The present study proposes and plans to examine, analyse role of financial Institutions in the development of Textile Industry in Uttar Pradesh, working capital trends, Inventory Management and Control, Management of receivables & cash and financing of working capital. The study mainly emphasises on financial evaluation of textile Industries and also offer suggestions for the improvement of Textile Industries.

RESEARCH METHODOLOGY

We have followed duly recognised research Methodology for our study. For the purpose of our study, we have selected a sample of textile Industry on random basis and accordingly we have selected three Industry, out of all the industries operating at present in Uttar Pradesh.

We have reviewed the relevant literature on the subject that would help us in developing the conceptual aspect of our study. There are large number of official reports which are available and
we would make efforts to study and make use of the relevant data. Annual reports of these concerns would also be duly studied and analysed. Personal interview of selected employees and Managers has also been undertaken. However, we have laid greater emphasis on the secondary data made available to us through the published articles and reports. For the purpose of analysis, the relevant statistical techniques such as sampling, mean graph and charts etc. have been used. After the analysis, the findings have been presented in suitable manner. Concluding observation and suggestion have been given in the end.

LIMITATIONS OF STUDY

The Textile Industry has been plagued with one problem or the other at different points of time. One of the major problems faced in collection of the data about the Industries was the growing sickness in the Industries leading to the closure of many of them. Though this is not uncommon in other organised Industries also. The main reason for sickness in the Textile Industry could be attributed to the structural transformation, raised competition faced from powerlooms, excess employment. There are many other reasons which would be well explained in the upcoming chapters.
These above given problems lead to greater consumption of time in collecting the required and useful informations and datas about the Industries which further restricted the study to few and particular Industries only.

The research also demanded to be quite simple, easily understandable, well presented and highly perfect. The emphasis was on the good vocabulary and easy language was also laid.

The above reasons demanded a good overlook on the Industries in the light of present scenario.