

Govt of Bombay
Report

TABLE OF CONTENTS

CHAPTER I

Introductory

	PAGE
APPOINTMENT OF COMMITTEE AND TERMS OF REFERENCE	1
PROCEEDINGS OF THE COMMITTEE	2
INTERPRETATION OF TERMS OF REFERENCE	3
ADEQUACY OF DATA	5

CHAPTER II

Survey of the Industry

EXTENT AND DISTRIBUTION	7
RECENT HISTORY	9
SOME SPECIAL FEATURES	16

CHAPTER III

Wage Position

DATA AND GENERAL SURVEY	20
POSITION IN DIFFERENT CENTRES	21
Bombay City and Island	22
Ahmedabad	26
Sholapur	28
Other Centres	31
COST OF LIVING	33

CHAPTER IV

Trends in Productive Activity, 1937

PRODUCTION OF YARN AND PIECEGOODS	34
STOCKS AND DESPATCHES OF CLOTH	37
NIGHT SHIFT	39
EXPORTS AND IMPORTS	41

CHAPTER V

Financial Position

CONSOLIDATED BALANCE SHEET	45
FINANCING OF INDUSTRY	51
COSTS AND CHARGES	54
SCALE OF ALLOWANCES	58
DEPRECIATION	59
THE BETTERMENT	62

CONTENTS

CHAPTER VI

Profit Margin

	PAGE
MANUFACTURER'S MARGIN	66
COTTON PRICES	67
PRICES OF CLOTH AND YARN	75
COMMODITY PRICES	79
WIDENING OF PROFIT MARGIN	81

CHAPTER VII

Conclusions and Recommendations

CONCLUSIONS	84
RECOMMENDATIONS	89
ACKNOWLEDGMENTS	94

APPENDICES

APPENDIX A—Copy of the questionnaire relating to interim recommendations ..	97
APPENDIX B—Names of witnesses who appeared before the Committee ..	98
APPENDIX C—Correspondence with Government regarding the interpretation of the words "Textile Industry"	100
APPENDIX D—Government's letter regarding legislation dealing with sickness and old age benefits	102
APPENDIX E—Supplementary Schedules	103

CHAPTER I

Introductory

APPOINTMENT OF COMMITTEE AND TERMS OF REFERENCE

The Textile Labour Inquiry Committee was appointed by the Resolution of the Government of Bombay in the Political and Reforms Department No. 1988/34 dated 13th October 1937. The following is the text of the Resolution :—

— “The Governor of Bombay is pleased to appoint a Committee of Inquiry to be known as the Textile Labour Inquiry Committee consisting of the following members to investigate into the question of the adequacy of wages and kindred matters in connection with the textile industry in this Province :—

1. Jairamdas Doulatram, Esquire, Chairman,
2. Vaikunth L. Mehta, Esquire,
3. D. R. Gadgil, Esquire,
4. S. A. Brelvi, Esquire.

(2) The Committee will be advised on technical matters by the following four Associate Members :—

1. Sakarlal Balabhai, Esquire, M.L.A.,
2. S. D. Saklatvala, Esquire, M.L.A.,
3. K. K. Desai, Esquire, M.L.A.,
4. R. A. Khedgikar, Esquire, M.L.A.

(3) Mr. S. R. Deshpande, Assistant Commissioner of Labour, Labour Office, Bombay, should act as Secretary to the Committee.

(4) The terms of reference which the Committee should be asked to consider are :—

1. To examine the wages paid to workers having regard to the hours, efficiency and conditions of work in the various centres of the textile industry in the Province, to enquire, in this regard, into the adequacy or inadequacy of the wages earned in relation to a living wage standard and, if they are found in any occupation, centre or unit of the industry to be inadequate, to enquire into and report upon the reasons therefor, and to make recommendations regarding :

(a) the establishment of a minimum wage.

(b) the measures which the employers, the employees and the Government should take to improve the wage level,

(c) the remuneration of workers engaged on night shift, and the regulation of night shift work.

(d) standardisation of wages and musters, and

(e) the methods of automatic adjustment of wages in future.

2. To report whether in view of the present condition of the industry an immediate increase in wages can be given in any occupation, centre or unit of the industry, pending the conclusion of the Committee's work and the preparation of its report and to make recommendations in this behalf.

3. To report on any matters germane to the above.

(5) The Committee should be requested to submit its report to Government as soon as possible."

PROCEEDINGS OF THE COMMITTEE

2. With a view to expediting the work of the Committee, especially in regard to their interim recommendations, the Chairman issued a *communiqué* from Lahore on 23rd October 1937 requesting all interested in the problems before the Committee to send preliminary memoranda to the Secretary before 7th November 1937. The Secretary subsequently addressed an official letter on 27th October 1937 to 76 bodies and persons requesting them to submit preliminary memoranda on matters arising out of the Committee's terms of reference so as to reach him on or before 7th November 1937. Of those addressed, 16 furnished preliminary memoranda.

3. The first meeting of the Committee was held on 12th November 1937 when several matters of procedure were discussed. The terms of reference required us to make certain investigations and recommendations relating to the textile industry in this Province. A doubt arose regarding the interpretation of the word "textile" and it was considered necessary to ascertain whether the word referred to cotton textiles alone or whether it also included other textile fabrics such as silk, wool, etc. A reference was, therefore, made to Government on the subject. Government replied that the words "textile industry" referred only to the cotton textile industry. Copies of the correspondence with Government on this subject will be found in Appendix C.

4. On 30th December 1937, Government addressed a letter to the Chairman informing the Committee that Government intended shortly to enact legislation dealing with sickness and old age benefits. Government's letter on the subject will be found in Appendix D.

5. The questionnaire relating to interim recommendations was ready by 17th November 1937 and was issued the next day to 205 bodies and persons with a request that replies to it might be furnished by 4th December 1937. A copy of the questionnaire will be found in Appendix A.

6. The following table contains information regarding the number of bodies and persons addressed and the number of replies received to the Committee's questionnaire :—

	Bombay.		Ahmedabad.		Other Centres.	
	Number addressed.	Replies received.	Number addressed.	Replies received.	Number addressed.	Replies received.
Millowners' Associations.	1	1	1	1	..	..
Textile Trade Unions.	8	7	2	2	6	2
Cotton Textile Mills.	66	59	78	57	41	30
Others ..	2	2	..	..	..	..
Total ..	77	69	81	60	47	32

7. From 18th November 1937 to 13th December 1937 when public sittings of the Committee commenced, several meetings were held to frame the main questionnaire and to discuss various other matters. In view of the confidential character of the information asked for from the mills regarding profits made during the first six months of 1937, it was decided that no reference should be made in the course of the oral examination to the profits of individual mills during the first half of 1937.

8. The public sittings of the Committee commenced on 13th December 1937. There were eight such sittings. Particulars regarding the dates of the various sittings and the names of the witnesses who appeared before us will be found in Appendix B. Two witnesses, namely, the Commissioner of Labour, Bombay, and the Labour Officer, Bombay, were examined by the Committee *in camera*. The Committee dispersed on 25th December 1937 and again met on 6th January 1938. Before considering the evidence and other material, the Associate Members were invited to give their advice on the various matters arising out of the second term of reference.

INTERPRETATION OF TERMS OF REFERENCE

9. It was contended by the millowners that the second term of reference was merely an enabling one and that it was not incumbent upon the Committee to submit an interim report. We do not agree with this view. The Resolution of Government appointing the Committee

is clear on the point. Paragraph (4) of the Resolution states that "the terms of reference which the Committee should be asked to consider are :—

(1) To examine the wages paid to workers.....and to make recommendations regarding the establishment of a minimum wage etc.....

(2) To report whether in view of the present condition of the industry an immediate increase in wages can be given in any occupation, centre or unit of the industry, pending the conclusion of the Committee's work and the preparation of its report and to make recommendations in this behalf."

The wording of the Resolution leaves no room for doubt that we have been asked to make recommendations relating to both the terms of reference. The submission of the report under the second term of reference is as obligatory as under the first. It does not, however, follow that the Committee must necessarily recommend an increase in wages. What is left to the discretion of the Committee is not the question of making or not making an interim report but that of recommending or not recommending an immediate increase in wages.

10. Certain further issues have been raised with regard to the exact interpretation of this term of reference. Difference of opinion has mainly centred round the phrase "present condition". The Ahmedabad Textile Labour Association, for example, says in its memorandum that by the term "present" we may understand either the last week or month or the whole period since the new trends became evident. Though this simplifies the matter, it seriously underestimates the diversity of the possible interpretations of the term. In one sense, the present is always with us; but the present, as a particular point of time, is in the future a moment before we grasp it, and is already, in the act of grasping, merged into the past. It must be remembered that the present is a product of the past and that it projects into the future. The determination for any purpose of a particular span of time as the "present" is thus bound to be somewhat arbitrary, based on convenience and propriety in relation to the purpose in view. In our term of reference, the "present condition" is related to any immediate increases in wages that can be given. The "present" for our purpose, therefore, is a span of time over which decisions regarding immediate increases in wages can fairly be based. This, in its turn, will depend on the character of the increase. The more fleeting and temporary the wage increase, the shorter is the period of time necessary for its determination. On behalf of the millowners it has been urged that, as most general increases in wages tend to be semi-permanent, no increase in wages should be held to be justified unless given conditions have lasted for a comparatively long period, say, two years. We consider that even though the "present" may be defined in varying ways to suit particular needs, its interpretation in this case could not possibly be stretched to the extent desired by the millowners. As we understand

it, the "present" for our purpose should be such a period of time as would clearly reflect the ability of the industry to afford an increase in wages. And, as industrial profits are often calculated or distributed over six-monthly periods, a period of six months may be taken as a long enough "present" for us. This does not, of course, mean that we confine ourselves to a consideration of only the last six months. It merely means that, in our opinion, a study of the conditions of the last six months, in the light of the history of a few previous years, and in relation to such future trends as we can justifiably forecast, is sufficient to determine whether "in view of the present condition of the industry" an immediate increase in wages can be given.

11. The other parts of the term of reference do not call for any detailed comment. We may only note that we have been asked to confine our attention to the "condition of the industry." The word "condition" which the Oxford Dictionary defines as "mode of being, state, position, nature" is broad enough to cover everything connected with the industry. But only those aspects of industrial conditions are relevant to our purpose which enable us to determine whether an immediate increase in wages can be given. The presence of labour unrest, for instance, may make it desirable or necessary that an increase in wages should be immediately given; but it could not be a factor in the condition of industry determining its ability to give a wage increase.

12. The condition of the industry is to be studied in relation to centres or units. We take this to mean that, in places where there are many units, the centre as a whole is to be studied, and that individual units are to be considered in scattered and isolated areas. The condition of the industry cannot be studied in relation to occupations. We, therefore, take the reference to occupations to mean that in case an immediate increase can be given (in view of the present condition of the industry), such an increase may be related to the differing wage levels obtaining in the various occupations.

ADEQUACY OF DATA

13. The Chairman of the Bombay Millowners' Association, in a statement made by him during the course of the oral evidence, observed that interim recommendations in regard to wages could not be framed in view of the limited data before the Committee. We are, however, of opinion that the material placed before us is sufficient to enable us to gauge the present condition of the industry. In response to the questionnaire relating to interim recommendations, ample material has been furnished which has been supplemented by the information elicited during the course of the oral examination. The oral examination itself led to certain further inquiries, in reply to which we have subsequently received very valuable additional information. The position in respect of wages has also been ascertained by us from the point of view both of the employers and the employed, and during the course of our examination of the Commissioner of Labour and the Labour Officer, Bombay, we have

been able to supplement the information available in the replies to the questionnaire and in the publications of the Labour Office of the Government of Bombay. Lastly, we have been able to obtain relevant statistical and other information regarding prices of cloth and cotton, imports and exports of yarn and piecegoods and other factors which have a bearing on the condition of the industry. We cannot, therefore, subscribe to the view that the data before us are insufficient to enable us to deal with the second term of reference.

CHAPTER II

Survey of the Industry

EXTENT AND DISTRIBUTION

14. Although the cotton textile industry in the Bombay Province is mainly concentrated in three centres, namely, Bombay, Ahmedabad and Sholapur, there are also cotton mills in other parts of the Province in scattered and isolated areas. The mills in these areas may be divided into three groups: (1) mills situated in Gujarat other than those in Ahmedabad, (2) mills in Khandesh and (3) mills in the rest of the Province. In the first group there were four centres of the industry containing nine mills employing an average daily number of 6,997 persons in 1936. In the second group there were four centres of the industry containing five mills employing an average daily number of 8,435 persons and in the third group there were five centres containing seven mills employing an average daily number of 5,541 persons.

15. We may here note briefly the progress of the industry in the Province during the last ten or eleven years. The following table shows the position of the industry since 1926:—

TABLE I
*Progress of Cotton Mills in the Province of Bombay since 1926**
(Year ending 31st August)

Year.	Number of Mills.	Number of spindles installed.	Number of looms installed.	Average number of persons employed daily.	Approximate quantity of cotton consumed.	
					Cwts.	Bales of 392 lbs.
1926-27 ..	211	58,93,375	1,22,788	2,57,458	54,49,535	15,57,010
1930-31 ..	218	62,90,233	1,38,153	2,50,357	54,70,906	15,63,116
1936-37 ..	210	61,00,211	1,41,471	2,43,493	59,13,404	16,89,544

16. It will be seen that in the Province as a whole, there were 210 cotton mills employing 2,43,493 persons during the year ending 31st August 1937. The number of mills in 1936-1937 was very nearly the same as in 1926-27 although it had gone down as compared to the year 1930-31. The number of spindles as compared to 1926-27 has increased slightly but the number of looms installed is appreciably greater being 15·2 per cent. more than in 1926-27. The employment position recorded a fall of 5·4 per cent. as compared to 1926-27. A considerable increase, however, appears to be in the quantity of cotton consumed by mills, which has gone up from 54,49,535 cwts. in 1926-27 to 59,13,404 cwts. in 1936-37.

17. We may now briefly examine the position of the industry in the two important centres, namely, Bombay and Ahmedabad. In Bombay, as the following table will show, the number of mills working has

* Table compiled from the figures published by the Bombay Millowners' Association in their annual charts.

diminished considerably since 1926-27, having fallen from 83 in that year to 69 in 1936-37. It may be stated that as compared to 1926-27 the number of spindles, the number of looms, the average number of persons employed and the approximate quantity of cotton consumed by mills declined by 16·7 per cent., 10·5 per cent., 29·1 per cent. and 16·7 per cent. respectively :—

TABLE II

*Progress of Cotton Mills in the City and Island of Bombay since 1926**
(Year ending 31st August)

Year.	Number of Mills.	Number of spindles installed.	Number of looms installed.	Average number of persons employed daily.	Approximate quantity of cotton consumed.	
					Cwts.	Bales of 392 lbs.
1926-27 ..	83	34,66,826	74,545	1,54,398	34,80,750	9,94,500
1930-31 ..	81	34,27,000	76,975	1,29,057	29,37,858	8,39,388
1936-37 ..	69	28,89,509	66,753	1,09,479	28,98,644	8,28,184

18. While during the last ten years, there has been some decline in the cotton mill industry of Bombay City, Ahmedabad presents a different picture. In that centre, as the following table shows, the number of mills increased from 66 in 1926-27 to 81 in 1936-37. As compared to 1926-27 the number of spindles, the number of looms and the average daily number of persons employed have risen by 40·9 per cent., 59·0 per cent. and 32·7 per cent. respectively. The approximate quantity of cotton consumed has also increased from 10,51,960 cwts. to 17,22,511 cwts. or by 63·7 per cent :—

TABLE III

*Progress of Cotton Mills in Ahmedabad since 1926**
(Year ending 31st August)

Year.	Number of Mills.	Number of spindles installed.	Number of looms installed.	Average number of persons employed daily.	Approximate quantity of cotton consumed.	
					Cwts.	Bales of 392 lbs.
1926-27 ..	66	14,02,948	30,721	56,011	10,51,960	3,00,560
1930-31 ..	76	17,43,523	40,022	69,562	14,48,328	4,13,808
1936-37 ..	81	19,76,370	48,833	74,302	17,22,511	4,92,146

* Table compiled from the figures published by the Bombay Millowners' Association in their annual charts.

RECENT HISTORY

19. The Indian cotton mill industry during the last two decades has naturally been subject to the general movements of growth and recession which have affected economic activity all over the world. It shared in the hectic post-war boom and in the consequent severe depression ; it looked up a little during the period 1925 to 1929 and was again affected by the depression which followed. The history of the industry has not conformed fully to the general pattern of cyclical movements in the world. The post-war boom lasted a year or two longer in the cotton industry in India and the years following the depression were partially relieved by the intensification of the *Swadeshi* sentiment. The grant of protection also modified the general influences. All through, however, certain peculiar trends have persisted. There has been a rapid expansion of the Indian industry, especially in woven goods, a steadily rising share taken by it of the total home market, the dispersion of its location throughout the country, with Bombay continuously losing ground and Ahmedabad fully maintaining its position.

20. At the end of the War, Bombay City dominated the Indian cotton textile industry and Ahmedabad held the second place, far ahead of any other centre. In the post-war period, however, while the Bombay industry experienced no expansion after the boom of 1920-22, Ahmedabad continued to expand *pari passu* with the growth of the industry in other Indian centres. The Indian Tariff Board (Cotton Textile Industry Enquiry), 1927, found the Bombay industry in a severely depressed condition as a result of many factors, chief among which were the loss of the export yarn market, the increasing competition from Japan, the spread of the industry in other Indian centres and the aftermath of boom conditions. The second enquiry conducted by the Tariff Board in 1932 revealed almost all these conditions unchanged in any essential, except that industrial unrest had added to the difficulties of the Bombay industry. The following table shows the position of the industry, in Bombay and Ahmedabad, relatively to its position in the whole of India :—

TABLE IV

	Number of mills during the year ending 31st August.				Production of yarn. (Millions of Pounds.)				Production of Woven goods of all descriptions. (Millions of Pounds.)			
	1919	1927	1932	1937	1918-19	1926-27	1931-32	1936-37	1918-19	1926-27	1931-32	1936-37
Bombay ..	85	83	81	69	306	345	322	277	177	265	264	251
Ahmedabad ..	51	66	78	81	73	106	152	163	71	105	149	170
Rest of India ..	122	187	180	220	236	356	492	614	102	169	259	361
Total ..	258	336	339	370*	615	807	966	1,054	350	539	672	782
Percentage of—												
Bombay to all India.	32·9	24·7	23·9	18·6	49·7	42·8	33·3	26·3	50·6	49·2	39·3	32·1
Ahmedabad to all India.	19·8	19·6	23·0	21·9	11·9	13·1	15·8	15·5	20·3	19·5	22·2	21·7
Rest of India to all India.	47·3	55·7	53·1	59·5	38·4	44·1	50·9	58·2	29·1	31·3	38·5	46·2

*Excluding Burma.

21. Protection has been an important factor influencing the fortunes of the industry in recent years. Prior to 1927, the only relief granted to the cotton textile industry by Government in response to its many and incessant appeals for help, had been the abolition of the excise duty. During that year, however, the first measure of protection was granted in the shape of a duty on the imports of yarn. Since March 1931, there has been a substantial rise in the duties on the imports of cotton piecegoods. These duties were, in the first instance, levied at 25 and 31½ per cent., for revenue purposes. In 1932, as a result of an inquiry by the Tariff Board into the dumping of Japanese goods, the duties on goods of non-British origin were raised to 50 per cent. The non-British manufactures were subject for a short period to as high a duty as 75 per cent., but, on the ratification of the Indo-Japanese Agreement in 1934, these duties were brought down again to 50 per cent. In 1936, as a result of the recommendations of a Special Tariff Board Enquiry, Government reduced the duties on British piecegoods from 25 per cent. to 20 per cent.

22. In order to understand the "present condition" of the industry in its proper perspective, we proceed to review the position during recent years in some detail. In the period after 1929 the textile industry all over the world suffered from bad times* and the experience of the Indian industry, except for an interval, was in the main the same. It is generally agreed that the world depression set in during the year 1928-29. The first signs that the depression was lifting were observable in some countries during the middle of 1932. But though the onset of the depression was universal and almost contemporaneous, the recovery has been halting, partial and localised. While conditions in some countries were already beginning to improve in 1932, others experienced the worst times in 1933. The period from 1932 to 1936 was thus a period of a varying character. During this period though in almost all countries outside the gold bloc, the depression seemed to be lifting, the degree of the improvement as well as the extent to which it affected different fields of economic activity varied considerably. It was only towards the end of 1936 that improvement became so general and pronounced as to warrant the statement that the period of depression was definitely over. The League of Nations Survey of World Production and Prices (1936-37) summarises the position at the end of 1936 in the following words:—"World productive activity continued its upswing during 1936. Total primary production reached and passed the level of 1929, the previous peak. Stocks of raw materials and foodstuffs continued to decline; the industrial production of the world exceeded considerably the peak level of 1929. The rise in commodity prices continued at an accelerated pace"†. All these indices of recovery became specially marked during the latter half of

* "It may, therefore, be concluded that in most countries the most important cause of unemployment in the textile industry, as in industry in general, during the last ten years has been the cyclical factor." International Labour Office, *The World Textile Industry*, Vol. I, page 287.

† Page 7.

the year 1936. The World Economic Survey (1936-37), published by the League of Nations notes that "the major element in rising price-levels seems to have been the rather sudden spurt in the prices of raw materials and certain foodstuffs in the last quarter of 1936 and the first quarter of 1937"* . And though this spurt, part of which was due to speculative operations, was checked in April 1937 "not all the gains were lost when prices fell sharply" in that month. The same World Survey in dealing with the position as it stood in July 1937 remarks: "The increased demands for raw materials which have led to an expansion of international trade and to greater prosperity in the agricultural and mining countries constitute an important element of the present economic situation."† And although some hesitancy and a few signs of disequilibria or structural weaknesses may lately have been noticed in some of the great manufacturing countries, the forces making for increased industrial activity still continue to work strongly.

23. A study of Indian economic activity during the last eighteen months also leads us to very similar conclusions. Most indices of economic activity have shown during this period a well marked upward trend as can be seen from a study of general conditions presented in the first chapter of the Review of the Trade of India (1936-37). The indices to which we would draw special attention are those of (i) industrial production (ii) industrial profits and (iii) wholesale prices. While the first two show more or less continuous progress from the low levels prevailing in 1933, the wholesale price index shows no marked improvement till the later months of 1936. In that period, however, it begins definitely to rise and a rapid upward movement continues through the early months of 1937. Another set of significant figures to which attention may be drawn are those of internal trade. There has been a slow but steady recovery since 1933-34 in the total volume of internal trade and this recovery has been shared by the trade in cotton piecegoods.

Indian Inland Trade

(Figures in thousand Mds.)

	1933-34	1934-35	1935-36	1936-37
Total	628,464	667,967	679,967	736,839
Cotton Piecegoods .. .	9,441	9,898	10,132	10,521

24. The cotton textile industry of this Province is, of course, vitally influenced by all the general factors, mentioned above and the pronounced recovery in this industry began also to be felt in the last half and more

* Page 85.

† Page 199.

particularly in the last quarter of 1936. This is confirmed by market reports and the annual reports of certain cotton mills.*

25. The factors that prominently mark the recent period are: (i) decline in imports of piecegoods, (ii) recovery of the home market, (iii) expansion of exports and (iv) increased efficiency of production.

26. The rising tide of imports of Japanese piecegoods has been a dominant factor in the post-war history of the Indian cotton textile industry. All demands made by the industry for protection have been based mainly on the adverse effects of unchecked Japanese importations. From 1921-22 imports of piecegoods from Japan showed a rapid and continuous rise, reaching a peak point of 562 million yards in 1929-30. The depression, the protective duties and the *Swadeshi* sentiment all tended to check the imports in the succeeding two years but in 1932-33, helped especially by the depreciated yen, they again shot up and reached the highest level they had yet attained, of 579 million yards. An immediate increase in the duty on Japanese imports first put a curb on them and the Indo-Japanese Trade Agreement of 1934 confined them later within definite limits. The recent revision of the Agreement has further narrowed the limits and brought down the quota of the imports of cotton piecegoods allotted to Japan. The basic allotment has been reduced from 325 million yards to 283 million yards and the maximum allowed in any "piecegoods year" from 400 million yards to 358 million yards. Further, certain loopholes in the former agreement, notably the one relating to fents, have now been closed. The imports of fents from Japan, which had been only one million yards for all sorts in 1932-33, rose to 37 million yards of all sorts (which included 23 million yards of only cotton fents below four yards in length) in 1934-35. This very substantial importation of fents will now be checked as the new agreement limits the importation, in one year, of cotton fents not exceeding four yards in length to a maximum of 8.95 million yards.

