

DEMAND FOR MILL-CLOTH IN INDIA— A STUDY OF THE INTERRELATIONSHIP BETWEEN INDUSTRY AND AGRICULTURE*

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The Problem:

This paper presents the results of an analysis of cloth sales by the organized mill sector of the textile industry in India. A few of the important reasons for specially choosing the cotton textile industry for this study may be noted. The cotton textile industry is not only the first one to be established in the industrial sector in India, but it still forms the largest group in that sector. According to the Census of Manufactures of 1958,¹ the cotton textile industry in India employs 38.90% of the industrial labor force, contributes 41.64 per cent to the total wage bill of all industries, and adds 29.19 per cent to the gross value of the industrial output. The proportion of capital forms 22.6 per cent of the total industrial capital.²

We mentioned in the earlier chapter that expenditure on clothing forms one of the largest single items in the non-food group. According to the fourth round of NSS³ expenditure on clothing formed 8.68 per cent of total expenditure of all classes in urban areas and 6.88 per cent in rural area. Under these conditions, it is important to find out how a change in agricultural prices affects the demand for manufactured goods. The changes in farm prices affect the demand for manufactured goods by the agricultural sector, because agricultural prices and incomes are highly correlated. To elaborate on this point, investment plans (and output targets) are formulated by the Planning Commission on the basis of certain intersectoral

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¹ Central Statistical Organization, Government of India. "Thirteenth Census of Indian Manufactures", 1958.

² The estimate of capital stock is arrived at from book values of assets of different firms, which are not adjusted for changes in prices of capital goods.

³ C.S.O., Government of India, *Op. cit.*, (1959), p. 69; p. 206.