27. While Japanese imports had to be checked by State action the imports of cotton piecegoods from Lancashire have suffered a natural decline. From the beginning of the depression, Lancashire imports have dwindled rapidly each year. The reduction in the duties on the imports of British cotton piecegoods effected as a result of the recommendations

* The Annual Market Review for the year 1936 issued by Messrs. Premchand Roychand & Sons, Ltd., says:—

"Even the Bombay textile mills which suffered most during the depression appear to have turned the corner, and are reported to be making satisfactory progress" (p. 19) and "cotton mill shares, almost neglected up to the last quarter, found encouragement from reports that the off-take of local mill cloth had considerably improved" (p. 32).

The Reports of the Directors, for the year ended 31st December 1936, for an important group of mills in Bombay City contain the following observations:—

"Intense competition made it difficult to keep the machinery fully employed at remunerative prices. Towards the end of the year, however, the Company was able to effect some substantial forward sales and your Mills have since been fully employed at much better margins."

of the special Tariff Board of 1935 has failed to rally them and they have not shared in the recent improvement in the Indian market. This indicates that the imports from Lancashire are not likely in the near future to rise above the low level to which they declined during the depression.

TABLE V

Table showing the Imports of Piecegoods excluding Fents into India from United Kingdom, Japan and other Countries*

(Quantity in millions of yards)

Year.	United Kingdom.	Japan.	Total from all countries.	Mill production in India.
1918-19 ..	851	238	1,097	1,451
1919-20 ..	963	76	1,064	1,640
1920-21 ..	1,278	170	1,492	1,581
1921-22 ..	947	90	1,080	1,732
1922-23 ..	1,440	108	1,577	1,725
1923-24 ..	1,306	123	1,467	1,702
1924-25 ..	1,599	155	1,801	1,970
1925-26 ..	1,275	217	1,540	1,954
1926-27 ..	1,457	244	1,767	2,259
1927-28 ..	1,530	323	1,936	2,357
1928-29 ..	1,442	357	1,900	1,893
1929-30 ..	1,236	562	1,882	2,419
1930-31 ..	520	321	882	2,561
1931-32 ..	376	340	753	2,990
1932-33 ..	586	579	1,193	3,170
1933-34 ..	415	341	761	2,945
1934-35 ..	552	374	944	3,397
1935-36 ..	440	496	947	3,571
1936-37 ..	334	417	764	3,572

* Review of the Trade of India in 1936-37, p. 42.

28. This table brings out clearly the gap in the Indian market created by the decline in imports. And in view of what has been said above, this increased share of the home market seems to have been permanently secured by the Indian industry.

29. The Indian industry depends almost entirely for its market on the home consumer. The exports of cotton piecegoods from India in 1935-36 amounted to only about 2 per cent. and in 1936-37 to 3 per cent. of the total production of the industry. The bulk of the Indian demand comes from the cultivating classes and the capacity of the Indian market to absorb cloth, therefore, depends largely on the purchasing power of the agriculturist, which, in its turn, is dependent upon the production and prices of agricultural commodities. The dependence of the demand for cloth on the results of the agricultural season has ever been a characteristic of Indian economy, and, in the past, it was the hand-loom weaver more than any other artisan that suffered from the effects of a famine. This explains why the spurt in the wholesale prices of agricultural products in the last quarter of 1936 was immediately reflected in the greater activity of cotton mills. Though agricultural prices have not remained at the level they attained in the first quarter of 1937, they continue at a level well above that reached in the years of the depression. The increased activity in industry and trade has stimulated the urban cloth markets. The effects of this are to be specially observed in the demand for finer goods.

30. Bombay at one time used to have a very large market for yarn in China and a considerable market for its piecegoods in Africa and the countries of the Near East. The China yarn market was lost during the War and a very large proportion of the piecegoods market during the decade after 1918. The main reason for the loss of the piecegoods markets was, of course, the incursion into them of competing Japanese goods.

Exports of Cotton Piecegoods from India

(Million Yards)

Post-war (5 years) average.	1931-32	1933-34	1935-36	1936-37
245·8	104·6	56·4	71·2	101·6

31. The above table gives some idea of the extent of the loss of exports after the war. The year 1933-34 recorded the lowest point of these exports; but since then they have tended to recover a little and the recovery during the year 1936-37 has been specially marked. Though exports form a very small proportion of the total Indian production their importance is not negligible so far as the mills in Bombay City are concerned. The recovery of export markets has been, it should be noted, mainly at the expense of Japan and is, only to a small extent, due

to any preferential treatment. The increase in exports, especially to the free markets, in 1936-37, may be taken as indicative of both an increased efficiency of production in Bombay and a weakening of the competitive position of Japan.

32. Increased efficiency in production is said to have characterised most Indian industries during the last few years.* During periods of depression producers are naturally driven to explore all channels of effecting economies and improving methods of production; and it is the usual postulate of trade cycle theorists that the efficiency, of both technical and business methods, in industry increases during the downward curve of the cycle. This is apart from the gain in average efficiency due to the weeding out of the more inefficient producers over a long period of bad years. The influence of this factor is, however, not easy to determine or evaluate. It has perhaps been of the greatest importance in Bombay of all the textile centres of this Province. As the Indian Tariff Board (Cotton Textile Industry Enquiry), 1927, pointed out there was considerable scope as well as need for improvement in efficiency in this centre and the Board made a number of specific recommendations in this behalf. The depression in Bombay has also continued for a long period and the pressure to attain greater efficiency has, therefore, been continuously present. The improvement in the quality of production and its diversification and the reduction in the proportion of labour employed for a given amount of mechanical equipment (so called "rationalisation") have been most marked in Bombay. Ahmedabad no doubt continues to go finer but in that centre this may be taken as a normal tendency. The industry there has never been, for any length of time during the post-war period, under the necessity of effecting special economies. The gain in efficiency has thus been most probably of the degree normally to be expected in a centre dominated by alert business men. It is possible, therefore, that as Bombay started at a somewhat lower point of efficiency the difference between the two centres in this regard has to some extent narrowed down during the last decade. In Sholapur and in other centres it is not possible to discern any definite trend towards increased efficiency.

SOME SPECIAL FEATURES

33. We may now consider some notable features of the cotton mill industry in the Bombay Province during the last decade. One of these has been the movement towards the manufacture of finer goods. So long as the mill industry was content with catering mainly for the demand for course cloth it could not hope to capture the entire Indian market. For that purpose it had to produce finer and more diversified goods. The lead in this matter was taken by Ahmedabad. In fact the Indian

* The progress of the Bombay mills "is due partly to increased efficiency with lower cost of production and partly to preoccupation of competitors with producing materials for internal requirements". Annual Market Review, 1936 (Messrs. Premchand Boychand & Sons), p. 19.

Tariff Board, 1927, held that Bombay had let go its opportunities in this regard and that this explained partially the depressed condition of the Bombay industry in 1926. Since 1927, however, Bombay has made a considerable advance in this direction, and its production is today, on the whole, much finer and more diversified than it was in 1927. Ahmedabad, however, continues to maintain the lead that it has always taken in this respect. Thus, as the following table shows, Bombay has gone fine in recent years and Ahmedabad steadily continues to go finer still:—

TABLE VI
Average Yardage per Pound of Piecegoods

Year.	Bombay City.		Ahmedabad.	
	Grey unbleached.	Coloured.	Grey unbleached.	Coloured.
1926-27 ..	4·17	4·82	4·70	5·67
1931-32 ..	4·60	5·01	5·14	5·64
1936-37 ..	4·75	4·86	5·53	6·37

34. The Indian Tariff Board, 1927, found that the outstanding feature of production of piecegoods in Bombay was the comparatively small proportion of Dhories manufactured. This feature has since disappeared, and the character of Bombay production is now much the same as that of Ahmedabad.

TABLE VII
Table showing the Production of Dhories, Longcloth and Shirtings, Coloured Piecegoods and Total Piecegoods in the Province of Bombay.*

(In Millions of Yards)

	1926-27		1931-32		1936-37	
	Production.	Percentage to total production.	Production.	Percentage to total production.	Production.	Percentage to total production.
(A) <i>Total Production:</i>						
Bombay Island ..	1,135·0	63·5	1,216·9	55·6	1,156·1	49·2
Ahmedabad ..	507·3	28·4	781·2	35·7	963·9	41·1
Rest of the Bombay Province.	144·0	8·1	190·2	8·7	227·2	9·7
Total ..	1,786·3	100·0	2,188·3	100·0	2,347·2	100·0

*Based on the figures published in the monthly statistics of Cotton Spinning and Weaving in Indian Mills.

TABLE VII—*contd.*

	1926-27		1931-32		1936-37	
	Production.	Percentage to total production.*	Production.	Percentage to total production.*	Production.	Percentage to total production.*
<i>(B) Production of Dhories :</i>						
Bombay Island ..	150·2	13·2	287·6	23·6	317·3	27·4
Ahmedabad ..	241·9	47·7	319·8	40·9	282·9	29·3
Rest of the Bombay Province.	50·2	34·9	65·1	34·2	68·4	30·1
Total ..	442·3	24·8	672·5	30·7	668·6	28·5
<i>(C) Production of Long-cloth and Shirts :</i>						
Bombay Island ..	374·0	33·0	435·5	35·8	387·5	33·5
Ahmedabad ..	86·9	17·1	170·9	21·9	213·0	22·1
Rest of the Bombay Province.	18·6	12·9	34·4	18·1	37·7	16·6
Total ..	479·5	26·8	640·8	29·3	638·2	27·2
<i>(D) Production of Coloured Goods :</i>						
Bombay Island ..	417·3	36·8	283·8	23·3	218·5	18·9
Ahmedabad ..	128·1	25·3	208·7	26·7	310·9	32·3
Rest of the Bombay Province.	50·9	35·3	52·9	27·8	68·8	30·3
Total ..	596·3	33·4	545·4	24·9	598·2	25·5

35. A third special feature of the Bombay industry in recent years has been the introduction during the last decade of what is known as "rationalisation" or "efficiency schemes". The introduction of these schemes has been prominent in both the spinning and weaving departments. The 1934 Wage Census conducted by the Bombay Labour Office reveals the progress achieved in this direction till the date of the Census. Since that time "rationalisation" has proceeded much further

* In the case of (B), (C) and (D), the percentages given are to the total production in each of the areas.

and the number of workers in "rationalized" occupations is today much greater. In Ahmedabad, the tendency towards rationalisation was little in evidence in 1934. Since the Delhi Agreement, however, "rationalisation" has been introduced to some extent in the spinning department. It has, however, not yet spread to the weaving sheds.

36. There has also taken place in the Bombay industry a considerable amount of what may be called financial reorganisation. The Indian Tariff Board, 1927, had drawn attention to the overcapitalization brought about during the boom period in Bombay and had suggested that a process of writing down of capital was essential. There are still to be found in Bombay isolated mills from among those instanced by the Indian Tariff Board, 1927, as clear cases of overcapitalization, which continue to be capitalised at the level of 1926 without further additions to their plants. In spite of this it may be recognised that the process of writing down of capital has been carried out to a certain extent in Bombay during the last ten years. In some cases this writing down has been effected by the shareholders agreeing to it in order to wipe out losses and to induce new capital to come in, that is, in order to make the financial basis sounder for future operations. In a majority of cases, however, the writing down has been the result of change of ownership. A large number of mills have failed and have been forced into liquidation. This has been a long-drawn process which has involved inevitable neglect of plant and other equipment. Although mills have changed hands at a low level of prices and the capitalisation of the new units has been favourable, the process may not necessarily have improved the general position of the industry.

CHAPTER III

Wage Position

DATA AND GENERAL SURVEY

37. In question no. 7 of the Committee's questionnaire relating to interim recommendations, those addressed were requested to state in detail what cuts in wage rates, bonuses, allowances, etc., had been effected in the various centres and units of the industry since 1933 and what were the reasons therefor. In reply to this question a large mass of detailed information was received. In view, however, of the variations prevailing in the basic rates of pay in the various centres and in different units in the same centre of the industry and also because of the variations in the methods of wage payments, methods of granting allowances, etc., it has not been possible to tabulate the data so as to indicate the exact extent of the reduction in the net earnings of the operatives.

38. Except in the case of Ahmedabad, we found that in the oral evidence tendered before us there was no agreement between the representatives of millowners and labour about the extent of the cuts. In fact, the range of variation in the estimates furnished by the two was very wide. For instance, while the representatives of the Bombay Millowners' Association stated that the fall in wages in Bombay amounted to 16 per cent. as compared to July 1926, the representatives of the National Federation of Trade Unions and the Trade Union Congress held that the reduction in earnings as compared to July 1926 amounted to 25·3 per cent. in the case of time-workers and to 36 per cent. in the case of piece-workers. In Sholapur also, while the representatives of the mills stated that there had been only a single wage cut of 12½ per cent. since July 1926 and that too only in the case of those earning more than Rs. 13-8-0 per month, the representatives of labour assessed the reduction in earnings as being over 20 per cent. In spite of this, however, we have been able to arrive at some conclusions in this matter with the aid of the very careful and detailed enquiries made from time to time by the Bombay Labour Office, the results of which have been incorporated in the reports published by that Office. Both the representatives of the millowners and of labour accepted these reports as being on the whole reliable. In the discussion which follows regarding the present level of wages in the various centres and units of the industry and the extent of the reduction in wage rates and earnings since 1933, we have for the most part relied on the enquiries into wages made by the Bombay Labour Office. The latest Labour Office report on this subject contains information for the year 1934, but in order to enable the Committee to obtain more recent data, the Labour Office instituted a special enquiry into wages paid in the cotton mills in the Province during July 1937 and the provisional results of this enquiry have been made available to us. We may briefly outline here the basis on which

the three wage reports of the Labour Office have been compiled. The 1926 Enquiry did not cover all the centres in the Province, but included only Bombay, Ahmedabad and Sholapur, and, even in these three centres, it did not cover all the cotton mills but was based on a representative sample of the mills. The Wages and Unemployment Enquiry of 1934, while it included all the cotton mills in the Province, did not cover all the operatives but only a representative statistical sample of employees in numerically important selected occupations was considered. The General Wage Census of 1934 related to all the units in the Province and covered all the employees. The information regarding wages collected during these enquiries was for a single pay-period.

39. Before we proceed to analyse the wage position in the different centres of the industry and to assess the reductions in the wage rates and the earnings of the operatives as compared to the year 1933, we may state the limitations of the data. Comparisons between two different points of time naturally imply that the same sets of facts are being compared. While comparing earnings in the cotton textile industry, however, this is not always possible and a margin of error has to be allowed for changes in the conditions of work and employment, the character of production, etc. An outstanding change in the conditions of work has been the reduction in the statutory hours of work from 60 to 54 per week with effect from January 1935. This factor has influenced the output of the operatives and their earnings, in varying degrees. Nor has its effect been the same in the different centres, units and occupations. The second important factor affecting earnings is the introduction of what is known as "rationalisation" which has in recent years made considerable progress, especially in Bombay, both in the spinning and the weaving departments. In Ahmedabad, it is to be found mostly in the spinning department only. The intervention of this factor adds to the difficulties of making comparisons between two points of time. And lastly, as has been pointed out in Chapter II, the character of production has considerably changed during the last ten years, the tendency for the mills in Bombay City being to go fine and for those in Ahmedabad to go finer still. This factor has an important bearing on the earnings of operatives, although on the facts before us we are not in a position to assess its extent. Among other minor factors affecting earnings to which reference has been made from time to time in the evidence before us, are the existence of what is known as "relay system" in Ahmedabad mills, the effect of the enforcement of the Payment of Wages Act and the effect on production of night shift working. We are not in a position, however, to determine the exact influence of these factors on the earnings of the workers.

POSITION IN DIFFERENT CENTRES

40. We now proceed to discuss the wage position in the various centres.

Bombay City and Island

41. At the beginning of the year 1933, the wage position in Bombay was more or less the same as in the year 1926 when the workers were in receipt of wages which were made up of basic rates of pay plus a dearness of food allowance of 80 per cent. in the case of piece-workers other than women and of 70 per cent. in the case of time-workers and women workers. In the middle of the year 1933, individual mills in Bombay began either to reduce the basic rates of pay or the dearness of food allowance, the mills lowering the basic rates being, however, much smaller in number than those which lowered the dearness of food allowance. Because of these cuts and those effected in other parts of the Province, the Government of Bombay instructed the Labour Office to make a special investigation, the report on which was published in June 1934. According to this report, the earnings of cotton mill operatives in 10 selected occupations in Bombay were lower by 16·94 per cent. in December 1933 and by 21·0 per cent. in April 1934 as compared with July 1926. Subsequent to the publication of the report, the Bombay Millowners' Association introduced in July 1934 a schedule of wages for certain numerically important unrationalised categories of time-workers. Because of the reduction of hours of work from ten to nine with effect from January 1935 the Association recommended to the mills that the percentage of dearness of food allowance should, in the case of piece-workers, be raised from 35 to 40.

42. The General Wage Census Report (1934), at page 72, thus summarises the wage position in Bombay in October 1934 :—“ If the average daily earnings of all adult workers in all cotton mills in Bombay City in October 1934 are compared with the average daily earnings of all adult workers in the 19 mills selected for the 1926 enquiry, it is found that the general reduction in wages as between July 1926 and October 1934 was one of 16 per cent.” The Bombay Millowners' Association contended that the above wage position held good even in 1937, because, according to them, the wage census was taken subsequent to the cessation of wage cuts and the introduction of the minimum schedule. In the elucidation of this question there are two separate problems involved. In the first instance, it is necessary to explain the discrepancy between the results yielded by the Wages and Unemployment Enquiry and those of the Wage Census. The discrepancy is, however, only superficial. For the two results refer to two different things. The Wages and Unemployment Report by comparing the earnings of persons in comparable occupations arrives at the extent of the wage cut effected, while the percentage reduction figures of the Wage Census report mentioned above refer only to the average daily earnings of all adult workers. As already pointed out, inasmuch as the adult workers in 1934 included a much larger proportion of workers working in “ rationalised ” occupations and on finer production, the average earnings in 1934 will not show the full effect of the cut as compared to 1926. The disparity may further be partially explained by the fact that while the Wages and Unemployment Enquiry confined itself to occupations among “ process ” operatives

alone, the Wage Census took account of the non-process operatives as well. The latter, we are told, did not suffer as high a wage cut as the former did. Thus, while the Wage Census figure represents correctly the extent of the reduction in the total earnings of the entire labour force as between the two dates, the extent of the wage cut suffered in 1934 by a person who did the same kind of work as in 1926 is more correctly represented by the results of the Wages and Unemployment Report.

43. The second issue raised by the millowners is that of the extent of the change that has taken place during the period October 1934 to date. The millowners claim that the level of earnings today is the same as in October 1934 and have cited in support the observations in the Wage Census Report (page 83) which, however, are not based on any specific enquiry. The provisional results of the July 1937 enquiry made available to us which are given in the table below do not completely uphold this contention. These results show a slight improvement in the earnings of time workers between the two dates. But they also show a definite fall in the earnings of all categories of piece-workers included in the table. This means perhaps that the increase of 5 per cent. in the dear food allowance was insufficient to offset the reduction in production consequent on the reduction of hours from 10 to 9. If, however, as has been claimed, the production has been almost completely made up, the worsening of the position as compared to October 1934 can only indicate a reduction in rates. We are not in a position to express any view on this matter except that whatever the reasons, the results of the 1937 enquiry point to a further slight worsening in the average earnings of certain numerically important categories of cotton mill workers in Bombay during the last three years.

44. As we have already stated, exact comparisons over two points of time are not possible when changes in the conditions of work, etc., take place. It is conceivable that the full effect of a cut may not be revealed if during the interval the distribution of the labour force among the higher and lower paid occupations has changed or the character of the work entrusted to an operative has changed without a corresponding change in his remuneration. In such circumstances, the only way to determine the extent of the wage cut will be to compare earnings in wholly comparable occupations. The following table compares the average daily earnings in certain numerically important occupations in July 1926, in December 1933, in October 1934 and in July 1937 :—

TABLE VIII.

Table showing earnings of Cotton Mill Workers in Bombay City and Island in certain selected Occupations in July 1926, in December 1933, in October 1934 and in July 1937

Occupations.				Percentage increase (+) or decrease (-) in December 1933 as compared with July 1926.				Percentage increase (+) or decrease (-) in October 1934 as compared with July 1926.	Average daily earnings (P. workers) and average daily rates (T. workers) in July 1937.*	Percentage increase (+) or decrease (-) in July 1937 as compared with July 1926.
	Average daily earnings in July 1926.	Average daily earnings in December 1933.			Average daily earnings in October 1934.					
	Rs. a. p.	Rs. a. p.		Rs. a. p.			Rs. a. p.			
Drawing Tenters	M.P. 1 4 8	1 2 8	- 9.68	1 0 6	- 20.16	0 15 11	- 2.98			
Slubbing Tenters	M.P. 1 6 3	1 3 10	-10.86	1 2 0	- 19.10	1 1 0	- 23.60			
Inter Tenters	M.P. 1 4 6	1 3 2	- 8.50	1 0 10	- 17.89	0 15 6	- 4.39			
Ro'ing Tenters	M.P. 1 3 8	1 2 4	- 6.78	1 0 2	- 17.80	0 14 10	- 24.58			
Ring Siders	M.P. 1 0 3	} 0 14 10	- 8.25	{ 0 13 7	- 18.41	} 0 13 8	- 15.46			
Do.	W.T. 0 15 2							{ 0 13 2	- 13.19	

Tarwallas	..	..	M.T.	0 15 5	} 0 13 2	-12·22	{ 0 12 10 0 11 11	-16·76 -16·37	} 0 12 11	-15·89
Do.	..	..	W.T.	0 14 3						
Doffers	..	..	M. & W.T.	0 12 1	0 10 10	-10·34	0 10 2	-15·86	0 10 5	-13·79
Weavers—2 Loom	..	..	M.P.	1 13 4	1 8 10	-15·34	1 6 1	-24·72	1 5 8	-26·14
Winders Grey	..	..	W.P.	0 11 9	} 0 11 9	- 7·84	{ 0 9 11 0 13 5	-15·60 -10·06	0 9 11	-15·00
Winders Colour	..	..	W.P.	0 14 11						
Reelers	..	..	W.P.	0 10 11	0 11 0	+ 0·76	0 10 2	- 6·87	0 8 11	-18·32
Weighted average	..	..		1 4 8	1 1 2	-16·94	0 15 9	-23·79	0 15 5	-25·40

*Provisional figures for day-shift workers excluding those working as double substitutes and in overlapping 'relay'.

Ahmedabad

45. Wages in Ahmedabad mills were reduced by an all-round cut of 15·6 per cent. in June 1923. After this till 1929 no general changes were effected. In that year, the Textile Labour Association made a demand for the restoration of the cut made in 1923. As a result of the Arbitration proceedings following this demand, the Umpire awarded an increase of 5 per cent. to weavers and 8 per cent. to spinners with effect from 1st January 1930. From 1930 to May 1934, when the Labour Office Wage Census was conducted, there were no further changes of a general character. The Wage Cut and Unemployment Enquiry of 1934 showed that in April 1934 wages in Ahmedabad mills were 5 to 6 per cent. higher than in 1926 because of the increases granted in 1930. The General Wage Census showed that in 1934 the earnings were higher by 4·4 per cent. as compared to July 1926. In January 1935, consequent on a demand for a wage cut of 25 per cent. by the Ahmedabad Mill-owners' Association, there was an agreement between the Ahmedabad Millowners' Association and the Textile Labour Association, known as the Delhi Agreement. In pursuance of this agreement there was a uniform reduction of 6½ per cent. in the earnings of all time and piece workers, except weavers whose earnings fell below Rs. 41-4-0 for 26 working days on the basis of a 10-hour day. In September 1936 the Ahmedabad Millowners' Association asked for a general cut of 20 per cent. in wages, but the Umpire rejected the demand and recommended the continuance of the Delhi Agreement. The following table compares the results of the July 1926 Wage Enquiry with those of the 1934 Wage Census and the enquiry made in July 1937 :—

TABLE IX

Table showing earnings of Cotton Mill Workers in Ahmedabad City in certain selected Occupations in May 1926, in December 1933, in May 1934 and July 1937

Occupations.		Average daily earnings in May 1926.	Average daily earnings in December 1933.	Percentage increase (+) or decrease (-) in December 1933 as compared with May 1926.	Average daily earnings in May 1934.	Percentage increase (+) or decrease (-) in May 1934 as compared with May 1926.	Average daily earnings in July 1937.*	Percentage increase (+) or decrease (-) in July 1937 as compared with May 1926.	Percentage increase (+) or decrease (-) in July 1937 as compared with May 1934.
		Rs. a. p.	Rs. a. p.		Rs. a. p.		Rs. a. p.		
Drawing Tenters ..	M.P.	1 1 3	1 3 11	+ 15·5	1 4 0	+ 15·94	0 15 11	- 7·73	- 20·42
Do. ..	W.P.	0 15 8	1 2 4	+ 17·0	1 3 0	+ 21·28	0 15 9	+ 0·53	- 17·11
Slubbing Tenters ..	M.P.	1 4 3	1 5 11	+ 8·2	1 5 11	+ 8·23	1 2 5	- 9·05	- 15·97
Do. ..	W.P.	1 4 1	1 5 1	+ 5·0	1 4 0	- 0·41	1 1 5	- 13·28	- 12·92
Inter Tenters ..	M.P.	1 1 6	1 5 10	+ 24·8	1 5 8	+ 23·81	1 1 4	- 0·95	- 20·00
Do. ..	W.P.	0 15 3	1 1 6	+ 14·8	1 1 7	+ 15·30	1 2 1†	+ 18·58	+ 2·84
Roving Tenters ..	M.T. & P.	1 0 4	1 3 1	+ 16·8	1 3 0	....	0 15 7	- 4·59	- 17·98
Do. ..	W.T. & P.	0 15 10	1 3 10	+ 25·3	(M.P.) 1 2 4	....	0 15 8	- 1·05	- 14·55
					(W.P.) 1 0 5				
Siders (Single side) ..	M. & W.T.	0 15 2	1 0 10	+ 11·0	1 0 5	+ 8·24	0 15 6	+ 2·20	- 5·58
Siders (Two sides) ..	M. & W.T.	1 6 10	1 8 0	+ 5·1	1 7 9	+ 4·01	1 5 10	- 4·38	- 8·07
Doffers (Ring & Frame) ..	M. & W.T.	0 10 6	0 11 7	+ 10·3	0 11 3	+ 7·14	0 10 7	+ 0·79	- 5·93
Winders Grey ..	M.P.	0 14 10	0 12 1	- 18·5	0 12 7	- 15·17	0 9 11	- 33·15	- 21·19
Do. ..	W.P.	0 11 9	0 10 11	- 7·1	0 11 0	- 6·38	0 8 5	- 28·37	- 23·48
Winders Colour ..	M.P.	1 2 3	0 13 11	- 23·7	0 13 4	- 26·94	0 11 4	- 37·90	- 15·00
Do. ..	W.P.	0 14 6	0 12 11	- 10·9	0 13 5	- 7·47	0 10 3	- 29·31	- 23·60
Reelers ..	M.P.	0 15 0	0 14 11	- 0·6	0 13 3	- 11·67	0 11 6	- 23·33	- 13·21
Do. ..	W.P.	0 14 5	0 12 2	- 15·6	0 11 7	- 19·65	0 8 6	- 41·04	- 26·62
Weavers Two Looms ..	M.P.	1 13 5	1 14 11	+ 5·1	1 14 8	+ 4·25	1 8 11	- 15·30	- 18·75
Weavers Three Looms ..	M.P.	2 6 6	1 11 9†	- 27·9	2 15 7	+ 23·59	2 1 6†	- 12·99	- 29·60
Weavers Four Looms ..	M.P.	3 6 4	2 0 9†	- 39·7	....	....	2 4 7†	- 32·67	....
Weighted average ..		1 4 10	1 6 0	+ 5·6	1 5 11	+ 5·20	1 3 1	- 8·40	- 12·93

* Provisional figures for day-shift workers excluding those working as double substitutes and in overlapping relay.

† Average for three workers only.

‡ Relates to one mill only.

46. The above table shows that in Ahmedabad the earnings in certain numerically important occupations were lower in July 1937 as compared to May 1926 by 8·4 per cent. As compared to May 1934, however, they were lower by 12·93 per cent. The worsening of the position between May 1934 and July 1937 appears to be due to the cut of 6½ per cent. effected as a result of the Delhi Agreement and to the loss in production suffered by piece-workers as a result of the operation of the Indian Factories Act of 1934 which reduced the hours of work from 60 to 54 per week.

Sholapur

47. We have already referred to the difference of opinion between the representatives of the millowners and the representatives of labour regarding reduction of earnings of operatives in Sholapur. This difference arises mainly because of the operation of what is known as the food grain allowance paid in the mills at Sholapur with which we deal in some detail in a subsequent paragraph.

48. Between July 1926 and December 1933 there were no general alterations in the basic rates of pay in Sholapur. In January 1934, however, all the mills effected a cut in wages of 12½ per cent. in the case of all operatives other than those earning Rs. 13-8-0 or less per month. The Labour Office Enquiry into Wage Cuts and Unemployment of 1934 estimated that the wage level in certain selected occupations was about 10 per cent. lower than that prevailing in December 1933 and about 17 per cent. below the level of July 1926.* According to the General Wage Census of 1934 the earnings of cotton mill workers in all occupations were less by 20·5 per cent. as compared to July 1926.

49. During the period of high prices, after the war the first increases given in Sholapur were paid in kind and were known as a food grain allowance. The system was to give all operatives who had worked for a certain number of days in the month a quantity of grain for which a certain amount was deducted from their wages. The quantities of grain given to the workers and the amount deducted varied slightly as between mill and mill, but generally they were 18 seers of jowari and 2 seers of turdal for a deduction of Rs. 2 per month. It has been estimated by the Labour Office that, during the period of high prices the workers who were entitled to it reaped a considerable benefit from the food grain allowance. The value of the grain given exceeded Rs. 8† at one time, in 1920. With the fall in the price of grain, however, the advantage to the workers of this concession began to diminish. By the year 1931, owing to a further drop in prices, this advantage ceased to operate. If, therefore, the earnings of the operatives in July 1926, are compared with those prevailing in July 1934, it is found that although the cut in wages, introduced in January 1934, was one of 12½ per cent., the extent of the diminution in the earnings of the operatives was one of

* Page 85.

† *Vide* General Wage Census Report, 1934, Part III, page 31.

20·5 per cent. The following table from the Labour Office Report on Wages and Unemployment in the Bombay Cotton Textile Industry (page 85) which compares the price of grain from 1926 to 1933 given to the workers for a monthly deduction of Rs. 2 is of interest in this connection :—

Year.	Months.	
	January.	July.
	Rs. a. p.	Rs. a. p.
1926	3 9 6	3 8 4
1927	4 5 1	4 0 3
1928	3 13 2	3 4 8
1929	3 11 10	3 13 11
1930	4 9 8	3 3 11
1931	1 15 0	1 9 8
1932	1 12 7	2 1 3
1933	1 13 5	1.15 4

50. It is clear that, although the Sholapur mills did not effect a wage cut until January 1934, they were able actually to reduce their wage bills considerably from 1931 onwards, because of the fall in the price of grain. We give below a table containing comparative earnings of the operatives in selected occupations in July 1926, December 1933, July 1934 and July 1937 :—

TABLE X

Table showing earnings of Cotton Mill Workers in Sholapur City in certain selected Occupations in July 1926, in December 1933, in July 1934 and in July 1937

Occupations.	Average daily earnings in		Percentage increase (+) or decrease (-) in December 1933 as compared with July 1926.	Average daily earnings in		Percentage increase (+) or decrease (-) in July 1934 as compared with July 1926.	Average daily earnings (P. workers) and average daily rates (T. workers) in July 1937.*	
	July 1926.	December 1933		July 1934.				
	Rs. a. p.	Rs. a. p.		Rs. a. p.		Rs. a. p.		
Drawing Tenters .. M.P.	0 12 4	0 12 11	+ 4·73	0 11 2	- 9·46	0 9 8	- 21·62	
Slubbing Tenters .. M.P.	0 13 3	0 14 8	+ 10·69	0 12 11	- 10·06	0 11 4	- 14·47	
Inter Tenters .. M.P.	0 12 9	0 13 2	+ 3·27	0 11 4	- 11·11	0 10 9	- 15·56	
Roving Tenters .. M.P.	0 11 4	0 12 3	+ 8·09	0 10 1	- 11·03	0 9 8	- 14·71	
Siders (Single Side) .. M.T.	0 11 5	0 10 7	- 7·30	0 9 8	- 15·33	0 8 10	- 22·63	
Tarwallas .. M.T.	0 9 2	0 8 0	- 12·73	0 8 2	- 10·91	0 7 6	- 18·18	
Doffers (Ring and Frame) .. All. T.	0 8 2	0 7 3	- 11·22	0 7 6	- 8·16	0 7 0	- 14·29	
Weavers—One Loom .. M.P.	0 14 6	0 12 5	- 14·37	0 11 4	- 21·84	0 10 10	- 25·29	
Weavers—Two Loom .. M.P.	1 9 9	1 8 0	- 6·80	1 5 4	- 17·15	1 5 11	- 14·89	
Winders Grey .. W.P.	0 6 2	0 4 11	- 20·27	0 5 6	- 10·81	0 4 5	- 28·38	
Winders Colour .. W.P.	0 6 6	0 6 4	- 2·56	0 6 3	- 3·85	0 5 1	- 21·79	
Reelers .. W.P.	0 6 9	0 5 6	- 18·52	0 5 10	- 13·58	0 4 1	- 39·51	
Weighted Average ..	0 13 1	0 12 0	- 8·28	0 11 3	- 14·01	0 11 4	- 13·38	

*Provisional figures for day-shift workers excluding those working as double substitutes.

51. As the above table shows, in Sholapur between July 1934 and July 1937 the wage position has slightly improved in the case of weavers in spite of the reduction in the hours of work brought about by the introduction of the Indian Factories Act of 1934. In the case of all other occupations for which figures are given in the above table the position in 1937 appears to have worsened as compared to July 1934. The apparent disparity revealed by the table between the decreases in the earnings of all occupations, other than weavers, in 1937 and the slight increase in the average earnings of all workers is due to the fact that the average is a weighted one. The weight for weavers who are—among the selected occupations the most numerous and the best paid and who have gained slightly during the period—accounts for this.

Other Centres

52. No information regarding the level of wages prevalent in other centres is available prior to December 1933, as the 1926 Labour Office Enquiry into Wages did not cover them. It appears from the replies received to our questionnaire that in most of these centres, cuts in wages were effected in the year 1933-34. Some of the mills in these centres, however, also effected cuts thereafter. The manner and the extent of these cuts have not been uniform. It is, therefore, difficult to make any generalisations as regards the cuts and their effects in these centres.

53. Although the Labour Office collected information regarding Wages for these centres both for the Wage Cut Enquiry and for the Wage Census of 1934 the manner in which the data have been presented does not permit of any comparisons being made, between the results of these two enquiries. It is however possible to compare the results of the December 1933 enquiry with the provisional results of the July 1937 enquiry. Comparative tables based on the results of these two enquiries are given below. The figures in the tables show that in all these centres, barring few exceptions, earnings in all the selected occupations have fallen between December 1933 and July 1937:—

TABLE XI

Table showing earnings of Cotton Mill Workers in the Poona, Barsi, Tikekarwadi and Karnatak Areas in certain selected Occupations in December 1933 and in July 1937

Occupation.	Average daily earnings in December 1933.		Average daily earnings (P. Workers) and average daily rates (T. Workers) in July 1937.*		Percentage increase (+) or decrease (-) in July 1937 as compared with December 1933.
	Rs.	a. p.	Rs.	a. p.	
One Head Drawing Tenters .. M.P.	0	11 0	0	11 8	+ 6.06
Slubbing Tenters .. M.P.	0	13 1	0	11 8	- 10.83
Inter Tenters .. M.P.	0	12 1	0	10 2	- 15.86
Roving Tenters .. M.P.	0	11 1	0	9 9	- 12.03
Single Side Siders M. & W.T.	0	8 1	0	7 7	- 6.19
Tarwallas .. M.T.	0	5 7	0	5 1	- 8.96
Doffers M. & W.T.	0	5 2	0	5 3	+ 1.61
One Loom Weavers .. M.P.	0	8 11	0	8 7	- 3.74
Two Loom Weavers .. M.P.	0	15 3	1	0 2	+ 6.01
Winders M. & W.P.	0	6 3	0	5 8	- 9.33
Reelers .. W.P.	0	6 8	0	4 8	- 30.00

*Provisional figures.

TABLE XII

Table showing earnings of Cotton Mill Workers in other Centres in Gujrat (excluding Ahmedabad) in certain selected Occupations in December 1933 and in July 1937

Occupation.	Average daily earnings in December 1933.	Average daily earnings (P. Workers) and average daily rates (T. Workers) in July 1937.*	Percentage increase (+) or decrease (-) in July 1937 as compared with December 1933.
	Rs. a. p.	Rs. a. p.	
One Head Drawing Tenters .. M.P.	0 14 5	0 11 6	- 20·23
Slubbing Tenters (Single Side). M.P.	1 1 8	0 12 5	- 29·72
Inter Tenters (Single Side) .. M.P.	1 0 0	0 13 4	- 16·67
Roving Tenters (Single Side) .. M.P.	0 14 6	0 11 4	- 21·84
Siders (Single Side) M. & W.T.	0 12 9	0 11 4	- 11·11
Doffers M. & W.T.	0 7 11	0 7 6	- 5·26
Two Loom Weavers .. M.P.	1 10 6	1 6 0	- 16·98
Winders Grey .. W.P.	0 8 5	0 7 8	- 8·91
Winders Colour .. W.P.	0 8 8	0 11 0	+ 26·92
Reelers .. W.P.	0 9 8	0 7 4	- 24·14

* Provisional figures.

TABLE XIII

Table showing earnings of Cotton Mill Workers in Khandesh Centre in certain selected Occupations in December 1933 and in July 1937

Occupation.	Average daily earnings in December 1933.	Average daily earnings (P. Workers) and average daily rates (T. Workers) in July 1937.*	Percentage increase (+) or decrease (-) in July 1937 as compared with December 1933.
	Rs. a. p.	Rs. a. p.	
One Head Drawing Tenters .. M.T. & P.	0 13 9	0 12 4	- 10·30
Slubbing Tenters (Single Side).. M.T. & P.	0 13 10	0 11 1	- 19·88
Inter Tenters (Single Side) .. M.T. & P.	0 13 1	0 11 8	- 10·83
Roving Tenters (Single Side) .. M.T. & P.	0 11 11	0 10 4	- 13·29
Single Side Siders .. M.T.	0 10 4	0 10 9	+ 4·03
Doffers .. M.T.	0 6 0	0 6 1	+ 1·39
Tarwallas .. M.T.	0 8 0	0 8 3	+ 3·13
One Loom Weavers .. M.P.	0 10 10	0 10 10	....
Two Loom Weavers .. M.P.	1 4 2	1 3 8	- 2·48
Winders (Grey and Colour) .. W.P.	0 7 2	0 6 3	- 12·79
Reelers .. W.P.	0 8 3	0 4 11	- 40·40

*Provisional figures.

54. From the replies we have received to question No. 7 from individual mills in the Province, it appears that three factors were largely instrumental in bringing about the cuts throughout the Province. These were: (a) trade depression, (b) apprehension that with the introduction of the Indian Factories Act of 1934, hours of work would be reduced and therefore labour cost per unit of production would increase, and (c) the tendency for the various units to cut down wages as soon as others had done so in order to safeguard their competitive position.

COST OF LIVING

55. The representatives of labour who appeared before us made prominent mention of the increase that had taken place during the year 1937 in the cost of living of the workers. Most of them have referred to the cost of living index numbers compiled and published by the Bombay Labour Office for Bombay, Ahmedabad and Sholapur. No examination of the wage position would be complete without a reference to the changes in the price level of commodities consumed by the working classes. For this purpose we rely upon the working class cost of living index numbers compiled by the Bombay Labour Office.

56. The base period adopted for the new cost of living index number series for Bombay, namely the year ending June 1934, more or less coincides with the time when wage cuts were effected in Bombay. This index number rose appreciably during 1937. From August to October, it stood at 108 and declined to 107 during the months of November and December.

57. The index number series for Ahmedabad starts with the year ending July 1927 as the base. In January 1935 when the Delhi Agreement regarding the 6½ per cent. cut came into operation, the cost of living index number for Ahmedabad stood at 72. The index number remained stationary till December 1936 and rose during 1937 and it stood in November 1937 at 77 as against 71, the average for 1935.

58. The Sholapur cost of living index number starts with the average for the year ending January 1928 as the base period. In 1934 which was the year in which a 12½ per cent. cut was effected in Sholapur, it stood at 72. Unlike the Bombay and the Ahmedabad indices, the Sholapur index has remained almost stationary. While it was 72 in 1934, it was only 73 in November 1937. In September 1937 it was, in fact, one point below the 1934 level. We have no information about the changes in the cost of living in the other centres.

59. We do not propose to make any estimates of the changes in the real wage position mainly because we do not know in what manner the wage levels prior to the cuts were related to the cost of living.

CHAPTER IV

Trends in Productive Activity, 1937

PRODUCTION OF YARN AND PIECEGOODS

60. We may begin the evaluation of the "present condition" of the industry by a study of such general statistical indices as indicate the nature of the upward trend of its productive activity during 1937.

61. Perhaps the best indication of the extent to which productive activity has increased in 1937 as compared to previous years is given by statistics of the production of yarn and piecegoods and the consumption of cotton by mills. The statistics of production of yarn and piecegoods are not available for months later than August 1937. The following table which sets out the latest available figures, shows the extent of the increase in production during the eight months of the year 1937 over the years 1935 and 1936. These figures indicate the extent of the increase in activity that has taken place in all centres. The first notable increase in production occurred in December 1936; and, barring slight fluctuations, the upward movement continued during the subsequent months. The figures of the consumption of Indian raw cotton by mills in Bombay and Ahmedabad, published by the Indian Central Cotton Committee, are available up to the end of December 1937. These figures also tell the same tale of almost continuously increasing activity in Bombay during the twelve months of the year 1937. As the figures relate to the consumption of only Indian raw cotton they cannot be taken fully to reflect the extent of the increased productive activity in the various centres:—

TABLE XIV

Table showing the Production of Woven Piecegoods (including Hosiery and Cotton Goods mixed with Silk or Wool) and Yarn in Mills in the Bombay Province—1933 to 1937*

Year.	Woven Piecegoods.			Yarn.		
	Bombay Island.	Ahmed- abad.	Bombay Province.	Bombay Island.	Ahmed- abad.	Bombay Province.
	(In thousands of		Yards.)	(In thousands of		Pounds.)
1933 (Annual) ..	9,70,119	8,75,943	20,42,452	2,51,763	1,67,640	4,95,129
1934 (..) ..	9,46,130	10,53,522	22,03,428	2,47,154	1,81,855	5,05,315
1935 (..) ..	12,32,618	9,68,647	24,12,745	3,08,122	1,64,863	5,50,435

*Based on the figures published in the Monthly Statistics of Cotton Spinning and Weaving in Indian Mills.

TABLE XIV—*contd.*

Year and Month.	Woven Piecegoods.			Yarn.		
	Bombay Island.	Ahmed- abad.	Bombay Province.	Bombay Island.	Ahmed- abad.	Bombay Province.
	(In thousands of Yards.)			(In thousands of Pounds.)		
1936 (Monthly)						
January ..	1,03,028	73,004	1,94,414	25,352	14,851	46,911
February ..	97,490	75,974	1,90,581	23,603	13,799	43,618
March ..	97,614	78,395	1,93,536	22,859	13,423	42,167
April ..	98,524	81,819	1,98,127	24,782	13,859	44,783
May ..	1,02,052	81,552	2,01,719	25,007	14,946	46,135
June ..	1,01,381	77,678	1,97,889	24,371	14,312	44,763
July ..	1,00,069	73,614	1,92,688	23,541	14,265	44,263
August ..	91,253	68,508	1,77,472	21,848	12,777	41,508
September ..	90,264	73,492	1,82,931	19,969	12,222	38,772
October ..	90,081	76,823	1,86,102	21,768	12,429	40,902
November ..	82,768	74,590	1,75,891	19,914	11,904	38,006
December ..	1,01,955	99,203	2,22,302	23,974	14,244	44,062
Total ..	11,56,479	9,34,652	23,13,652	2,76,988	1,63,031	5,15,890
1937 (Monthly)						
January ..	1,01,803	90,655	2,11,410	24,159	14,306	43,620
February ..	93,764	79,998	1,92,948	23,427	13,530	42,454
March ..	1,02,170	85,973	2,07,712	23,937	14,238	43,613
April ..	1,07,356	90,836	2,19,240	24,701	14,004	44,489
May ..	1,11,554	91,035	2,23,444	25,482	14,561	45,659
June ..	1,08,376	88,136	2,18,845	25,136	14,076	44,645
July ..	1,14,123	80,025	2,16,082	26,918	14,973	45,517
August ..	1,10,452	83,543	2,15,501	26,135	14,526	47,403
Total ..	8,49,598	6,90,201	17,05,182	1,99,895	1,14,214	3,57,400

TABLE XV
Consumption of Indian Raw Cotton* in Mills in Bombay Province
(In Bales of 400 Lbs.)

Year and Month.	Bombay Island.	Ahmedabad.	Bombay Province.
1933 (Annual)	5,28,343	3,47,363	10,73,410
1934 (..)	5,63,320	3,90,539	11,63,189
1935 (..)	6,69,538	3,01,766	11,79,905
1936—			
January	58,856	30,207	1,07,045
February	54,283	27,879	98,627
March	52,817	26,067	94,600
April	57,982	26,564	1,01,565
May	56,881	28,261	1,01,660
June	54,444	26,429	96,716
July	50,746	25,538	92,762
August	48,071	23,366	89,400
September	44,094	21,434	82,738
October	48,405	21,558	87,454
November	44,084	22,130	82,766
December	52,321	26,018	93,488
Total ..	6,22,984	3,05,451	11,28,821
1937—			
January	54,582	27,182	96,489
February	51,450	26,405	91,520
March	52,120	26,677	92,968
April	55,638	26,925	98,659
May	57,491	26,938	99,769
June	56,383	26,014	97,218
July	60,449	27,110	1,02,435
August	59,703	25,974	1,03,402
September	59,770	27,205	1,05,407
October	65,308	30,805	1,15,378
November	61,983	23,892	1,04,263
December	66,931	30,344	1,16,309
Total ..	7,01,808	3,25,471	12,23,817

*Compiled from the figures published in the weekly issues of the *Indian Trade Journal*.

STOCKS AND DESPATCHES OF CLOTH

62. Other figures which bear out the same conclusion are those, for example, of the stocks of cloth on hand or the despatches of goods by rail. The figures of the stocks of cloth on hand are specially revealing so far as Bombay City is concerned. Stocks in Bombay show a drop from the high figure of 128,000 bales of cloth on 30th September 1936 to 78,000 bales on 31st December 1936. This indicates that the considerably increased demand during the last quarter of 1936 was immediately met, to a very large extent, from stocks and that it was reflected in productive activity a month or two later. In Bombay, the stocks of cloth throughout the year 1937 have remained at a much lower level than during either of the two previous years.* The figures relating to stocks, furnished to us by some individual mills in Ahmedabad, do not show any well-defined movement. We attribute this to the relatively smaller importance of forward sales in the Ahmedabad sales organisation; under a system of day to day sales, stocks would tend to increase with increased production.

63. The despatches of yarn and piecegoods by rail from Ahmedabad and Sholapur, which may be taken to represent the despatches of the products of the mill industry in those centres, have also maintained a high level during the year 1937. These figures, no doubt, indicate fairly the volume of the demand for the products of these centres from other parts of India. They show much more clearly than the figures for Indian raw cotton consumption the extent of the increased demand. The despatches from Ahmedabad during the twelve months of 1937 were higher by 8·7 per cent. than the despatches for 1936 and those from Sholapur were higher by about 23 per cent. In the following table the figures for despatches from Ahmedabad are based on information contained in the *Labour Gazette*. Similar figures are not available for Sholapur. The statistics for Sholapur have, therefore, been compiled from the weekly figures of despatches by rail from Sholapur published in the *Indian Trade Journal*. Special attention may be drawn to the figure of despatches from Sholapur during October 1937 and to the large increase in the despatches both from Ahmedabad and Sholapur during the last quarter of 1936 as compared with those during the preceding nine months. Similar statistics for Bombay City have not been given because the assumption that despatches by rail from Bombay represent entirely the products of the industry of that City cannot validly be made.

* This statement is based on monthly figures of stocks confidentially supplied to the Committee by the Bombay Millowners' Association.

TABLE XVI

Table showing the Quantity of Cotton Piecegoods despatched by Rail from Ahmedabad and Sholapur

Year.	Quantity in Indian Maunds.	
	Ahmedabad. (1)	Sholapur. (2)
1934 .. .. .	....	3,20,421
1935	12,72,777*	2,89,167
1936		
January	1,71,000	21,397
February	1,74,000	29,078
March	1,98,000	19,107
April	1,95,000	21,717
May	1,72,000	20,383
June	1,36,000	19,742
July	1,45,000	19,147
August	1,33,000	21,604
September	1,79,000	16,693
October	2,42,000	31,540
November	2,19,000	30,489
December	2,60,000	35,031
Total ..	22,24,000	2,85,928
1937		
January	2,51,000	38,356
February	1,70,000	25,502
March	2,05,000	25,219
April	2,53,000	24,256
May	2,06,000	24,045
June	1,73,000	17,366
July	1,67,000	33,062
August	1,72,000	33,124
September	2,12,000	26,889
October	2,38,000	44,472
November	1,85,000	36,311
December	1,86,000	22,709†
Total ..	24,18,000	3,51,311

*Figures for eight months ending December 1935.

†For three weeks.

Source :—(1) Labour News from Ahmedabad published in the monthly issues of the *Labour Gazette*.

(2) Weekly issues of the *Indian Trade Journal*.

NIGHT SHIFT

64. Statistics of night shift working perhaps indicate more convincingly than anything else the pressure of demand on the industry. We are aware that night shift may be a feature of depressed as well as of prosperous times. In fact, the Indian Tariff Board (Cotton Textile Industry Enquiry), 1927, had suggested the adoption of double shift working by the Bombay industry as a measure of economy. But, it has been admitted in evidence before us by the representatives of millowners that night shift working during the year 1937 is to be taken as an index of increased demand and not of the need for economy. We give below a table showing by months, for the years 1936 and 1937, the number of mills working night shift and the number of workers employed on night shift in Bombay and Ahmedabad. There has been no notable night shift activity in centres other than these. A marked increase in the number, both of mills working night shift and of workers employed on night shift, took place in Bombay and in Ahmedabad during the period November 1936 to February 1937; and, in Bombay, the number of workers rose steadily almost month by month as the year progressed. The average number of workers employed on night shift in Bombay during the first quarter of 1937 was roughly 30,000. By the last quarter of the same year it had increased to over 45,000. In Ahmedabad, an increase over the February level began only after September 1937. The number of workers on night shift in that centre increased from an average of 23,000 for the first quarter of 1937 to an average of over 33,000 for the last quarter. Special attention may be drawn to one feature of the Ahmedabad figures for the last quarter of 1937, which is, that night shift working in that period spread over a very much larger number of mills than in preceding months:—

TABLE XVII

Table showing the number of mills in Bombay and Ahmedabad working night shift and the number of operatives employed during 1936 and 1937*

Year.	Month.	Bombay.		Ahmedabad.	
		No. of mills.	No. of operatives on night shift.	No. of mills.	No. of operatives on night shift.
1936	January	35	29,386	34	14,449
	February	36	30,804	30	13,227
	March	39	30,547	29	12,929
	April	38	26,834	31	12,452
	May	38	27,826	30	12,300
	June	37	27,365	30	12,301
	July	33	22,013	33	12,936
	August	30	21,033	29	12,629
	September	29	17,851	23	9,637
	October	29	17,806	29	11,015
	November	30	19,471	29	11,681
	December	35	22,301	37	16,748

*Based on figures published in the *Labour Gazette*.

TABLE XVII—*contd.*

Year.	Month.	Bombay.		Ahmedabad.	
		No. of mills.	No. of operatives on night shift.	No. of mills.	No. of operatives on night shift.
1937	January	38	26,362	39	19,710
	February	42	31,989	48	25,161
	March	43	33,301	45	24,935
	April	42	34,566	45	22,902
	May	40	34,657	44	23,674
	June	40	35,856	41	24,500
	July	48	39,568	44	25,439
	August	47	43,106	44	26,060
	September	46	45,894	50	28,330
	October	47	46,326	55	32,205
	November	46	44,791	58	34,089
	December	46	45,480	57	33,527

65. The conclusions that may be drawn from the above table are supported by the following statistics supplied to us by the Ahmedabad Millowners' Association. These relate to the number of looms worked on night shift from January 1937 to November 1937 in a few selected mills. These figures also indicate the increased pressure of demand and its intensity during the last quarter :—

TABLE XVIII

Number of Looms working on Night Shift from January to November 1937 in 21 Cotton Mills in Ahmedabad

Year.	Month.	No. of looms worked on night shift.
1937	January	7,659
"	February	9,062
"	March	9,023
"	April	7,983
"	May	9,390
"	June	9,193
"	July	9,363
"	August	8,801
"	September	10,085
"	October	10,904
"	November	11,400

EXPORTS AND IMPORTS

66. In a previous Chapter we have indicated the importance to the Bombay industry of an export market. It may be assumed that almost the entire volume of exports of cotton piecegoods from the Bombay Province is made up of the products of the Bombay City mill industry. On this assumption, exports during the year 1936 formed about 5 per cent. of the total production of Bombay. No real increase in the volume of these exports took place before the month of November 1936; in that month the exports suddenly shot upwards. There was a slight fall during the next month, which was followed by a sharp recovery in January 1937. The volume of exports kept at the January level during the first three months of 1937; it experienced another big upward movement during April and May. In subsequent months it continued to maintain a high level. The figures for both exports and imports for December 1937 show a remarkable fall. This perhaps represents the natural reaction after the very brisk trading that took place in the post-monsoon months, especially October. A similar fall is to be observed in the figures for the corresponding month of 1936. On the assumption made above, regarding exports from the Bombay Province, the exports of piecegoods from Bombay during the first eight months of the year 1937 formed about 13 per cent. of the total production in that centre during the same period. This shows the very large improvement in export markets that has taken place during the last year and the special benefit derived therefrom by the Bombay industry.

TABLE XIX

Table showing the Exports of Indian Cotton Manufactures for 1933-1937

(In thousands of yards)

Year.	Bombay Province.	All-India.
1933 (Annual)	38,206	59,128
1934 (..)	30,964	52,278
1935 (..)	46,104	68,311

TABLE XIX—*contd.*

Year and Month.	Bombay Province.	All-India.
1936—		
January	3,857	5,607
February	3,727	5,466
March	5,354	7,926
April	3,085	4,908
May	2,622	4,509
June	4,667	6,839
July	4,918	7,018
August	4,785	7,565
September	5,852	8,659
October	4,888	8,154
November	9,534	12,271
December	5,029	6,855
Total for 12 months ..	58,318	85,777
1937—		
January	8,938	11,748
February	8,177	10,908
March	8,534	12,197
April	14,011	17,825
May	17,643	22,661
June	17,517	22,724
July	17,424	22,774
August	15,868	21,576
September	14,662	20,758
October	12,531	18,400
November	21,705	26,528
December	9,204	13,274
Total for 12 months ..	1,66,214	2,21,373

Source.—Monthly issues of Accounts relating to the Sea-borne Trade and Navigation of British India.

67. A decline in the imports of piecegoods cannot be taken as indicative of increased activity in the industry within the country. Such a decline may, however, indicate an improvement in the condition of the industry in so far as the industry is relieved thereby of competition of outside products. The statistics of monthly imports, which we append below, show a declining trend. Imports from the United Kingdom attained a level slightly lower than even that of the previous year. The imports from Japan are naturally affected by the political situation in that country. From about February to September 1937 they remained at a remarkably low level. This was a result obviously of the outbreak of the Sino-Japanese War and the pressure on Japanese industry entailed by it. During the month of October Japanese imports suddenly reached the very high figure of 51 million yards; the imports during November were only slightly lower but fell considerably in December. The increase in imports during the last quarter is probably the result of an earnest effort made by Japan to retain its hold on the important Indian market and perhaps to obtain exchange for necessary purchases of raw materials abroad. Even so, the total Japanese imports during 1937 amounted to less than two-thirds of the total imports for 1936. It is not possible for us to attempt any estimate of the future trend of Japanese imports. That depends on a variety of factors, such as the duration of the Sino-Japanese War, the availability of foreign exchange to Japanese industry for the purchases of Indian raw cotton needed by it, etc. In whichever direction events may move, it is clear that the happenings of the past year have seriously affected the competitive position of Japan and that both in our home and in our export markets the Indian industry is finding itself at present, and will continue to find itself in the near future, in an improved position vis-a-vis the industry of Japan.

TABLE XX

Table showing the Imports of Piecegoods excluding Fents into India from United Kingdom, Japan and other Countries for 1933, 1934, 1935, 1936, and 1937

(In thousands of yards)

Year.	United Kingdom.	Japan.	Total from all countries.
1933 (Annual)	445,295	372,107	828,295
1934 (..)	514,841	344,159	873,359
1935 (..)	481,325	488,391	982,525

TABLE XX—*contd.*

Year.	United Kingdom.	Japan.	Total from all countries.
1936—			
January	36,633	54,287	92,038
February	27,583	32,004	60,660
March	51,671	36,233	89,187
April	37,866	47,039	86,281
May	27,066	38,478	66,577
June	26,925	38,258	66,061
July	25,568	39,312	65,859
August	25,724	32,385	58,826
September	26,205	37,989	65,082
October	27,611	34,721	63,231
November	24,436	39,908	65,268
December	22,901	32,045	56,183
Total for 12 months ..	360,189	462,655	835,253
1937—			
January	27,112	37,853	66,191
February	27,953	18,702	47,655
March	34,797	20,270	56,781
April	31,845	20,438	54,268
May	24,782	19,243	45,791
June	20,972	7,067	29,394
July	21,530	9,173	31,796
August	19,882	11,600	32,255
September	20,283	20,547	42,246
October	22,596	51,160	74,686
November	20,791	48,927	71,378
December	16,556	27,904	46,537
Total for 12 months ..	289,099	292,884	598,978

Source.—Monthly issues of Accounts relating to the Sea-borne Trade and Navigation of British India.

68. All the indices examined above point uniformly to a considerable upward movement. The statistics for the production of goods for the first eight months of 1937 show a monthly average, which is, in all centres, higher than the monthly average for 1936 by more than 10 per cent. Consumption of Indian raw cotton in Bombay and despatches of goods from Ahmedabad and Sholapur reveal continued increased activity for the whole of the year. Increased night shift working indicates pressure of demand; and the figures of exports and imports show expanding markets for the Indian industry and a decline in the strength of competitors.

CHAPTER V

Financial Position

THE CONSOLIDATED BALANCE SHEET

69. After an examination of the various factors enumerated in Chapter IV, we have arrived at the conclusion that the condition of the cotton textile industry has decidedly improved in the year 1937 and that it has emerged out of the period of depression. The improvement is a little more noticeable in Bombay than in the other centres, but the facts adduced in the previous Chapter all go to indicate that the profit-making capacity of the industry, as a whole, has increased. The results of the full year 1937 are not before us, but those for the first half of 1937 are available to a large extent. These need to be examined against the background of the position of the industry as set forth in the following tables which contain information about the various centres from 1931 to 1936. The method of presenting the financial position is that adopted by the Special Tariff Board, 1936, but as we explain subsequently in this Chapter, we do not accept some of the assumptions underlying the calculations made. For instance, there is the provision proposed for depreciation, the propriety of which we have examined in detail, and there are the charges payable to managing agents the incidence of which has also been commented upon by us. Further, there is the inclusion in these statistics of the results of the working of concerns which are over-capitalized or which have heavy financial commitments to which too we have alluded. It is subject to these reservations, therefore, that we wish the figures presented in the Table to be viewed.

TABLE XXI

Financial Position of the Bombay Cotton Mill Industry

	1931*	1932*	1933*	1934*	1935†	1936†
Number of mills ..	68	71	57	61	64	64
Number of spindles ..	2,830,564	2,958,648	2,425,168	2,529,846	2,702,982†	2,587,895†
Number of looms ..	63,395	66,397	54,274	55,408	61,941†	60,088†
			<i>Rupees</i>	<i>in lakhs.</i>		
Capital paid up ..	13.18	13.64	11.06	11.32	11.78	11.76
Reserves including carry forward ..	5.29	4.96	4.73	4.18	4.03	4.25
Original cost of land, buildings and machinery ..	36.25	37.04	30.71	31.18	31.28	30.93
Depreciation fund ..	13.20	13.76	11.86	11.83	12.42	11.92
Net Block ..	23.05	23.28	18.85	19.35	18.86	19.01
Annual depreciation written off ..	51	39	34	47	38	41
Net result as per profit & loss account ..	+16	-20	-18	43	21	40

* Figures taken from the Report of the Special Tariff Board, 1936, pp. 53-54.

† Figures regarding financial position taken from the consolidated balance sheets of the Millowners Association, Bombay.

‡ Spindles and looms installed.

TABLE XXI—*contd.*

	1931*	1932*	1933*	1934*	1935†	1936†
After actually debiting—			<i>Rupees</i>	<i>in lakhs</i>		
(1) Agents' allowance..	4	5	4	4	4	5
(2) Agents' commission.	11	9	6	11	8	10
(3) Interest on debentures and loans ..	87	86	46	41	38	40
(4) Depreciation ..	25	10	12	14	14	16
	1,27	1,10	68	70	64	71
Gross Profit ..	1,43	90	50	1,13	85	1,11
(i) Deduct chargeable—						
(1) Agents' allowance.	4	5	4	5	5	5
(2) Agents' commission.	16	16	12	15	14	15
(3) Interest on debentures and loans ..	88	89	59	55	49	53
(ii) Depreciation according to maximum Income-tax allowance.	1,47	1,51	1,24	1,26	1,27	1,26
	2,55	2,61	1,99	2,01	1,95	1,99
Net loss after providing for items (i) and (ii) as above ..	1,12	1,71	1,49	88	1,10	88

* Figures taken from the Report of the Special Tariff Board, 1936, pp. 53-54.

† Figures regarding financial position taken from the consolidated balance sheet of the Millowners' Association, Bombay.

TABLE XXII

Financial Position of the Ahmedabad Cotton Mill Industry

	1931*	1932*	1933*	1934*	1935†	1936†
Number of mills ..	60	62	62	62	71	68
Number of spindles ..	1,605,491	1,665,580	1,738,862	1,774,456	1,729,630†	1,696,210†
Number of looms ..	36,826	38,813	40,862	43,161	42,882†	42,896†
			<i>Rupees</i>	<i>in lakhs.</i>		
Capital paid up ..	4,15	4,22	4,02	4,14	4,37	4,31
Reserves including carry forward.	3,61	3,74	3,85	3,65	3,23§	3,45§
Block account—original value.	15,92	16,82	17,32	17,82	17,89	17,51
Depreciation fund ..	5,60	6,06	6,26	6,41	5,76	5,88
Net Block ..	10,32	10,76	11,06	11,41	12,13	11,63

* Figures taken from the Report of the Special Tariff Board, 1936, pp. 56-57.

† Figures regarding financial position taken from the balance sheets of individual mills.

‡ Spindles and looms installed.

§ Reserves only.

TABLE XXII—*contd.*

	1931*	1932*	1933*	1934*	1935†	1936†
			<i>Rupees</i>	<i>in lakhs.</i>		
Annual depreciation charged.	51	55	36	50	46	39
Net results as per profit and loss account.	70	65	27	32	21	15
After actually charging—						
(1) Agents' commission.	37	40	24	29	28	25
(2) Depreciation	51	55	36	50	46	39
	88	95	60	79	74	64
Gross Profit	1,58	1,60	87	1,11	95	77
Deduct—						
(i) Agents' commission chargeable.	45	46	43	48	46	43
(ii) Depreciation at 4.5 per cent. of original block.	69	76	79	82	81	79
	1,14	1,22	1,22	1,30	1,27	1,22
Net profit or loss after providing for items (i) and (ii) as above.	+44	+38	-35	-19	-32	-45

* Figures taken from the Report of the Special Tariff Board, 1936, pp. 56-57.

† Figures regarding financial position taken from the balance sheets of individual mills.

TABLE XXIII

*Financial Position of the Sholapur Cotton Mill Industry**

	1934	1935	1936
Number of mills ..	5	5	5
Number of spindles installed ..	2,80,692	2,80,692	2,81,232
Number of looms installed ..	5,833	6,058	6,143

* Figures culled out from the balance sheets of individual mills.

TABLE XXIII—*contd.*

	1934	1935	1936
		<i>Rupees in lakhs.</i>	
Capital paid up	66	66	66
Reserves	1,23	1,23	1,44
Block account—original value ..	4,95	5,01	5,10
Depreciation fund	1,56	1,58	1,50
Net Block	3,39	3,43	3,60
Annual Depreciation charged ..	2·1	·4	·6
Net results as per profit and loss account.	5·8	1·0	·5
After actually charging—			
1. Agents' commission ..	1·5	1·0	2·6
2. Depreciation	2·1	·4	·6
	3·6	1·4	3·2
Gross Profit	9·4	2·4	3·7
Deduct—			
(i) Agents' commission chargeable.	2·2	1·5	3·1
(ii) Depreciation at 4 per cent. of the original block.	20	20	20
	22·2	21·5	23·1
Net loss after providing for items (i) and (ii) as above.	12·8	19·1	19·4

70. Both the Ahmedabad and the Bombay Millowners' Associations have submitted consolidated statements of financial position from which they wish us to conclude that the industry in both the centres cannot bear any additional burden.

71. The consolidated balance sheet of the Bombay mill industry which covers 64 mills shows for the year 1936 a net profit of Rs. 40·48 lakhs. This profit is, however, converted into a loss of Rs. 70·45 lakhs, if

provision for depreciation is made at the scale of 5 per cent. on the machinery valued originally at Rs. 20,77 lakhs and at 2½ per cent. on buildings valued originally at Rs. 8,74 lakhs. Actually the amount provided for depreciation is Rs. 15·80 lakhs deducted before arriving at the net profits and Rs. 25·53 lakhs apportioned out of the net profits in the appropriation account making a total of Rs. 41·33 lakhs for the year. The dividends disbursed amount to Rs. 24·09 lakhs on a paid-up share capital of Rs. 11,76 lakhs. On the other side of the appropriation account an amount of Rs. 10·72 lakhs is shown to have been drawn from the reserve funds, the equalization of dividend funds and other miscellaneous funds. No detailed figures of the kind available for Bombay have been furnished on behalf of the industry in Ahmedabad. But the consolidated statement of financial position, which has been submitted, shows a profit of Rs. 30·97 lakhs for 44 mills and a loss of Rs. 22·75 lakhs for 21 mills.* This figure is arrived at after allowing for depreciation to the extent of Rs. 40 lakhs against the original block-account of Rs. 1825·87 lakhs. The commission charged by managing agents amounts to Rs. 20·60 lakhs as against Rs. 9·95 lakhs charged during the year in Bombay. The aggregate amount of dividends paid comes to Rs. 21·12 lakhs on a paid-up share capital of Rs. 448·88 lakhs. The profits of the five mills in Sholapur amount to Rs. 3·7 lakhs. The managing agency commission charged amounts to Rs. 2·58 lakhs and the depreciation provided for is Rs. 0·59 lakhs, the value of the gross undepreciated block being Rs. 510 lakhs. The dividends disbursed amount to Rs. 3·51 lakhs on a paid-up share capital of Rs. 65·85 lakhs. It is only in Bombay that the figures for 1936 show some improvement over those for 1935. The details are given not necessarily to point to any improvement over the previous year but for the purpose of comparison with the position as it obtains at present.

72. It is necessary to point out here the risk of depending on the consolidated financial statement of the industry in any one centre for determining the profit-earning capacity of the industry in that centre. The consolidated statement is merely the summation of the figures for a number of units, some weak and some strong and some of average strength. The inclusion of the figures of one single weak unit may alter the perspective altogether, as is illustrated by the case of Sholapur. Even in Bombay, the consolidated statement presents a very different picture if the figures for a large group of mills which has heavy liabilities as a legacy of the past are excluded. The following table illustrates this observation :—

*The figures given by the Ahmedabad Millowners' Association in a statement submitted in the course of the oral evidence were as follows :—

Year.	No. of mills.	Profit.	Loss.
		Rs.	Rs.
1936 ..	60	32,05,344	11,60,576

TABLE XXIV*

(Rupees in lakhs)

Year.	Total No. of Mills.	No. of Mills making		Amount of		Block† Account.	Paid up Capital.	Mortgage Debentures.	Secured loans from Banks.
		Profits.	Losses.	Profit.	Loss.				
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1934	54 (44)	41 (34) 7	13 (10) 3	77,50 (75,43)	10,09 (6,67)	23,96,06 (17,91,25)	10,86,54 (7,10,54)	1,51,98 (1,06,67)	1,05,69 (52,66)
1935	58 (48)	41 (41) 0	17 (7) 10	57,43 (57,43)	23,22 (4,48)	25,56,36 (19,49,19)	11,46,98 (7,70,98)	1,60,69 (1,24,73)	1,20,47 (64,38)
1936	55 (45)	37 (37) 0	18 (8) 10	70,12 (70,12)	15,02 (4,48)	26,43,16 (20,34,71)	11,09,05 (7,33,05)	1,70,17 (1,25,21)	1,17,55 (58,12)

*Figures taken from the balance sheets of individual mills.

†Figures of block account are as given in the balance sheets—depreciated for some mills and at cost for others.

NOTE.—Figures in brackets are exclusive of one group of mills in Bombay.

73. In Bombay, again, the purchase of certain mills in the boom period at the then prevailing prices crippled the profit-earning capacity of the mills making these purchases. It also affected adversely the finances of other mills under the same management. This is another illustration of the difficulties involved in the use of a consolidated statement. Moreover, a consolidated statement will not truly reflect the excellent financial condition and profit-earning capacity of mills like the Bombay Dyeing group in Bombay or the Ahmedabad Calico group in Ahmedabad. It is for this reason that attempts have to be made to scrutinize, with the aid of other material, the various component parts of the consolidated balance sheets and profit and loss accounts.

FINANCING OF INDUSTRY

74. The financial basis of the entire structure of the mill industry is the share capital. It is not necessary for our present purpose to go into the different modes of raising share capital and of distributing the return on it. It is pertinent to refer, however, to the adequacy or otherwise of this basic fund in relation to the total capital requirements of an industrial unit. The proportion that share capital bears to the total working capital and to the portion of the capital that represents fixed assets, otherwise designated the block account, varies from centre to centre and from unit to unit. It will be seen from tables on pages 45, 46, 47 and 48 that these proportions to the gross block account for Bombay, Ahmedabad and Sholapur are 38 per cent., 25 per cent. and 13 per cent. respectively. The Indian Tariff Board (Cotton Textile Industry Enquiry), 1927, commented adversely on the over-capitalisation of a number of units in Bombay and held such over-capitalization as partially responsible for accentuating the depression which had overtaken the industry. According to the Indian Tariff Board (Cotton Textile Industry Enquiry), 1932, during the interval between 1927 and 1932 the industry in Bombay had not failed to pay adequate attention to the recommendation of the earlier Tariff Board that the defect of over-capitalization should be rectified by the drastic writing down of capital. In Ahmedabad, on the other hand, a certain number of units suffer from the defect of under-capitalization which may hamper their working at a time of crisis, and may even, in other years, necessitate resort to borrowings at high rates of interest. Under-capitalization, unfortunately, offers a temptation to the share-owning interests as it enables them, as was the case particularly at Sholapur in the days of the boom period, to earn a larger rate of return on their investment. The initial under-capitalization may, however, be rectified subsequently, if the concern does well, by the building up of reserve and other funds out of the annual profits.

75. The reserve and other funds also constitute varying proportions of the total resources in the three principal centres. The percentages for Bombay, Ahmedabad and Sholapur are 52, 53 and 58 respectively. The reserve, depreciation and other funds may be invested separately—as is the case with two of

the leading mills in Sholapur—or they may be used in the business of the concerns themselves, as is the practice with a large majority of the units in all the three centres. But when the funds are separately invested, the returns from the investments should be included in the gross income before gauging the profit-earning capacity of the concerns. The funds have been built up as a result of the working of the mills over a period of years and are a part and parcel of their property and assets. The depreciation fund figures prominently among the accumulated funds. The manner in which depreciation is provided for varies considerably, especially in Bombay. One of the usual methods is to create out of the profits a fund which is added to year after year, and to allow the original cost of the block to be shown at the undepreciated value on the assets side. Another common practice is to set off annually the amount provided for depreciation against the value of the block on the assets side, showing the block at its depreciated value year after year. Again while some mills provide for depreciation on the debit side of the profit and loss account before arriving at the net profits, others take out the net profits first and then provide for depreciation as an appropriation out of the profits or reserves. Unless the actual practice in this respect is standardized, it is difficult to compare the results of the different centres and also those for different years.

76. The consolidated balance sheet for Bombay, however, takes account of all the varying practices followed and, therefore, facilitates the task of comparison. The figures for the outside liabilities of the mill industry under the various heads are shown in the following table :—

TABLE XXV

Analysis of Funds secured by the Textile Mills in Bombay, Ahmedabad and Sholapur*

(Figures in thousands)

Loans.	Bombay.			Ahmedabad.			Sholapur.		
	1934 (56)	1935 (59)	1936 (56)	1934 (75)	1935 (76)	1936 (73)	1934 (5)	1935 (5)	1936 (5)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Mortgage Debentures ..	15,198	16,969	17,017	1,773	954	....	4,776	4,610	4,427
(b) Secured :—									
1. From Banks ..	10,774	13,208	11,876	1,985	3,652	5,799	1,008	960	2,540
2. Managing Agents ..	2,621	7,138	6,701	....	....	....	....	....	900
3. Other ..	3,237	3,946	665	1,416	1,663	112	1,556	2,339	3,020
Total (b) ..	16,632	24,292	19,242	3,401	5,315	5,911	2,564	3,299	6,460
(c) Unsecured :—									
1. Managing Agents ..	49,327	52,697	67,917	8,916	9,504	32,917	....	....	1,220
2. Deposits ..	13,028	9,916	12,756	46,397	50,927	52,842	1,526	2,323	1,462
3. Other ..	23,688	18,754	6,236	44,268	41,814	12,231	457	1,659	104
Total (c) ..	86,043	81,367	86,909	99,581	1,02,245	97,990	1,983	3,982	2,786
Total (a+b+c) ..	1,17,873	1,22,628	1,25,168	1,04,755	1,08,514	1,03,901	9,323	11,891	13,673

*Figures taken from the balance sheets of individual mills.
Figures in brackets represent number of mills.

This table shows that the gross borrowings are higher in Bombay than in the other centres. At the same time, the proportion of the block account which is financed out of deposits and other unsecured liabilities is higher in Ahmedabad than in the other two centres. This practice of financing the block by borrowings has so far stood the test of time and has come to be recognised as a normal feature of the financial structure of the industry in Ahmedabad, where the leading indigenous bankers are themselves partners in several firms of the managing agents of cotton textile mills.

77. The two main components of the assets side of the balance sheets of mills are the block account and the stocks of cotton, cloth and stores. The proportion of the value of the stocks to the total working capital varies from year to year, being dependent on the briskness of the trade. The block account represents land, buildings and machinery, and, in some balance sheets as remarked earlier, the original value of the three items is shown on the assets side, while in others what is shown is only the depreciated value. If the latter practice is followed, the difference between the depreciated and the original value represents the amount of depreciation provided over a series of years. Where the original value is shown, the gross value will include the amount of the depreciation provided, as in the consolidated balance sheet in Bombay. The fixed capital is provided by the amount of the paid up share capital, the reserve and other funds (including the depreciation fund if exhibited separately as a liability) and by borrowings either in the shape of debenture loans or other secured or unsecured loans. Thus it will be seen that the block account is financed from various sources and not out of the share capital alone.

COSTS AND CHARGES

78. We have not before us consolidated statements of the profit and loss account of the mill industry in centres other than Bombay. On the basis of the Bombay statement for 1936 the percentages of the various items in the working cost are approximately as under, though these proportions are, for obvious reasons, liable to variations :—

Cotton yarn waste etc.	..	..	51.1	per cent.
Stores	..	..	8.9	„ „
Dyeing and Bleaching charges	..	..	0.8	„ „
Labour wages	..	..	22.5	„ „
Mill salaries	..	..	2.3	„ „
Manufacturing charges including repairs and depreciation.			2.9	„ „
Establishment charges including office allowance and commission.			2.2	„ „
Interest	..	..	2.1	„ „
Power and Fuel	..	..	5.1	„ „
Profit	..	..	2.1	„ „
			100.0	„ „

The figure of office allowance in Bombay has moved during these years between Rs. 4 lakhs to Rs. 4½ lakhs, and the uniform amount paid by one mill in Sholapur has been Rs. 18,000. During the last ten years, the maximum amount of commission paid in any single year was in Bombay Rs. 25.40 lakhs in 1927, in Ahmedabad Rs. 39.62 lakhs in 1932 and in Sholapur Rs. 5.65 lakhs in 1927. In years of depression the remuneration to managing agents on the basis of sales, deliveries or production becomes disproportionately high as compared to the total gains of the industry. Whatever the system of payment, it can well be asserted that full payments on the stipulated scale are unjustifiable in a period of depression, accompanied by wage cuts, such as has been experienced by the cotton textile industry in the Bombay Province during the last ten years.

81. With the fluctuating fortunes of the industry during the last ten years share-holders have received dividends smaller in comparison with those of the ten years preceding 1927. That the dividends paid during the boom years were unduly high was the definite finding of the Indian Tariff Board (Cotton Textile Industry Enquiry), 1927.

	Bombay (1).			Ahmedabad (2).			Sholapur (3).		
	Number of mills.	Amount.	Percentage to paid up share capital.	Number of mills.	Amount.	Percentage to paid up share capital.	Number of mills.	Amount.	Percentage to paid up share capital.
				(Rupees in lakhs.)					
1927	75	61·28	3·4	....	....	....	5	18·93	28·7
1928	73	28·98	1·7	....	....	....	5	14·74	22·4
1929	76	23·42	1·7	....	....	....	5	12·42	18·9
1930	71	19·15	1·4	....	....	....	5	5·85	8·9
1931	68	18·05	1·4	....	....	....	5	6·55	9·9
1932	71	18·56	1·3	....	....	....	5	6·93	10·5
1933	57	12·69	1·1	....	....	....	5	4·95	7·5
1934	61	21·14	1·8	75	32	6·9	5	4·87	7·4
1935	64	20·98	1·8	76	28	6·1	5	3·67	5·6
1936	64	24·09	2·0	73	21	4·6	5	3·67	5·6

- (1) Figures taken from consolidated balance sheets.
(2) Figures taken from balance sheets of individual mills.
(3) Figures taken from statements supplied by mills.

These figures show that the percentage of dividend paid has varied in Bombay from 3·4 in 1927 to 1·1 in 1933, the maximum amount paid in dividends in any one year being Rs. 61·28 lakhs for 1927. The industry in Ahmedabad and Sholapur has been more fortunate, and the proportion of dividends to paid up share capital has in no year gone down to the levels it has reached in Bombay. If the present level of dividends in Ahmedabad and Sholapur seems low, it is only as viewed against the background of a series of more prosperous years.

SCALE OF ALLOWANCES

82. This question of return on capital brings us to an examination of the criteria—which however we do not necessarily accept—adopted by the Tariff Boards of 1932 and 1935 in determining a fair selling price for the products of the cotton textile industry. It was urged by the representatives of the Ahmedabad Millowners' Association that the case for an immediate increase in wages should be examined in the light of the views expressed by the Two Tariff Boards about the scale of allowances for the overhead charges and the return on capital investment. In our opinion, the tests to be adopted in ascertaining a fair selling price *vis-a-vis* the price of imported yarn and piecegoods cannot be applied in determining the level of payments within the industry itself and in determining whether at a particular period there is justification for a readjustment of the level of wages. The entire problem has to be viewed in a different light. The line of approach that we have adopted is to examine whether the present condition of the industry indicates any improvement over the past and, if so, whether the improvement is substantial enough to warrant an increase in wages.

83. Nevertheless, we may examine the financial basis of the fair selling price adopted by the Tariff Board, in view of the importance attached to it by the millowners. After allowing for depreciation, the Tariff Board of 1936 makes an allowance for interest at $4\frac{1}{2}$ per cent. on working capital, which it roughly estimates at one quarter of the block value. This rate of interest was allowed at a time when the bank rate was higher than it is to-day by half a per cent. The commission payable to managing agents, according to the Tariff Board, is limited to the usual Bombay rate of 10 per cent. of the profits before deduction of the provision for depreciation. In Ahmedabad the amount of commission actually paid is, however, much higher than the maximum rate fixed for determining a fair selling price. Lastly, the Special Tariff Board, 1936, fixes the return on the total fixed capital or block expenditure at 6 per cent. as against the rate of 8 per cent. fixed by the Indian Tariff Board (Cotton Textile Industry Enquiry), 1932. Money conditions are much easier to-day than they were in 1935. The bank rate, as noted above, is lower by half a per cent. and above all, the investor is readier than he was in the depression period to put his money in industrial enterprises. We understand that by the term "total fixed capital" or "the block expenditure" on which a return

of 6 per cent. has been allowed by the Tariff Board is meant the gross figure of the undepreciated block. Against that block, however, provision is made for depreciation through a depreciation fund or otherwise. If the over-all percentage of return is to be allowed on the undepreciated block, it stands to reason that against it should be set off the interest which the depreciation fund would have earned by being used as working capital or by being invested in securities or by being deposited with banks. A similar set-off will have to be allowed for the interest which can be earned by the separate investment of the reserve and other funds which ordinarily go to finance the block as a whole. A further set-off should be allowed in respect of the capital borrowed from outside to finance the block account. Interest on this at the stipulated rate is charged and provided for in the profit and loss account and the portion of the block account represented by such borrowed capital cannot be expected to earn a return twice over. If the earning capacity of the entire block account has to be determined at the flat basic rate of 6 per cent. adopted by the Tariff Board, it is only proper that on the portion of the block account which is financed by outside borrowing there should be a set-off equal to the interest paid.

DEPRECIATION

84. Before proceeding to our task of assessing the improvement that has occurred in the financial condition of the industry in 1937, it is necessary to deal, in some detail, with the question of the proper allowance for depreciation to be made by the individual units and the industry as a whole. Depreciation is defined as the shrinkage in value caused by the wearing out of an asset owing to its use in the business, and the main object of providing for depreciation is to keep the original capital intact. Another factor which cannot be ignored in this connection is that of obsolescence. In fixing the adequacy of the provision to be made, account has to be taken of the fact that from year to year new and improved machinery is being invented, capable of manufacturing goods cheaper, better and in greater quantities. For these reasons, it is necessary to examine thoroughly the contention of the millowners that no betterment can be deemed substantial unless a margin of profit is available after providing for depreciation at the rate of 5 per cent. on machinery, 2½ per cent. on buildings and 7½ per cent. on the bleaching and dyeing plant, which are the

maximum rates permitted by the Income-tax authorities. The following table shows the details about the depreciation allowance at various centres for the year 1936 :—

(Rupees in Crores)

Centres.	Total block undepreciated.	Depreciation hitherto provided.	Depreciation at the over-all rate of 4 per cent. on the original block for the year 1936.	Amount provided in 1936.	Maximum provided since 1927 and the year.	Value of block for years shown in column 6.
1	2	3	4	5	6	7
Bombay ..	30·93	11·92	1·24	0·41	·69 (1927)	44·43
Ahmedabad ..	17·51	5·88	0·70	0·39	·57 (1934)	19·51
Sholapur ..	5·10	1·50	0·20	0·006	·1 (1927)	3·81

These figures of depreciation provided are exclusive of the actual amounts spent by various mills on the repair of buildings and machinery and also of the additions to or replacement of the plant that have been made from year to year. Details of the amounts spent on these two heads in Bombay are shown in the following table which contains figures for the years 1934-36 :—

Year.	Repairs.			Addition to Block.		
	Buildings.	Machinery.	Total.	Land and Buildings.	Machinery.	Total.
	(Rupees in lakhs.)					
1934 ..	2·77	7·47	10·24	2·56	54·90	57·46
1935 ..	3·83	10·33	14·16	6·85	46·41	53·26
1936 ..	4·58	9·83	14·41	6·56	57·95	64·51

85. In examining the amount of depreciation to be provided various factors need consideration. The first is that the provision for depreciation will be unnecessarily large if the plant and machinery that are to be depreciated were bought at inflated prices such as those prevailing during the boom period of 1917 to 1922. In Bombay, for instance, very large additions to plant and equipment were made during these years. The incidence of depreciation charges on a heavily inflated block account is

necessarily onerous. Another consideration is that if depreciation cannot be provided for in a given year then the arrears of such depreciation may encroach upon the profits for subsequent years and thus convey a misleading idea of the profit-making capacity of the industry in those years. This will apply especially where many units in a centre have not provided for fair depreciation for a number of years. The productive capacity of a concern during a year should be judged mainly in relation to the charges payable for that particular year.

86. It has also to be noted that while the percentages referred to above represent the maximum rates at which the authorities of the Income-tax Department permit deductions, the amount of such authorized allowance may actually be less because no provision is permissible on building, plant and machinery against which cent. per cent. depreciation has already been allowed. When the mill-owners claim that the allowance for depreciation should be calculated on the income-tax basis they overlook the fact that a figure calculated at the flat rates referred to above or at an over-all average of 4 per cent. to $4\frac{1}{2}$ per cent. does not represent the exact amount for which provision requires to be made. In paragraph 49 of its report, the Special Tariff Board, 1936, has noted this feature and observed: "On basis of the actual allowances granted by the authorities the average debit for depreciation works out to $2\frac{3}{4}$ per cent. on the fixed capital expenditure. . . . instead of the average of 4 per cent. which has been used to show the financial position of the Bombay cotton mill industry". Similarly, with reference to Ahmedabad, the Board remarks: "On basis of these allowances the average debit for depreciation works out to 3·86 per cent. on the original Block-value of these mills instead of the over-head average of 4·50 per cent. which has been used to show the financial position of the Ahmedabad mill industry". The Indian Tariff Board (Cotton Textile Industry Enquiry), 1927, referred to the floatations of the boom period which called for heavy depreciation being provided on the inflated figures of the block account, the exclusion of which figures, the Tariff Board further showed, presented the picture in truer perspective.

87. We have given above the maximum provision made in any one year for depreciation during the last ten years. For Bombay, this amount is Rs. 69 lakhs on a total block of Rs. 44·43 lakhs in the year 1927. This gives an over-all proportion of a little over 1·5 per cent. in a year when dividends disbursed amount to Rs. 61·28 lakhs and commissions and allowances are Rs. 30·85 lakhs. For Ahmedabad, the highest allowance, namely, Rs. 57 lakhs on a gross block of Rs. 19·51 lakhs, works out at a little under 3 per cent. in the year 1934, while for Sholapur the maximum percentage of allowance works out at 2·6 per cent. in 1926-27. The claim to have the financial position of the industry judged from the standard of an over-all depreciation allowance of 4 per cent. to $4\frac{1}{2}$ per cent. can, therefore, scarcely be sustained. The only comment that we can offer on this position is that while depreciation at a minimum rate is held to be the first charge on profits, several mills on one ground or another do not actually provide for it. Under-depreciation has been common, even

with concerns which have paid dividends, especially in Bombay, and commissions and dividends have been accorded precedence over depreciation. But while in times of depression there may be under-depreciation, in times of prosperity there may be a tendency to over-depreciate and care has to be taken to avoid over-depreciation which may have the indirect effect of checking any improvement in the level of wages.

88. We may briefly review the main features of the financial position of the industry as analysed by us in this chapter. The consolidated statements, furnished by the Millowners' Associations of Bombay and Ahmedabad, have to be examined in the light of the various considerations we have set forth above. Over-capitalization of some units and the heavy financial liabilities of a few others continue to affect adversely the profit-earning capacity of the industry, as a whole, and a truer perspective is obtained when the figures for such units are excluded from the consolidated statement. The scrutiny of the financial position shows that, even in centres and during periods specially affected by depression, provision for depreciation and allocation to reserves out of the profits have been possible. The extent of such provision in the past is clearly indicated by the proportion of the reserve, depreciation and other funds to the gross block account, figures for which are given in paragraph 69. We have cited some figures about the expenditure incurred in Bombay during the last three years on renewal and repairs. Re-equipment, we have noted, appears to have been in progress during the recent abnormal times. Dividends and commissions cannot, for obvious reasons, be on the same scale now as in the post-war period. The fact that, all through this period, sums which, in the aggregate, are fairly substantial have been disbursed to shareholders and managing agents indicates, in a manner, the power of resilience possessed by the industry. We have next examined the millowners' claim for an over-all return of 6 per cent. on the gross block account. We have given our interpretation of the "scale of allowances" fixed by the Tariff Board for determining a fair selling price, although we have made it clear that we cannot accept the scale as a basis for our calculations. Lastly, we have emphasised that, while provision for depreciation is essential, the claim of the industry that it should be assured of provision for depreciation at the rate of 4 per cent. to 4½ per cent. of the gross block account cannot be conceded. The grounds for our conclusions on the question are set forth in detail in this chapter, the principal among them being that provision on the scale proposed is not the rule even with concerns which make profits and pay dividends. With the return to normal trading conditions, there may arise a tendency to over-depreciate, which will, in our opinion, need to be checked.

THE BETTERMENT.

89. Our next task is to assess the betterment that, in our opinion, has been secured in the various centres of the industry during the year 1937. The preparation by the Bombay Millowners' Association of a consolidated statement showing the results of the working of individual mills during

the first half of 1937 has facilitated our task. These results are summarized below :—

Number of mills :	.. .. .	64
Profit for the half year (for 56 mills ; after deducting losses for 8 mills ; after deducting Agents' commission ; without deducting depreciation on income-tax basis)	.. .. .	Rs. 36,82,659
Agents' commission	.. .. .	Rs. 8,74,202
Depreciation on income-tax basis	.. .. .	Rs. 56,95,992

On this basis it is calculated that the net loss after providing for full depreciation will be Rs. 11.39 lakhs. These figures, represent clearly, an improvement over 1936. The extent of the improvement will be evident from the following statement which shows how the figures of the year stand, by comparison, on the assumption that the working of the mills in the second half of the year 1937 has been as satisfactory as in the first half :—

Item.	Provided for in 1937.	Actually charged in 1936.	Additional charge in 1937 as compared with 1936.	Remarks.
		(Figures in lakhs.)		
Agents' commission ..	17.48 (a)	9.95	7.53	(a) The figures represent twice the provision shown in the foregoing table submitted by the Bombay Millowners' Association. (b) The figures are on the basis of the actual amounts claimed in 1936. (c) The figure represents the amount of depreciation provided for before arriving at net profits.
Depreciation ..	113.92 (a)	15.80 (c)	98.12	
Interest ..	60.00 (b)	46.38	13.62	
Office allowance ..	4.94 (b)	4.52	.42	
Total ..	196.34	76.64	119.69	

Calculating the loss for the full year at twice that estimated by the Bombay Millowners' Association, we arrive at the figure of Rs. 22.78 lakhs. Against this has to be set the additional charge of Rs. 119.69 lakhs which has been provided while calculating the loss. In case the provision under various heads had stood as in the previous year, the loss

would have been converted into a profit of Rs. 96·91 lakhs. If we compare this with the profit of Rs. 40·48 lakhs made by the industry in 1936, we get a betterment of Rs. 56·43 lakhs in 1937, assuming that the position in the second half of 1937 remained the same as in the first half. Actually, the position improved appreciably in the second half of 1937. In the absence of similar consolidated balance-sheets and profit and loss account statements for Ahmedabad and Sholapur centres it is difficult for us to evaluate definitely the improvement in the general situation which may have occurred in these centres as well.

90. The factors that have led to this improvement have already been examined at length in Chapter IV. All the indices of improvement were more in evidence in the second half of the year than in the first half. On the basis of the working of the first half of the year, we have estimated above the betterment that Bombay may have secured for the whole of the year 1937 irrespective of the increased measure of profit that is likely to have been earned in the second half. For the other centres, though we are unable to arrive at any definite estimate on the basis of the figures for the first half, we are of opinion that the results for the full year are bound to be better than in 1936, because of the operation of the various factors enumerated in Chapter IV. The increased activity of mills due to larger night shift working in Bombay and in Ahmedabad has led to a rise in the number of workers employed and in production. The growth in the number of workers employed may be taken as a rough measure of increased production. Calculating in round figures, the increase in the number of workers due to greater resort to night shift is in the neighbourhood of 10 per cent. both in Bombay and Ahmedabad.

91. The recent increase in night shift working is, by admission, in response to the growth in the demand for cloth that took place in the latter half of the year 1937. Mills have resorted to night shift, even in times of depression, to reduce the overhead charges and to lower the working cost. But while it is acknowledged that night shift working results in appreciable gains, it is difficult accurately to assess the benefit that has been derived by the industry from the increased night shift working of the past few months. Apart from the advantage that accrues from the saving in overhead charges and in the working costs, there is the additional advantage conferred by the increased production that results. Particularly, in times like the present, when the larger volume of goods that is turned out finds ready markets, the additional margin that is earned on such production is an important factor in estimating the increased profits. Again, in Bombay because of the increased consumption of electricity there is a saving in power charges per unit. The continuous working of mills also results in some saving in fuel charges even where coal is used. Lastly, in both the centres, with the rapid consumption of raw material and the equally rapid disposal of manufactured goods, that were the features of the second half of 1937, the incidence of interest charges should have gone down. Taking all these factors into consideration, we estimate that the results

for the second half of 1937 should have been substantially better than for the first half both for Bombay and Ahmedabad. In Bombay, the gain will be substantial enough—it will not be very wide of the mark to observe—to wipe off the loss of Rs. 22·38 lakhs for the year as calculated on the basis of the consolidated statement for the first half of 1937 after providing for full depreciation even on the income-tax basis. For Ahmedabad the betterment may be estimated approximately at two-fifths of that secured in Bombay.

CHAPTER VI

Profit Margin

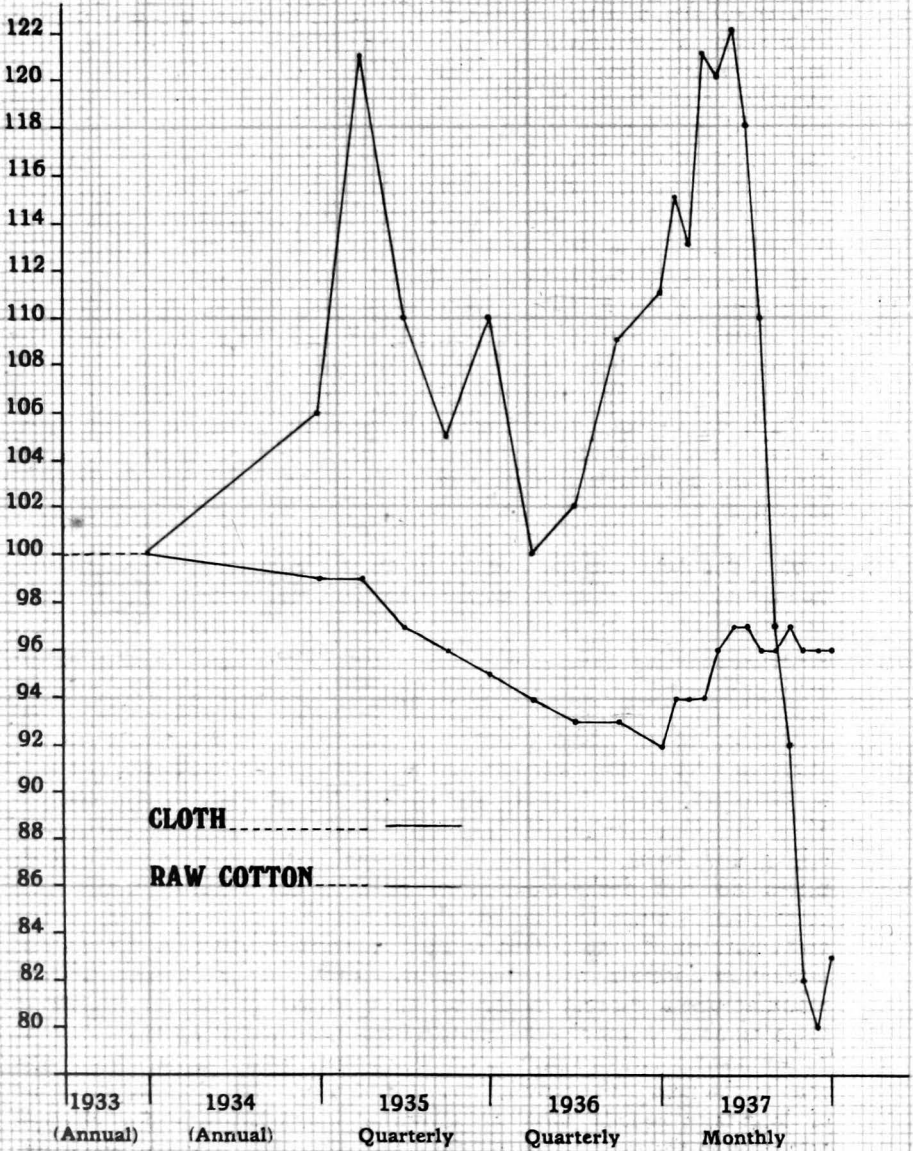
MANUFACTURER'S MARGIN

92. While it is comparatively easy to indicate that conditions in the cotton textile industry have improved considerably during the past 15 months, a quantitative measurement of the extent of the improvement presents numerous difficulties. We have attempted in the foregoing chapter, chiefly with the help of information regarding the financial results of the Bombay industry during the first half of 1937, to measure the extent of the improvement in the trading position of the industry during that period. We have also indicated that additional gains are likely to result from greater productive activity and greater employment on night shift during the succeeding six months. The major part of the improvement in the industry at the present time is, however, due to an entirely different factor. The large gains which, labour contends are accruing to industry at present, are, in the main, due to the widening of the profit margin in industry as a result of the fall in the price of cotton. It is obvious that, in calculating the extent of this margin, we cannot but proceed very cautiously. At the same time, an adequate discharge of our term of reference necessitates some quantitative evaluation of the effect of the price fall on the margin of profits.

93. The difference between the price of a unit of cotton, on the one hand, and a unit of cloth, on the other, can, under certain conditions, be regarded as an index of the margin of profits in the cotton textile industry. The nature of this index and its limitations are made clear in the following quotation from a recent U. S. A. publication. The author in dealing with the marginal index most commonly used in the U. S. A., "the grey goods replacement margin", observes: "For short-term periods there is a general inverse correlation between the price of cotton and the grey goods replacement margin. This would normally be the case when the price of cotton is falling, and, owing to general firmness in the grey goods markets, cloth prices do not decline as rapidly, and *vice versa*. Actually this correlation is much less definite than might be supposed, owing to the great number of outside factors which influence the action of the cloth market in addition to cotton prices. As an index of earnings, the manufacturer's margin needs to be qualified in several important respects, as it is simply the gross return after deducting the value of cotton used. Consequently, for short-term comparisons, from one year to the next, for example, it is satisfactory. For the establishment of long-term trends, however, allowance must be made for changes occurring in the various component costs other than raw material costs,

CHART SHOWING MOVEMENTS OF CLOTH AND RAW COTTON PRICES FROM 1933 TO 1937.

(Average prices during the year ending December 1933 = 100)



such as labour, supply and power costs, and local and state taxes".* In India we have no standard calculations of such margins. For our present purpose, however, this need not act as a serious handicap. For, what we have to determine is not the extent of the margin, but merely the extent to which it has widened during recent months on account of the fall in the price of cotton. Assuming any given manufacturer's margin at which the normal trading profits during 1937 were being made, we need merely to ascertain the further widening of this margin which was brought about by events subsequent to August 1937. So long as the other elements entering into the cost of production of cloth remain the same, and the level of cloth prices remains stable, the fall in the price of cotton would be fully reflected in the margin of profits. As the other elements of cost are not likely to vary to any considerable extent during the period which we are considering we think that it would not be unsafe to base our calculations regarding profits on the movements of cotton and cloth prices.

COTTON PRICES

94. A quantitative measurement, of the results of the fall in the price of cotton presents certain difficulties. In this Province, there are several centres of the industry, each with its different methods of buying cotton and of selling cloth. The type of cotton purchased also varies from centre to centre. The three main questions with which we are faced here are (a) the extent of the fall in the price of different varieties of cotton, (b) the length of time over which the price fall would be maintained, and (c) the extent of operations over which the effects of this price fall would be available to manufacturers.

95. It has been contended by the millowners that they were unable, for a number of months after the price fall began, to reap any benefit from it as they held considerable stocks of raw cotton, purchased at prices ruling before the fall in the price of cotton. Through the courtesy of the Indian Central Cotton Committee, we have been supplied with figures of the stocks of raw cotton held on 31st August 1937 by mills in the major centres of the textile industry in this Province. For purposes of our calculations, it may be granted that these stocks represented cotton purchased before the price fall began in August. From these figures we find that the stocks held on 31st August 1937 represented roughly 29 per cent. of the receipts of cotton by mills during the previous twelve months in Bombay, 23 per cent. in Ahmedabad and 37 per cent. in Sholapur. Assuming that the average monthly

* Kennedy, Profits and Losses in Textiles, 1936, page 124.

The International Labour Office, The World Textile Industry, Volume I (1937), page 159, has the following:—

"The mill margin, or the difference between the cost of the raw material required to make up a given quantity of cloth, and the selling price of that same volume of cloth, is one of the basic financial factors in textile manufacturing. It is the mill margin which supplies the fund out of which the textile entrepreneur pays for labour, power, administrative expenses, taxes, depreciation, etc., and from which he takes the net profits, if any."

consumption was the same as in the previous 12 monthly period these stocks would be equivalent roughly to $3\frac{1}{2}$, $2\frac{3}{4}$ and $4\frac{1}{2}$ months' consumption respectively. In view of the much greater productive activity in recent months, however, the above calculations may have to be slightly modified. It may therefore be assumed that these stocks would have met the cotton requirements of the mills for a period of, subsequent to 31st August, three months in Bombay, two months in Ahmedabad, and four months in Sholapur. These estimates are obviously very rough, and they do not mean that during these months the mills abstained from making purchases of cotton. In fact, the information before us shows that considerable purchases—of forward and ready cotton—were made by mills during the closing months of the last year. So long, however, as the millowners manufactured goods out of cotton in stock on August 31st they did not reap the extra profit due to the recent fall in the price of cotton. The figures of stocks of raw cotton held on 31st August are, therefore, useful in indicating the period from which this extra profit would begin to accrue to the industry in any centre. This consideration has, however, no importance if we assume that the existing low level of cotton prices will last for the whole of the present season. In that case the carry-over from the purchases of the previous season into the present season will be balanced by the carry-over of the purchases of the current season into the next cotton year.

96. We have not sufficient information to enable us to determine the extent to which the mills have already made purchases of cotton. We have been told that financially weak mills profited the earliest from the fall in price as they do not carry large stocks of cotton. On the other hand, the financially strong mills, though they may carry large stocks, are in a position to make forward purchases on an extensive scale. The extent to which cotton is purchased forward also differs, for various reasons, from centre to centre. It is not necessary for our purpose, however, to enter into these details of purchases. For we base our calculations on the assumption that the level of cotton prices will continue to remain depressed during the whole of the current season.

97. The following extracts from a review of the prospects of the cotton season 1936-37 express adequately the grounds on which the foregoing assumption may be made :—

“ Unlike last year, which was marked by a general anxiety during July and August owing to drought, the crop this year had an excellent start and, until now, there has been no major complaint from any cotton district. In short, the prospects for the growing crop in India are regarded as normal. . . . According to the Bureau report issued in October the U. S. A. promises a bumper crop of over 17½ million bales this season with a record yield per acre. The crop prospects in Egypt, Russia, Brazil and China are equally cheerful. . . . In other words, the position last year was that the world production of the raw material was equal to consumption and there was no longer the problem of excessive supply. . . . The situation, however, is changed now, and undoubtedly, the supply is in excess of consumption. . . .

While all the cotton markets of the world are in a depressed state, Indian cotton finds itself in peculiarly more unfavourable circumstances. Although the total supply of Indian cotton, including the growing crop, is about normal, the off-take prospects are

not cheerful. Last season, exports of Indian cotton amounted to 4,325,000 bales. During the current season exports to all outside countries are likely to diminish. In Japan, imports of raw cotton are permitted only under the system of licenses. The issue of licenses will depend mainly upon the available supply of foreign exchange. Even otherwise, Japan should be expected to curtail her cotton textile production in view of the fact that the entire economic system in that country is now placed on a war basis. While opinions differ as to the total number of bales that Japan may take from India during the current season, all are unanimous that her takings will be much smaller than last year. In the case of Germany and Italy, the ability to pay for imports has definitely deteriorated. Exports of Indian cotton to Great Britain are not likely to be better than last year because American prices are lower in parity and, besides, the Lancashire machinery is not capable of using more Indian cotton. Quite apart from individual difficulties of the principal foreign buyers of Indian cotton, the fact should be recognised that, at present, Indian prices are substantially above their normal relationship with Americans. In other words, Bombay happens to be the dearest cotton market in the world. . . .

It is sometimes argued that in view of the increased activity of the Indian mills owing to the Sino-Japanese hostilities, the consumption of raw cotton in India would increase. While a general increase in consumption is expected, it is felt that the increase cannot be enough to make up for the deficiency in exports. Moreover, the current dearer parity price for Indian cotton should lead to larger imports of foreign growths, and, in fact, it is reported that large quantities of actual American cotton have already been bought on Indian account for shipment. Therefore, present indications point towards a large carry-over of Indian cotton at the end of the current season, and hence, under the mere weight of supply, the Indian market cannot be expected to recover appreciably, especially if the competition of Americans continues."*

98. This estimate of the prospects of the current season was formulated towards the end of October 1937. The situation as portrayed therein has not changed in any important particular during the last three months. Indian crop reports continue to be favourable, foreign demand for Indian cotton is not yet active and Indian cotton prices are a little above their normal relationship with those of American cotton. Only a failure of the Indian cotton crop on a large scale or phenomenally large purchases of Indian cotton by the Japanese or some other equally improbable event can lift the Indian cotton market from its present depressed condition. The basis of our calculations for the widening of the profit margin is the extent by which the level of cotton prices in the 1937-38 cotton season is lower than the level of cotton prices for, say, the two previous seasons. It is not, therefore, necessary for our purpose to ascertain whether the opportunities presented by the marked price recession during the last few months were fully availed of or not by all the mills.

99. We now proceed to calculate the extent to which the level of cotton prices of 1937-38 was lower than the levels obtaining in the two previous years. The prices of Broach cotton are the ruling factor in the Bombay market and affect the prices of all other varieties of Indian cotton. Apart from F. G. Broach, there are two other hedge contracts in which considerable transactions take place in the Bombay market. They are F. G. Bengals and Fine Oomra. These three contracts together do not cover all the varieties of Indian cotton but they are the only three active contracts. Spot rates are quoted for a very large number of varieties; but even here the spot rates for Broach, Bengal and Oomra are held to

*Indian Cotton Review for the season 1936-37, Chunilal Mehta & Co., Ltd., Bombay, pages 7-9.

be the most important. The Ahmedabad industry consumes from among Indian cottons chiefly Broach cotton and Dholleras, the latter being included in the Broach class. The most important varieties consumed by the Sholapur industry are Barsi-Nagar and Hyderabad Gaorani; and these fall in the Oomras class. The Bombay mills spread their purchases over a much larger number of varieties of Indian cotton than mills in other centres. A majority of these varieties are, however, to be found among those tenderable against either the Broach or the Oomra contract. We are advised that the prices of Broach and Oomra cotton will correctly indicate the course of the prices of Indian cotton consumed by the industry in the Bombay Province. We confine our study of cotton prices to prices quoted in the Bombay market, because these constitute the major influence in determining prices paid in the other cotton markets of the Province.

100. Large quantities of foreign cotton are also consumed by the industry, especially in Ahmedabad and Bombay. The receipts of foreign cotton at the mills formed 36·9 per cent. of the total receipts of all cotton in Ahmedabad during the years 1934-35 to 1936-37. The corresponding figure for Bombay was 20·4 per cent. and it was only 9·5 per cent. in Sholapur.

101. Among foreign cottons the most important are the East Africans; they accounted for the bulk of foreign cottons consumed in the Bombay and Ahmedabad mills during the last three years. Next in importance are the Egyptians. There are a number of important varieties of East African cottons. We were advised that the prices of one of these—Kampala A. R.—would fairly represent the trend of prices of East African cotton as a whole. No similar standard quotation of any Egyptian variety in the Bombay market could, we were told, be indicated.

102. We give below the data on which we base our conclusions regarding the 1937-38 level of cotton prices. The data comprise the hedge contract and spot rates for Broach M. G. and Oomra Fine cottons, and the spot rates for Kampala A. R. cotton on the Bombay market for the cotton years 1935-36 and 1936-37 and for the months September 1937 to January 1938. The data thus available to us for a comparative study of price levels are the quotations for two entire previous years, on the one hand, and on the other hand, those for the hedge contract rates and the Kampala spot rates for five months of the current year and the spot rates for Oomras for three months. We have also worked out quarterly averages to facilitate comparison. The monthly and the quarterly figures show the considerable fluctuations that take place in prices within any cotton year. A comparison of the price quotations of a part of one year with the complete set of figures for other years would, therefore, leave room for a considerable margin of error. Nor can we take it for granted that the price quotations of the earlier part of a year necessarily bear a certain relation to prices that may rule during subsequent months. Even so the uniformly low level of the hedge contract rates and the

Kampala prices and the low level of the spot rates for Oomras, in spite of the fact that the arrivals of this variety in Bombay were, till the end of January, much smaller than during the same period in the previous year, point to a definitely depressed condition of the market. These price statistics, read in conjunction with the considerations regarding future prospects set out above, make it difficult to resist the conclusion that the Indian cotton market will continue to remain depressed during this year. It is further proper to hold that the average level at which prices will rule during this season is indicated by the course of hedge contract rates for the past five months. The data can certainly be used for arriving at a general estimate though they may not lend themselves to exact mathematical calculations. A study of these price quotations thus leads us to assume that the average price level for Indian cottons for the year 1937-38 will be at least a fifth lower than that of the two previous years. As an estimate of the prices at which cotton will be available to mills we consider the above estimate to be a fairly conservative one. The estimate is conservative, especially in view of the fact that the mills have had considerable opportunities of effecting forward purchases at much lower prices during the last few months. A necessary element of uncertainty regarding future conditions must, however, be set off against this consideration. We, therefore, consider it fair to estimate that the price levels for Indian cottons this year will rule about 20 per cent. lower than in previous years. Estimates regarding the prices of foreign cottons need to be made even more cautiously. Previous years disclose larger variations in these prices than in the prices of Indian cottons and the somewhat higher parity of Indian cotton may result in rendering their price level firm. The absence of a forward market in these cottons in Bombay must also be taken into account. On weighing all these considerations we think that it will be fair to estimate their average price level for this season as being about 15 per cent. lower than the level of the previous years. We may make it clear that our calculations do not represent statistical forecasts of price levels; they are only estimates of the total advantage that the industry will obtain as a result of the cotton purchases of this season compared with previous seasons. As such, we believe, they will be found to be fair and reasonable.

TABLE XXVII

Table* showing the Monthly Highest and Lowest Rates
Hedge Contract Rates

(In Rupees per Candy)

Months.	1935-36				1936-37				1937-38			
	F. G. Broach.		Fine Oomra.		F. G. Broach.		Fine Oomra.		F. G. Broach.		Fine Oomra.	
	H	L	H	L	H	L	H	L	H	L	H	L
	April-May.		Dec.-Jan.		April-May.		Dec.-Jan.		April-May.		Dec.-Jan.	
September ..	208	191	188	170	222	210	199	187	191	171	173	151
October ..	219	208	200	189	224	217	201	194	169	154	149	135
November ..	229	214	211	196	220	216	201	195	165	155	151	138
December ..	225	217	208	198	231	218	211	197	173	161	157	145
January ..	222	198	203	185	231	225	209	202	178	168	162	152
			March.				March.					
February ..	199	187	183	170	229	220	211	202	..	..	..	..
March ..	198	187	182	169	252	227	238	208	..	..	..	..
			May.				May.					
April ..	204	195	189	180	251	225	240	212	..	..	..	..
May ..	201	197	190	184	236	227	231	215	..	..	..	..
	July-Aug.		July.		July-Aug.		July.					
June ..	223	211	208	193	240	222	234	214	..	..	..	..
July ..	242	222	219	202	218	192	212	192	..	..	..	..
			Dec.-Jan.				Dec.-Jan.					
August ..	229	220	197	188	195	178	193	172	..	..	..	..

TABLE XXVII—*contd.**Spot Rates*

(In Rupees per Candy)

	1935-36						1936-37						1937-38					
	F. G. Broach.		Fine Oomra.		Kampala A. R.		F. G. Broach.		Fine Oomra.		Kampala A. R.		F. G. Broach.		Fine Oomra.		Kampala A. R.	
	H	L	H	L	H	L	H	L	H	L	H	L	H	L	H	L	H	L
September ..	221	209	..	..	346	321	226	224	..	..	358	345	177	174	..	..	365	332
October ..	..	..	..	..	358	346	..	..	..	..	373	360	..	..	..	..	329	312
November ..	..	..	226	218	369	355	..	..	207	200	374	369	..	..	154	154	312	302
December ..	..	..	220	206	369	362	..	..	214	201	386	373	..	..	161	151	307	299
January ..	..	..	210	184	365	328	..	..	212	205	388	378	..	..	168	153	315	303
February ..	191	188	188	175	324	305	227	219	214	204	376	366	..	..	..	..	..	..
March ..	200	188	188	174	318	307	252	226	241	210	451	373	..	..	..	..	..	..
April ..	207	198	193	186	337	317	251	226	242	214	448	415	..	..	..	..	..	..
May ..	207	200	196	188	337	325	240	228	237	217	436	416	..	..	..	..	..	..
June ..	224	211	213	198	350	341	240	222	236	215	441	411	..	..	..	..	..	..
July ..	243	223	224	205	363	345	218	193	213	186	407	383	..	..	..	..	..	..
August ..	230	221	206	205	346	338	197	176	188	188	386	364	..	..	..	..	..	..

*Compiled on the basis of figures published or supplied by the East India Cotton Association.

TABLE* XXVIII

Quarterly averages of Rates of Cotton (Raw)

(In Rupees per Candy)

	Hedge Contracts.		Spot Rates.		Kampala A. R.	Remarks.
	Broach.	Oomra Fine.	Broach F. G.	Oomra Fine.		
September to November 1935 ..	214	195	215(a)	223(b)	352	(a) September 3rd to 14th; (b) November 22nd to 30th.
December 1935—February 1936 ..	207	189	190(c)	196	340	(c) February 25th to 28th.
March—May 1936 ..	198	183	200	188	325	
June—August 1936 ..	224	201	225	210(d)	347	(d) Up to 8th August.
September—November 1936 ..	218	196	225(e)	203(f)	364	(e) September 1st and 2nd only; (f) November 4th to end.
December 1936—February 1937 ..	225	205	223(g)	208	377	(g) From February 8th to end.
March—May 1937 ..	238	226	238	228	424	
June—August 1937 ..	209	202	208	212(h)	400	(h) Up to 2nd August.
September—November 1937 ..	168	150	175(k)	154(l)	325	(k) September 1st to 4th; (l) 30th November.
December 1937 and January 1938†	170	153	.. (m)	157	305	(m) No quotation.

*Compiled on the basis of the figures published or supplied by the East India Cotton Association.

†Two monthly averages only.

PRICES OF CLOTH AND YARN

103. We may now consider the other aspect of the profit margin, that is, the price of cloth. The Calcutta and the Bombay wholesale index numbers both contain a group index number for the prices of cotton manufactures. The Calcutta group of cloth price quotations consists almost entirely of quotations for varieties of imported cloth. That index number is, therefore, not suited to our purpose. The Bombay cotton manufactures group index is in this respect better constituted. Even that group index, however, contains some quotations for imported varieties; it was also compiled many years ago and is not capable of reflecting fully the present cloth market conditions. We have been supplied with some figures of prices of different varieties of cloth that obtained in Sholapur and Ahmedabad during various months of 1937. We do not, however, know the extent to which the prices of these varieties represent cloth market conditions in these centres; we do not also know whether these varieties are standardised and whether the price quotations have been obtained in a uniform manner. Some individual mills in Ahmedabad have also supplied us with figures of the average price obtained by each of them for its total cloth sales for the different months of 1937. Most of these figures, of average price realised from cloth sales, show a uniform tendency for cloth prices to rise during the first half of the year; from the middle of the year they decline a little, but at its end maintain a level higher than at the beginning. We cannot, however, use these figures as indicating the trends in the cloth market. They represent average prices of the total cloth sales of each individual mill for each month. The composition of the total cloth sales would necessarily differ from month to month; for this reason these average figures are mutually not comparable. We base our conclusions, therefore, mainly on the price quotations for cloth published fortnightly by the Bombay Mill-owners' Association. The quotations are for the prices of standard varieties of drills, dhoties, long-cloth and shirtings and have been published regularly for a series of years. The most important recent trend revealed by these figures is for the prices of drills, long-cloth and shirtings to fall a little and for the prices of dhoties to rise. We have had prepared an index number of these price quotations in order to obtain an accurate idea of the total effect of the various price movements. The index is a weighted index; the weight given to each quotation is calculated according to the proportion that the production of each variety of cloth which the quotation represents, bears, in the particular period, to the sum of the production in that period, of all the varieties for which the price quotations are available. As production figures for long-cloth and for shirtings are not separately available, these two quotations have been combined and the weight of the appropriate production figures attached to this combined quotation. Production figures for the last four months of 1937 are not yet available. The index number for these four months has, therefore, been weighted according to the average production of each variety during the first eight months. We have thus exercised all the necessary care in the preparation of this index number;

and it may be taken to represent fairly the trend of cloth prices in Bombay :—

TABLE XXIX

Composite weighted Index Numbers of Cloth Prices per Pound, 1933-1937.

(Base 1933=100)			
1933	..	..	100
1934	..	..	99
1935—			
January-March	..	..	99
April-June	..	..	97
July-September	..	..	96
October-December	..	..	95
1936—			
January-March	..	..	94
April-June	..	..	93
July-September	..	..	93
October-December	..	..	92
1937—			
January	..	..	94
February	..	..	94
March	..	..	94
April	..	..	96
May	..	..	97
June	..	..	97
July	..	..	96
August	..	..	96
September	..	..	97
October	..	..	96
November	..	..	96
December	..	..	96

104. The index number points to a continuous decline in the prices of cloth from 1933 till the lowest point was reached in the last quarter of 1936. It then rapidly moves forward to a high point in May and June 1937; from this high level it declines by a point and remains at this slightly reduced level for the rest of the year. The index number for December 1937 thus stood at a height above that for 1936 and for the last quarter of 1935 and at a level equal to that of the third quarter of 1935. It reveals no downward trend in cloth prices in recent months. These data lead us to the conclusion that cloth prices have so far in the current year been above the level of prices for 1935-36 and 1936-37 and that it is unlikely that the average prices obtained for cloth for the whole of the current season will be lower than the averages of the two previous years.

105. Some reference may be made in this connection to forward sales of cloth effected by the mills. We have been supplied by the Sholapur millowners with definite information regarding such sales. The figures which represent the total forward sales by all the mills together, show that on 23rd December 1937 these mills as a whole were sold in advance to about three months' production capacity. Exact information of

this type is not available for other centres. We have, however, been advised that a number of Bombay mills have made forward sales extending in some cases to as much as six months ahead. We were also told that dealers might have entered into forward contracts for even a longer term, but that the millowners themselves did not think that forward sales for a longer period were in their interest. We were advised that forward sales would not amount to more than two months' production in Ahmedabad. The comparatively small extent of forward sales in this centre was, we were told, due to the radically different character of its sales organisation, it being the usual practice in that centre to sell cloth from week to week and from day to day.

106. On a *priori* grounds the cloth market should have received a setback in August last on receipt of the news of the fall in the price of cotton. Ordinarily, a pronounced fall in the price of raw materials should lead to expectations of a fall in the prices of the manufactured goods and the immediate reaction of the traders would be to hold back, waiting to take advantage of the reduced prices. Such a movement, however, did not take place in the Indian cloth market either immediately or after an interval. This indicates that demand for piecegoods has been active and that informed opinion in the piecegoods market does not expect cloth prices to follow the trend in the price of cotton. The maintenance of the low level of stocks of cloth referred to in a previous chapter, strengthens the same conclusion. We are, therefore, justified in holding that mills do not find any difficulty today in disposing of their increased production at existing prices and it is unlikely that they will experience such difficulty in the near future.

107. In its evidence, the Bombay Millowners' Association laid considerable stress on the likely effects on cloth prices of the heavy importations from Japan during the last quarter of 1937. The Association also placed us in possession of certain reports regarding special efforts planned in Japan to stimulate these imports. It is not possible for us to enter at any length into this question. We shall content ourselves with only two observations. Firstly, a country exporting goods under a quota restriction has ordinarily no incentive to depress prices unduly. Secondly, though the imports from Japan reached an unusually high level in October 1937, they do not yet seem to have had any depressing effect on the prices of cloth in India.

108. It is necessary to say a few words about the price of yarn. The data are not so easily available nor can they be definitely interpreted in this case. It is, in the first instance, difficult to ascertain the proportions, of yarn consumed in the weaving sheds and of the yarn sold, to the total mill production of yarn. The fluctuations in the prices of yarn will affect only that portion of yarn production which is sold. Figures for 1936 and 1937 supplied to us by the Sholapur mills show that approximately a fifth of the total yarn production of Sholapur was sold, four-fifths being consumed in the

weaving sheds. Of the three major centres of industry, Sholapur sells the largest proportion of its yarn production. In Bombay, it will perhaps be safe to put the proportion of yarn sales to production at about one-sixth. In Ahmedabad sales of yarn are in negligible quantities. For lack of data again, we cannot ascertain the proportion of the proceeds of the sales of yarn to total realizations. A rough estimate would, perhaps, be 15 per cent. for Sholapur and 10 per cent. for Bombay. The same lack of data which makes it difficult to assess the importance of yarn sales in total realizations makes it even more difficult to compile an index number of yarn prices. Beyond the statement that most sales are for counts below 20s, for which we have the authority of the Tariff Board*, we have no information about the distribution of the total yarn sold, among different counts. It becomes, therefore, impossible to compile a proper weighted index number of the price of yarn. We have had, in the circumstances, to prepare an unweighted index number. For the preparation of this index number we have taken into account the prices of the following counts of yarn 10½s, 20s, 32s, and 60s.

109. Yarn prices show much greater fluctuations than the prices of cloth and seem to follow much more closely the variations in the price of cotton. Our unweighted index number in the table below brings out the fluctuations. It further shows a fall in the prices of yarn during the last quarter of 1937. But even so, the prices in December 1937 are two points above the average price for 1935-36; they are at the same time 2 to 3 points below that of 1936-37. This means that if prices remain at about the same level as in December 1937—an assumption indicated by the course of prices in January—the average realisations from yarn sales would be about the same as in previous years. For the industry as a whole, realizations from yarn sales form a very small proportion of total realizations. Even in centres where yarn sales are of importance, quite a considerable further fall in prices will be necessary before the margin of profit is materially affected. Looking to the comparative unimportance of yarn sales and to the fact that yarn prices are even today on a fair average level, we consider that it is unnecessary for us to take account of this factor in our calculations:—

TABLE XXX

Unweighted Index Numbers of Yarn Prices per Pound, 1933-1937

(Base 1933=100)

1933	..	..	100
1934	..	..	99
1935—			
January-March	..	..	113
April-June	..	..	110
July-September	..	..	109
October-December	..	..	112

* Indian Tariff Board Report, 1932, page 38.

TABLE XXX—*contd.*

1936—		
January-March ..	..	106
April-June ..	..	104
July-September	...	103
October-December	..	102
1937—		
January ..	..	108
February ..	..	110
March ..	..	112
April ..	..	115
May ..	..	116
June ..	..	117
July ..	..	114
August ..	..	111
September ..	..	111
October ..	..	111
November ..	..	109
December ..	..	108

COMMODITY PRICES

110. We must, in this connection, also examine the course of prices of agricultural commodities and other raw materials. It has been argued that there is a definite downward trend in the prices of all agricultural products and that this will soon be reflected in the conditions of the cloth market. The Indian countryside constitutes the most important single source of demand for the products of the Indian cotton textile industry and any slump in agricultural prices will react unfavourably on the fortunes of that industry. We cannot, however, read in the price data available to us any signs of such a general slump. There is no doubt that there has been a distinct fall in the prices of certain commodities. Prices of raw materials, in general, have further not been able to maintain the high level that most of them attained during the first quarter of 1937. They are, on the other hand, maintaining a level distinctly above that reached during the years of depression. The composition of the various groups of raw materials in both the Calcutta and the Bombay wholesale index numbers is not very satisfactory. They may not thus be very safe guides in this matter. Yet they serve to bring out the general character of the movements during the last two years.

TABLE XXXI

Index Numbers of Wholesale Prices in Bombay and Calcutta by Groups

(Prices in July 1914=100)

Period.	Bombay.*					Calcutta.†						
	Cereals.	Pulses.	Other food grains.	Oil Seeds.	All Com- modities	Cereals.	Pulses.	Other food grains.	Oil seeds.	Jute Raw.	Hides and Skins.	All Com- modities.
1914 End of July	100	100	100	100	100	100	100	100	100	100	100	100
1933 Annual Average	84	77	144	63	98	66	84	91	74	41	59	87
1934 " "	77	73	140	66	95	69	84	97	92	39	51	89
1935 " "	82	78	141	95	99	75	85	101	107	50	59	91
1936 1st Quarterly Average (Janu- ary to March).	79	75	123	95	95	78	78	107	100	54	76	91
1936 2nd Quarterly Average (April to June).	77	70	119	97	94	78	75	113	98	50	65	91
1936 3rd Quarterly Average (July to September).	85	75	124	99	97	79	77	105	104	45	66	91
1936 4th Quarterly Average (Octo- ber to December).	89	78	124	96	99	81	78	112	103	51	75	93
1937—January	97	82	127	98	104	81	93	113	105	51	86	98
February	95	76	128	98	103	79	92	115	109	52	83	99
March	100	85	136	101	110	78	84	111	110	54	83	100
April	98	85	139	100	108	79	84	118	114	62	84	103
May	99	85	141	101	109	78	86	120	115	63	83	103
June	92	84	141	100	106	75	87	123	114	57	81	102
July	95	87	141	100	106	78	90	126	120	57	79	104
August	93	87	142	100	106	78	89	129	119	55	81	105
September	94	87	139	100	106	78	90	132	120	55	81	104
October	93	85	143	97	105	76	90	137	117	58	79	105
November	91	85	152	95	105	74	90	137	114	53	74	103
December	92	85	146	97	104	72	92	136	118	50	74	102

*Figures taken from the *Labour Gazette*.† " " " *Indian Trade Journal*.

111. It would take us too far out of our proper sphere if we launched on a discussion regarding the recent trend of these prices. We may, however, express briefly our view of the present situation in this regard. We do so with a due sense of the limitations and uncertainties involved. It seems to us that a pronounced fall has come about this season only in a few major commodities, chiefly in raw cotton and ground-nuts. Even after the fall, the prices of ground-nut maintain a level much higher than the depression level. On the other hand, some products like linseed stand above the level, even of the latter part of 1936. In several other products, such as wheat, rice and jute there have been recessions, yet their prices still keep well above the depression level. There is thus no evidence of an all round decline. There are also no indications of a general nature which would raise a presumption in favour of such a decline. It should be realised that the movement of prices during the last agricultural season, especially during the first quarter of 1937, was essentially of a temporary character. The sudden upward movement in the demand for raw materials sent up their prices too high. A natural reaction is being experienced this season. This is, however, not a sign either of a falling off in the demand for agricultural products or of the beginning of a slump in agricultural prices.

112. Indices of productive activity in the country representing industrial and mineral production are also on the upward grade. Demand for cloth from urban and industrial centres should, therefore, continue to rise. Abroad, there have been talks of a slackening of the pace of production and of small recessions following boomlets; but the statistics of production and trade continue, in most important countries, to maintain a high level. No indications are forthcoming to show that the demand from industrial markets for raw materials will slacken to any considerable extent in the near future. Barring the element of political uncertainty, which overcasts the entire horizon, there appears to be no impediment in the way of the steady progress of economic recovery. We conclude that though in individual commodities a price fall—which may have some repercussions—has taken place, no general decline in the prices of raw materials is indicated and that Indian and world economic conditions do not suggest the possibility of such a decline.

WIDENING OF PROFIT MARGIN

113. The extent of the fall in the price cotton thus clearly points to a substantial increase in the manufacturer's margin. The distribution of the total cost of production among its various component parts, as shown by a study of the consolidated balance sheet presented by the Bombay Millowners' Association for 1936, has been given in a previous chapter. The financial statement submitted by the Ahmedabad Millowners' Association does not contain the details necessary for making a similar analysis. It is not, however, necessary for our present purpose to have exact percentages and we adopt as a working hypothesis the following

distribution of the average component costs* for the mill industry of this Province :—

Cotton	..	..	..	..	50	} 25
Wages and Salaries	..	..	..	..	22·5	
	..	..	..	..	2·5	
Others :						
Power, Fuel, Stores, Depreciation, Interest, Commission, Taxes, Profits, etc.	..	..	..	..	25	

We shall use this distribution only for the purpose of noting what the various cost elements are and for very roughly indicating their comparative magnitude. It is clear that raw materials and wages are overwhelmingly the most important elements in cost, and it is chiefly the variations in these two that affect the manufacturer's margin of profit. Even considerable variations in expenditure on other items will only slightly affect the margin.

114. We shall now estimate the extent to which the margin will widen in 1938. We begin a consideration of this question with the level of profits obtaining during the latter half of the year 1937 as our starting point. An estimate of this level will be found in the chapter dealing with the financial position. In that chapter we have arrived at the conclusion that the working of the year 1937 will without allowing for any advantage that may accrue from the fall in the price of cotton enable the Bombay industry to earn reasonable depreciation charges and to declare fair dividends. In reaching this conclusion we have also allowed for the recent rise in the prices of stores etc. What are the likely variations in items of cost other than cotton and labour during the year 1938? Power and fuel charges are unlikely to increase in Bombay, but it has been suggested to us that a small increase in the cost of coal in other centres may take place during 1938. Prices of some of the materials included in the item stores, etc., may also increase further during the present year. There are no indications that conditions in the money market will be less easy during this year than they have been in the past; no addition to the proportionate incidence of the interest charges need, therefore, be expected. With an increase in the volume of business the amounts of commissions may increase, but hardly their proportion to cost per unit. Depreciation we have already discussed in detail and allowed for adequately. The main allowance for an increase to be made during 1938 will be for a possible increase in the prices of coal and of some of the stores consumed. If stores represent 10 per cent. of the cost of production, even an over-all 10 per cent. increase in their prices will affect the total cost only to the extent of 1 per cent. We, therefore, consider it fair to put the possible increment in cost elements due to factors other than raw materials and labour during this year at between 1 and 1·5 per cent. of the total cost.

115. The estimates of additional profit due to the fall in the price of raw cotton will vary from centre to centre in proportion to the consumption of Indian and foreign cotton in the preceding years. We deliberately

*This is roughly the distribution shown by the Bombay Millowners' Association consolidated balance sheets for the years 1935 and 1936.

say preceding years, because any substitution of foreign cotton for Indian during the current year will be the result not so much of the needs of production as of the price relationship in favour of foreign cotton. More American cotton may be bought not because the character of the production requires it (this is evidenced by the very small consumption of American cotton in the last two or three years) but because the advantage to be obtained from its purchase is even greater than the advantage obtained from the purchase, as in former years, of Indian cotton. Purchases of American cotton may thus be said to represent even an extra source of profit, which, however, we shall ignore. In Ahmedabad the proportion of foreign cotton to total consumption of cotton has in some years been as high as $\frac{2}{5}$ th; in Sholapur it is usually $\frac{1}{10}$ th. Assuming that the price of cotton accounts for half the total cost of production and calculating the widening of the margin on the basis of a 20 per cent. fall in the price of Indian cotton and 15 per cent. in the price of foreign cotton, we find that this widening amounts to 9 per cent. of the cost of production for Ahmedabad, 9.5 per cent. for Bombay and 9.75 per cent. for Sholapur. For the Province as a whole, the average reached would be a little over 9.3 per cent. We reduce this percentage by 1.3 for meeting as indicated above, a possible increase in the other elements of cost. This leaves us with a net widening of the profit margin by 8 per cent.

116. The assumptions involved in the calculations of the widening of the profit margin may be restated. They are that the average price at which cotton will be available to the mills in the cotton year 1937-38 will be equal to the average price obtaining for Indian and foreign cotton during the months of December 1937 and January 1938. In view of the general depressed condition of the Indian cotton market, the large forward purchases that have already in all probability been made by the mills at rates even lower than those for these two months, and the considerable spot purchases that are going on at current rates, our assumption is, we believe, fair. We have, it may be reiterated, made our calculations regarding the extent of the average fall so conservatively as to allow for a fair measure of fluctuations. Our assumption regarding cloth prices is that the average price obtained by mills for the year October 1937 to October 1938 will not be lower than the average price of the two previous years. The index number of cloth prices compiled by us was already during the last quarter of the year 1937 more than one point above the level of the year previous to October 1, 1937, and more than two points above that of the year previous to October 1, 1936. Thus sales have been effected for some months past at prices above the average price which is the basis of our calculations. Forward sales covering anything from two to six months' future production have been made at current prices. For our assumption to prove correct it is only necessary that cloth varying from four to eight months' production in the various centres—which remains to be disposed of during the period to which our calculation refers—should not fetch prices so low that taking account of the transactions already effected the average of the year is brought even below that for 1935-36 and 1936-37.

CHAPTER VII

Conclusions and Recommendations

CONCLUSIONS

117. We have, in the foregoing chapters, sketched in some detail the "present condition" of the cotton textile industry of this Province. With that picture before us, it now remains to formulate our conclusions. This is a task that is much more difficult than that of understanding the condition or evaluating the betterment. We have also in this matter almost no precedents upon which to proceed. It may be noted that while our study of the industry has so far as details are concerned taken account of only the three major centres, it has for all the principal factors covered the Province as a whole. Neither the time at our disposal nor the nature of the issues involved permitted a detailed study of individual units in the isolated centres of industry. In considering whether the general condition of the industry, employing as it does thousands of workers in 16 centres in the Province, warrants an increase in wages, it is not possible to enter into the history and financial position of the individual unit. It will, however, be obvious that most of the general considerations we have put forward apply as much to the individual units in scattered areas as to the big centres of industry.

118. Before we proceed further it is necessary to explain what we understand by the phrase "an immediate increase in wages can be given" in our terms of reference. Do these words refer to the ability of the industry to bear an increase and is the "ability to bear" to be interpreted in the sense in which industrialists use that phrase? The determination of the ability of the industry to bear a wage increase is fraught with enormous difficulties. So far as we are aware, this concept has never been defined with clarity and precision. There are two main problems involved in its consideration. What is the unit of industry which is to be considered in connection with this determination and how is the ability to be determined? Various answers have been proposed to the first question. The unit may be either the marginal unit or the "representative firm" or the average unit. By its very definition, the marginal unit is unsuitable for this purpose. If we hold that industrial activity is being continuously extended to the furthest limit that any set of circumstances warrant, then the marginal unit in the industry will be a unit which just cannot bear any alteration of the circumstances in an unfavourable direction. With reference to a marginal unit, therefore, an increase in any item of the cost of production will not be justified unless the margin has been temporarily lifted and there have, in the meanwhile, come into being no new marginal concerns and no new extensions of the activities of old concerns towards the new margin. Recent statistical investigations have found the concept of the "representative firm" to be a will-o-the-wisp which no attempt should be made to chase. The average is a seemingly better device, though in essence

it is merely a mathematical abstraction. The consolidated position on which the Bombay and Ahmedabad millowners rely for most of their arguments is really a kind of an average. While discussing the financial position of the industry we have already drawn attention to the dangers involved in the use of that particular average. In addition to what has been said there it should be remembered that, in an industry where all units have to possess capital equipment and resources on a large scale, the process of weeding out the inefficient is necessarily a slow one. In Bombay, there are instances of concerns which have over a series of years—good and bad—not been able to set aside even a small proportion of funds for depreciation. Ordinarily, such concerns would be taken into liquidation or their financial structure radically altered. It is obviously not fair to take into account such concerns when considering the question of the ability of the industry to pay. They, however, affect the average, in some instances, to a very considerable extent. Again, there have been numerous changes in the ownership of mills in Bombay in recent years, and a large number of the newly constituted concerns have yet, so to say, to find their feet. The results of their operations cannot be taken as indicating the ordinary profit-making capacity of the industry; yet they would affect the consolidated position. The idea of getting over these difficulties by selecting a few mills and examining their working had to be rejected for obvious reasons.* For, no such selection could be really wholly representative and the conclusions derived from such a study would be criticised by one or the other side as being vitiated on account of the misleading basis.

119. The determination of the "ability" presents perhaps even a larger number of complex problems than the choice of the unit, apart from the statistical problems involved in measuring the operations of industry, the net product of these operations and the variations in the net product. This determination is possible only if a large number of other factors are taken as pre-determined. An attempt to calculate the ability of the industry to bear a given burden involves an enquiry into whether the industry is at present economically and efficiently managed and whether all the burdens it carries are equitable and just. It is not possible for us in this Report to enter into issues of this character.

120. We, therefore, interpret the term "can be given" not as "ability to bear" in such technical sense as the phrase may possess, but in the more ordinary sense of trading conditions permitting the industry to give the increase. Such a commonsense interpretation suits the theme. The structure of industrial costs is essentially not rigid. A considerable number of adjustments are always possible and are being continually made. Technical inventions are proceeding apace. There is always scope for changes in business methods and management technique. Efficiency of labour can also respond to favourable changes in its

*The difficulties involved in the concept of the "reputable" or "reasonably efficient" firm as defined in Australian law are discussed by E. M. Burns—Wages and the State, 1926, pp. 378-379.

terms of employment—as convincingly shown recently by the production of the weaving sheds after the introduction of the 9-hour day. Finally, even ideas regarding the proper magnitude of commissions, dividends and business charges may alter. The wage that an industry can bear is thus essentially indeterminate, within fairly wide limits. We, therefore, conclude that we shall discharge our responsibilities adequately if we consider whether there is an approach to normal trading conditions in the industry, and, if these conditions show an improvement warranting an increase, correlate the increase in wages to the extent of the improvement.

121. We may here examine some of the grounds on which exception has been taken to an increase in wages being granted. The plea has been put forward that now that the industry has begun to look up, the first claim on the profits should be that of provision for depreciation. The question of the appropriate provision for depreciation has been dealt with at some length in Chapter V, and here we would content ourselves with the observation that the level of wages for the industry as a whole cannot be allowed to remain depressed merely because some weak or inefficient units fail to earn enough to cover provision on an adequate scale for the depreciation of their plant and machinery. Secondly, provision for depreciation to be adequate need not be at the rate of 4 per cent. to $4\frac{1}{2}$ per cent. of the value of the undepreciated block, as is evident from the provision made in the past by some mills that have paid dividends out of profits. Nevertheless, we agree that provision has to be made for depreciation before arriving at the net profits. In framing our recommendations for the different centres we have taken into account the amount of increased provision, if any, required for this purpose in the principal centres.

122. The argument about precedence being given to the re-equipment of plant emanates mainly from Bombay. In Bombay, this primary duty was to some extent overlooked after the post-war boom period, but a certain measure of re-equipment has been in progress since the subsequent reconstruction. Figures of the amounts spent for the purpose have been given in Chapter V. These clearly show that even in the last few years of depression the amount of capital expenditure on replacement and renewal has not been meagre. In addition, it may be observed that the larger profits from normal trading for 1937, which the proposed increase in wages will not affect, will also be available for the purpose. The problem of re-equipment presents no obstacle either in Ahmedabad where the industry is of more recent growth than Bombay, or in Sholapur where the larger mills have reserves on which they can draw.

123. Considerable emphasis has been laid by the millowners on the temporary nature of the present conditions and the need for waiting for a long period, say two years, before considering whether a wage increase can be given. We have already stated our view that the present improvement is not of a purely temporary nature.. It seems to

us that there is little justification in the plea of the millowners that the workers should not make a demand for increase in wages till improved conditions have obtained over a long period. In the first instance, it will not be possible to find, under the present fluctuating conditions, a period of two years which at one time or another does not show some temporary recession. In the second instance, it will be difficult to persuade workers to refrain from putting forward demands for increases as soon as clear signs of prosperity are evident. That is why labour demands are numerous in the early years of recovery. This feature has not been wanting even in the present world recovery as the following extracts from the World Economic Survey (1936-37), will show: "As production and profits have increased, a renewed drive for higher wage rates has been launched in many countries. A rising cost of living may have added impetus to the movement, but..... the movement seems caused more by a desire to obtain a share of increasing profits than by pressure from a rising cost of living"*.

124. The fact that in all the three principal centres of the industry, in the Province the workers' wages have been subjected in recent years to cuts in varying proportions serves to add force to such a desire. We have enumerated in Chapter III the reasons for the wage cuts, the extent of the cuts, and the effect of the cuts on earnings. Demand for the restoration of the cuts have been made on behalf of labour from all the three principal centres. As, however, in accordance with the terms of reference, our line of approach has been to determine the possibility of an immediate increase in wages in the light of the present conditions of the industry, we do not propose to examine in detail whether the grounds on which the cuts were claimed as being justifiable hold good any longer. In the course of our review of the position, it has been made clear that the depression, which was adduced as the principal justification for the wage cuts, has lifted and that the capacity of the industry to earn profits is distinctly better to-day than it was when the cuts were imposed. It is not inappropriate for labour, in these circumstances, to entertain the hope of being able to participate in the relative prosperity which the industry now enjoys. It is because of the reassuring position of the industry that we hold that it can well face the future in a spirit of confidence and can meet, out of the substantial betterment that has accrued and will continue to accrue for the greater part of the current year, additional charges of a reasonable magnitude for raising the wage level.

125. We have in Chapter VI already estimated the net widening of the margin of profit due to the fall in cotton prices in the Province as a whole and for the three principal centres in particular. We consider this surplus, amounting to 8 per cent. of one year's total costs of production, as being available for distribution in such ways as may be thought advisable. We consider that the general recovery and the recovery in textiles are not temporary as they are based on trends which are visible in almost all aspects of economic activity in most

countries of the world. "The increase of activity . . . is not uniform for all countries, the variations depending in part on the stage of the general recovery in which the national economy as a whole happens to be. But the general upward trend is unmistakable. All indications seem to point to the conclusion that this upward trend in the textile industry is likely to be of some duration."* The improvement of the last year and of the current year due to trade recovery we do not propose to entrench upon for an increase in wages. For this year it is only the surplus resulting from the fall in the price of cotton upon which we would draw. In order, further, that the industry may have time to adjust itself to the proposed increase in the annual wages bill and that the additional burden may be met without difficulty in the subsequent years as well, we suggest an increase not to the extent of the entire but of half the amount of the surplus. The increase in the total annual wages bill would thus amount to a sum which the industry could find for a period of two years from this year's special profits due to the fall in the price of cotton.

126. While proceeding to determine this amount in terms of the wages bill we must take into consideration one contingent factor to which our attention has been drawn by Government†, namely, the proposed legislation relating to sickness and old age benefits. It is difficult to estimate the effect of this contingent factor in statistical terms. We may, however, allow for four weeks' wages as the possible cost to the industry of this legislation for the years 1938 and 1939 on the basis of one week's wages in 1938 and three weeks' wages in 1939. Assuming the wages bill to be 22·5 per cent. of the total cost of production we find that within the available 8 per cent. of the cost of production an average increase of about 12 per cent. in wages can be given. We give the details of the calculations. An increase of 12 per cent. in the wages bill means a rise of 2·7 per cent. in the cost of production. The increase for 2 years will therefore amount to 5·4 per cent. of one year's total cost of production. The cost on account of the proposed legislation as calculated on a wages bill, inclusive of the proposed increase of 12 per cent., amounts approximately to 1·94 per cent. of the cost of production. The total cost of the 12 per cent. increase in the wages bill, together with the possible addition on account of the proposed legislation during the next two years, will amount to 7·34 per cent. of the total costs of production of the industry for one year. This is as against the available margin of 8 per cent.

127. Finally, it may be made clear that while we have calculated the proposed increase in wages on the basis of an estimate of the special profit that the industry is likely to receive as a result of the fall in the price of cotton, the ground on which we feel justified in recommending any increase in wages is the cumulative effect of a general improvement in the condition of the industry. A widening of the margin as

*I.L.O. The World Textile Industry, 1937, Vol. I, page 318.

†Please see Appendix D.

a result of a fall in the price of cotton may come about even during years of depression. It would then be regarded merely as a windfall and if the workers claimed and obtained any share in such a windfall that would be of a temporary nature. The profit due to the fall in the price of cotton to-day is also a partial windfall but it accrues during years of good trading profit. Even at margins ruling during 1937, all mills, whose financial structure or technical equipment were not essentially unsound, should have earned substantial profits. It is this betterment,—the result of a general trade recovery which we consider should normally last for some time—that is the true basis of our recommendations. It was possible to obtain only for Bombay complete and comparable figures of financial results for a period so recent as the first half of the year 1937. For other centres, the financial results for the latter half of 1937 could not be estimated satisfactorily. On the other hand, approximate calculations regarding the prospective gains due to the increased margin of profit could be made for all the centres of the industry. We have, therefore, thought it convenient to measure the proposed extent of the increase in wages in terms of those gains. Our recommendations leave untouched the results of normal improvements in trading conditions. They further give the millowners a margin of two years within which they should be able to make the necessary adjustments to render it possible for the industry to bear the proposed increase in wages in subsequent years.

RECOMMENDATIONS

128. It has been suggested that any increase in the wages bill proposed by us should be distributed in such a manner among the various categories of workers as to afford special relief where it is most needed. It was, for example, proposed that so far as Bombay was concerned this should be done through an adjustment of the minimum wage schedule of the Bombay Millowners' Association. On various occasions and from different quarters the claims of particular classes of workers were brought to our notice as meriting special treatment. For example, the entire class of winders and reeler in all centres of the industry earns a wage that is admitted on all hands to be low, and this class—as the tables in Chapter III will show—is among those whose earnings have fallen the most in recent years. There are, again, other classes of unskilled workers, especially among non-process operatives, such as women sweepers who get a particularly low remuneration for a whole day's work. Among piece workers, our attention has been specially drawn to frame-tenters who have suffered the most in earnings because of the reduction of hours from ten to nine as they have not been able, for a variety of reasons, to make up their production. The case of two-loom weavers in Bombay mills has also been brought to our notice. The contention of the Bombay Millowners' Association that their member mills work up to a minimum level of Rs. 35 per month cannot be sustained, for in a number of mills the average earnings of full-time two-loom weavers amount to no more than Rs. 31-32 per month. There are also the claims of workers on night shift and of those in "rationalized" occupations. We recognise

the importance of the claims of all these classes of workers. We also realise that the individual occupational approach has a considerable attraction. The reasons for rejecting this approach are, however, overwhelmingly strong. It raises an enormous number of complicated problems. The low level of the earnings of reelers and winders is attributed by millowners to larger numbers of women having to be employed than are required. No slight differentiation in their favour (which after all is all that we could have done) can give this class any relief. The entire question of weavers' earnings is again wrapped up in the problem of framing a satisfactory standard schedule of basic rates and allowances. We have given only two instances of special problems. The total number of occupations of workers in textile mills as shown in the 1934 Wage Census is over 200. Each occupation presents the problem of correlating its earnings to the labour and skill involved and for all occupations together there are the innumerable problems of mutual relationship. In rejecting the individual occupational approach we are also fortified by precedents. It is unusual when dealing with general questions of the wage level in a whole industry to complicate the issue by dealing separately with each occupation. The existing methods of remuneration and the existing differentials have to be taken for granted. These matters are best dealt with by adjustments for individual occupations from time to time or as a whole in a systematic effort at standardisation. The millowners themselves, when granting general increases or effecting cuts, have always used the simple formula of an over-all percentage.

129. The second and the easier alternative will be to recommend that wages in the various centres and occupations should be increased by an over-all percentage. We have avoided this course of proposing a uniform rate of increase for workers in all occupations and in all categories of earnings, because in our view the need for relief is much greater in the case of the low paid workers. Accordingly, we have divided all the workers in the industry into five categories and have recommended a sliding scale of increases which will so operate that the workers in the lower categories will earn a rate of increment larger than those in the higher categories. A flat rate of increase on a percentage basis will also accentuate the disparities in wages that already exist between mill and mill. To avoid this, we have so arranged the categories that the rate of increase is scaled down as the level of earnings rises. The lower paid workers will get a larger rate of increment than those who are better paid. At the same time, because of the sliding scale, mills in which the general level of payment is comparatively high, will not be called upon to increase their wages bills in as high a proportion as the mills where the scale of wages is lower.

130. Any scheme of graduated rates of increase creates inevitably the problem of steps. Unless special provision is made, anomalies will arise in regard to the increments obtained by workers earning wages just above and below the point at which the rate changes. It is impossible to remove the anomalies entirely, but their extent can be diminished by providing steps at the dividing lines. We have done this by

recommending that no person in any particular category of earnings shall get, as a result of the increase, a total wage higher than a certain maximum. We may explain the provision by illustrating how it works out in our lowest category of earnings below Rs. 13-8-0. In the absence of such a provision a worker whose earnings in a 26 day pay-period amounted to between Rs. 13-1-0 and Rs. 13-7-0 would, because of the higher incremental rate, get a total wage more than that of a person whose basic earnings were Rs. 13-8-0. We have, therefore, provided that no one whose earnings were less than Rs. 13-8-0 should as a result of the incremental addition get a total wage of more than Rs. 15-8-0. By the operation of this provision a person earning Rs. 13-8-0 will get a wage at least about 2 annas more than a person earning just below that figure. It has also the consequence, however, that all those whose earnings fall between Rs. 13-1-0 and Rs. 13-7-11 are brought together on a uniform level of total earnings at Rs. 15-8-0. Workers within this range of earnings do not get the full increment of their category. Such anomalies are, however, inseparable from any scheme of graduated rates, and the steps we have suggested are so designed as to keep them down to a minimum.

131. We recommend that a difference should be made in the treatment of time-workers and piece-workers in determining the incremental rates to which a worker is entitled. While both the increment and its rate will depend on the net earnings of the individual piece-workers, the rate of increment of time-workers will be based on the fixed time wage of full-time workers in the particular occupation. Thus, if the standard monthly wage of women sweepers in a mill is Rs. 12, all women sweepers who are paid on that basis will be entitled to the rate of increment of the category below Rs. 13-8-0; and if the standard monthly wage of doffer boys in any mill is Rs. 16-4-0 all doffer boys whose earnings are calculated on the basis of that standard wage will get an increment shown against the earning category in our Schedule, Rs. 13-8-0 and below Rs. 25. We cannot, however, adopt the same basis for piece-workers. Their occupational categories are less well-defined and there is no standard rate of earnings fixed for them. Information available to us also shows that considerable variations take place in the average earnings of some classes of piece-workers even from month to month. We are thus led to recommend that the basis both for calculating the increment and for determining its rate should be the actual earnings of each piece-worker. With a similar basis for time-workers, it may be possible for a time-worker whose earnings fall just above the line of division of a category to abstain from work for a day and yet suffer no loss, as this would transfer him to a category with a higher rate of increment. It is possible for time-workers to calculate during any pay-period the total wages they have earned up to any point of time and estimate whether it will just profit them to stay away for a day. Piece-workers usually do not, until the pay-day, know with accuracy the total wages they may have earned in any

pay-period. It is therefore impossible for them to take advantage of our scheme to remain absent.

132. The categories of earnings have been fixed on the basis of a month of 26 working days. We attach supplementary schedules in Appendix E to illustrate how our recommendations will operate where the pay-period is of longer or shorter duration. Lastly, we have excluded from the purview of our recommendations all workers in receipt of earnings of Rs. 75 and above.

133. In view of our findings regarding the "present condition of the industry" and in the light of the conclusions formulated in this chapter, we recommend increases in wages as shown in the following Schedule :—

SCHEDULE

Category of earnings. 1	Rate of increase. 2	Remarks. 3
Below Rs. 13-8 ..	3 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 15-8 as a result of the increase.
Rs. 13-8 and below Rs. 25.	2½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 28 as a result of the increase.
Rs. 25 and below Rs. 35 ..	2 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 39-4 as a result of the increase.
Rs. 35 and below Rs. 40 ..	1½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 43 as a result of the increase.
Rs. 40 and below Rs. 75 ..	1 Anna in the Rupee.	Provided that no person falling in this category shall receive an increase in earnings of less than Rs. 3.
Rs. 75 and over ..	Nil.	

(1) *The basis on which the increase will be calculated shall be the net earnings of each individual worker for each pay-period.*

(2) (a) *In the case of time workers, the rate of increase for an individual worker in any occupation is indicated by the rate shown in the Schedule against the category of earnings within which may fall the wages to which a worker in that occupation working for the full pay-period is entitled.*

(b) *In the case of piece workers, the rate of increase to which an individual worker will be entitled is indicated in the Schedule by the rate shown against the category of earnings within which may fall his net earnings during the pay-period.*

(3) *The earnings shown in the Schedule above relate to a pay-period of 26 working days.*

(4) *In pay-periods containing less or more than 26 working days, the categories of earnings shown in the Schedule should be adjusted in the proportion which the number of working days in the pay-period bears to 26. The maximum and the minimum limits shown in column 3 of the Schedule should also be adjusted in the same proportion.*

(5) *These recommendations apply to the entire body of workers (as defined in the Indian Factories Act but excluding all persons employed in a clerical capacity) employed in the cotton textile industry in the Bombay Province.*

134. The percentage increase in the wages bill resulting from our recommendations will not be the same for each centre of the industry. Without knowing the exact level of present earnings in every occupation and the frequency distribution of workers in each occupation falling within the earning categories framed by us it is impossible to ascertain accurately the increase in the amount of the wages bill. We have, however, made certain calculations in order to arrive at an approximate idea of the additional cost involved. These calculations are based on the data of the 1934 Wage Census and in making them we have placed the entire number of workers in any occupation in the earning category indicated by its average monthly earnings during the census month. The absolute amounts will, no doubt, vary today from those arrived at in this manner on the basis of the 1934 Wage Census data, but the percentage of the increase to total wages yielded by these calculations will be approximately the same.

135. We find that the percentage of increase calculated in this manner is 9·0 for Ahmedabad*, 11·9 for Bombay, and 14·3 for Sholapur. These differences in the percentages are only to be expected as the level of wages is different in these centres. Apart from its fairness, we were induced to adopt a uniform set of categories and increases for the industry as a whole, because we found that this method worked equitably and in a manner suitable to the circumstances and conditions of these three important centres.

136. Ahmedabad did not suffer from the depression practically till 1933 and has throughout the recent years maintained a fairly high level of commissions. It has also been a centre of expanding activity. On the other hand, it effected a wage cut a year or more later than the other centres and the extent of the cut was smaller than it was elsewhere. It has shown during the last ten years a proportionately higher advance in its wage level than any other centre. The recovery also began to be felt in Ahmedabad some months later than in Bombay.

137. The Bombay industry has suffered from long years of depression. It has gone down in its comparative position in Indian industry as a whole. Many mills in this centre have been permanently closed and many others have changed hands during the intervening years. On the other hand, the wage cuts in this centre have been large. In recent years the comparative increase in efficiency has been greater than in other centres.

*In Ahmedabad the cuts under the Delhi Agreement were made after the date of the Wage Census. The cuts must have led to a shifting of some groups of workers from a higher category of earnings to lower categories as compared with 1934 and will result in slightly increasing today the percentage of cost as calculated on the 1934 data.

Its share of the home markets has been expanding and it has gained considerably from the recent extension of the export market. All indices show that the recovery began earlier in this centre and its progress was greater than in either Ahmedabad or Sholapur.

138. The recovery in Sholapur did not perhaps begin as early or progress as far as in Bombay. But the Sholapur industry, though not expanding, is in a very strong financial position. It has been able to pay dividends throughout the years of depression in spite of the high interest charges that some of the mills bear. It has always paid its workers at a low level of wages. Further, on account of the operation of the grain allowance it obtained a considerable saving in the wages bill at an earlier date than elsewhere.

139. It is difficult to attach precise weights to the various considerations set forth above. On a balance of all of them, however, we have come to the conclusion that the grading in the incidence of the wage increase resulting from our recommendations is fair and proper.

ACKNOWLEDGMENTS

140. It has been our good fortune to have had the help and guidance at every stage of our enquiry of our colleagues, Mr. Sakarlal Balabhai, M.L.A., Mr. S. D. Saklatvala, M.L.A., Mr. K. K. Desai, M.L.A. and Mr. R. A. Khedgikar, M.L.A. We have greatly benefited from the advice which they have willingly tendered. Their collaboration has materially assisted us in appreciating the view points of Millowners and Labour on various questions and in understanding the technical problems involved in our enquiry. We may, however, in fairness to them, state that though we have had the fullest advantage of their advice, the responsibility for the views expressed and the recommendations contained in the Report is entirely ours.

141. We are also conscious of our obligations to the Millowners' associations, individual mills, and labour organisations which have supplied the data needed by us. We have been considerably helped in our work by the willing and prompt co-operation which we have received particularly from the Bombay Millowners' Association. Our thanks are also due to the Indian Central Cotton Committee and the East India Cotton Association for the information which they have willingly supplied from time to time.

142. Although this is only an interim report, it has involved the collection, scrutiny, analysis and consideration of a mass of statistical and other information. In dealing particularly with questions relating to wages and the financial position of mills, we have received the greatest possible assistance from Mr. J. F. Gennings, C.B.E., Commissioner of Labour, who undertook several statistical enquiries and compilations specially for us. We have had to draw upon the experience and the services of the staff of the Labour Office to whom we are grateful for the readiness with which they undertook the extra work. Our thanks are also due to Mr. A. W. Pryde, I.P., Labour Officer, Bombay, for placing his knowledge and experience at our disposal.

143. We wish particularly to place on record our appreciation of the substantial help we have received from our Secretary, Mr. S. R. Deshpande, whose wide experience generally in the Labour Department and specially in connection with earlier enquiries into wages, has been of very considerable service to the Committee. Despite his recent domestic bereavements, he put in very hard work, to facilitate the early completion of the Committee's Report.

144. We must also acknowledge the assistance we received from Mr. Y. S. Pandit, Statistical Superintendent of the Labour Office, who compiled for us a number of tables dealing with mill finance. We must also acknowledge our indebtedness to the members of our staff for whom the present enquiry and the preparation of our report have meant very long hours of work and attendance on Sundays and holidays. They have, however, ungrudgingly borne the great strain imposed on them. In this connection it would be invidious to particularise but we must place on record our appreciation of the excellent work done by Mr. R. G. Gokhale, who until recently worked as our Assistant Secretary, and by our Senior Clerk, Mr. G. N. Khopkar.

145. Lastly, we must acknowledge our thanks to Mr. J. A. Neale, Superintendent, Government Printing and Stationery, Bombay, and to Mr. C. J. Saldanha, Manager, Government Central Press, for the care and expedition with which this Report has been printed.

JAIRAMDAS DOULATRAM,
Chairman.

VAIKUNTH L. MEHTA,
Member.

D. R. GADGIL,
Member.

S. A. BRELVI,
Member.

S. R. DESHPANDE,
Secretary.

Bombay, 11th February 1938.

APPENDIX A

TEXTILE LABOUR INQUIRY COMMITTEE

Questionnaire relating to Interim Recommendation

(1) What is the profit of your concern exclusive of depreciation for the first 6 months of the current year? Please also state, what commission has been calculated in arriving at this figure? Please bring up these figures, if possible, up to the end of September 1937.

(2) What would be the depreciation on the income-tax basis for the same period?

(3) Please supply annual statements of profits and depreciation and agents' commissions from 1933 to 1936.

(4) Please state the average daily number of persons employed, the total wages bills and the total production of cloth and yarn during six monthly periods from January 1933 to June 1937. If possible, please bring up the figures to end of September 1937.

(5) Has your financial position improved during this year? If so, what are the factors which have brought about the improvement?

(6) Do you think that the cotton textile industry has been benefited or is likely to benefit as a result of the present position of the cotton and cloth markets? If so, to what extent?

(7) Please state in detail what cuts in wage rates, bonuses, allowances, etc., were effected in your mill or in your centre since 1st January 1933 and the reasons therefor.

(8) In what direction and to what extent have the conditions which may be held to have justified these wage cuts changed today?

(9) Are you of the opinion that in view of the present condition of the industry an immediate increase can be given in any occupation, centre or unit of the industry? If so, what should be the extent of the increase? Please state the factors which you would take into consideration in calculating the increase.

APPENDIX B

*Names of witnesses who appeared before the Textile Labour
Inquiry Committee*

13th December 1937

Millowners' Association, Bombay

1. Mr. Dharamsey Mulraj Khatan (Chairman).
2. Sir Chunilal V. Mehta, K.C.S.I.
3. Sir Hormasji P. Mody, K.B.E., M.L.A. (Central).
4. Mr. F. Stones, O.B.E., M.L.C. (Bombay).
5. Mr. T. V. Baddeley.
6. Mr. T. Maloney (Secretary).

14th December 1937

**National Trades Union Federation and All-India Trade Union Congress
(Provincial Committees)**

7. Mr. Jamnadas M. Mehta, Bar-at-Law, M.L.A. (Bombay).
8. Mr. R. R. Bakhale.
9. Mr. Umar Rajab.
10. Mr. S. C. Joshi, M.L.C., Advocate.
11. Mr. S. V. Parulekar, M.L.A. (Bombay).
12. Mr. S. A. Dange.
13. Mr. R. S. Nimbkar.
14. Mr. S. P. Bhise.

15th December 1937

The Girmi Kamgar Union, Bombay

15. Mr. A. A. Alwe.
16. Mr. G. L. Kandalkar.
17. Mr. G. R. Taldeokar.
18. Mr. Dhaku Janu Lad.
19. Mr. V. V. Paranjpe.

16th December 1937

The Millowners' Association, Ahmedabad

20. Mr. Kasturbhai Lalbhai.
21. Mr. Nanddas Haridas.

17th December 1937

The Textile Labour Association, Ahmedabad

22. Mr. S. G. Banker.
23. Shrimati Anasuya Sarabhai.
24. Mr. S. P. Dave.
25. Mr. A. S. Pandya.
26. Mr. N. H. Shaikh.

APPENDIX B—*contd.***The Mill Kamdar Union, Ahmedabad**

27. Mr. Maganlal Patel (Jt. Secretary).
 28. Mr. J. Bukhari.
 (Mr. S. A. Dange acted as adviser).

20th December 1937

The Millowners' Association, Bombay

- *Mr. Dharamsey Mulraj Khatau (Chairman).
 *Sir Chunilal V. Mehta, K.C.S.I.
 *Sir Hormasji P. Mody, K.B.E., M.L.A. (Central).
 *Mr. F. Stonés, O.B.E., M.L.C.
 29. Mr. V. N. Chandavarkar, Bar-at-Law.
 *Mr. T. Maloney (Secretary).

21st December 1937

Representatives of Mills in Sholapur.

30. Mr. W. T. Cullen } representing the Laxmi Cotton Mills and the
 31. Mr. F. Light } Vishnu Cotton Mills, Sholapur.
 32. Mr. Vallabhadas G. Mehta, representing the Jam Shri Ranjitsinghji
 Mills, Sholapur.
 33. Mr. V. R. Bhatia, representing the Narsinggirji Manufacturing Co.,
 Sholapur.
 34. Mr. Hiralal Shah, representing the Sholapur Spinning and Weaving Co.,
 Sholapur.

22nd December 1937

35. Mr. J. F. Gennings, C.B.E., Bar-at-Law, Commissioner of Labour,
 Bombay.
 36. Mr. N. A. Mehrban, Assistant Commissioner of Labour, Bombay.

23rd December 1937

37. Mr. A. W. Pryde, I.P., Labour Officer, Bombay.

24th December 1937

The Bombay Millworkers' Union

38. Mr. D. K. Jagtap, M.L.A. (Bombay).

The Lal Bavta Girni Kamgar Union, Sholapur

39. Mr. S. G. Sardesai.
 40. Mr. G. D. Sane.
 (Mr. R. S. Nimbkar acted as adviser).

*Appeared before the Committee also on 13th December 1937.

APPENDIX C

No. 315

OFFICE OF THE TEXTILE LABOUR
INQUIRY COMMITTEE, TOWN HALL,
Bombay, 13th November 1937.

From

JAIRAMDAS DOULATRAM, Esquire,
Chairman, Textile Labour Inquiry Committee, Bombay ;

To

THE CHIEF SECRETARY TO GOVERNMENT,
Political and Reforms Department, Bombay.

Sir,

I have the honour to invite attention to Government Resolution No. 1988/34 dated 13th October 1937 in which the personnel and the terms of reference of the Committee were announced. In the terms of reference it is stated that the Committee should make certain investigations and recommendations relating to the "textile" industry. The use of the word textile suggests that the Committee is charged with making investigations and recommendations not merely relating to cotton textiles but all textile fabrics, such as silk, wool, hosiery, etc. At the same time, opinion is almost unanimous among the members of my Committee that it could not have been Government's intention to ask the Committee to cover all textile industries but to confine its attention only to the cotton textile industry. I have, therefore, the honour to request Government to favour me with an early expression of their view on this matter.

I have the honour to be,

Sir,

Your most obedient servant,

(Signed) JAIRAMDAS DOULATRAM,
Chairman,
Textile Labour Inquiry Committee.

APPENDIX C—*contd.*

No. 1988/34-B.

POLITICAL AND REFORMS DEPARTMENT :

Bombay Castle, 20th November 1937.

From

SIR CHARLES TURNER, K.C.I.E., C.S.I.,
Chief Secretary to the Government of Bombay,
Political and Reforms Department;

To

THE CHAIRMAN,
Textile Labour Inquiry Committee.

Subject.—Terms of reference of the Committee.

Sir,

With reference to your letter No. 315, dated the 13th November 1937, I am directed to state that the view of the members of the Committee that the words " textile industry " mentioned in Government Resolution No. 1988/34, dated the 13th October 1937, refer to " Cotton Textile Industry " alone is correct.

I have the honour to be,

Sir,

Your most obedient servant,

(Signed) C. W. A. TURNER,
Chief Secretary to the Government of Bombay,
Political and Reforms Department.

APPENDIX D

No. 693/34-B.

POLITICAL AND REFORMS DEPARTMENT :

Bombay Castle, 30th December 1937.

From

H. F. KNIGHT, Esquire, C.I.E.,
Chief Secretary to the Government of Bombay,
Political and Reforms Department ;

To

THE CHAIRMAN,
Textile Labour Inquiry Committee.

Subject.—Legislation regarding sickness and old age benefits.

Sir,

I am directed to invite attention to paragraph 4 of the Press Communique No. P. 205, dated the 17th August 1937, regarding Government's Labour Policy and to the circular dated 19th October 1937, issued by the Commissioner of Labour on the subject (copies enclosed)* and to state that Government have under contemplation the introduction of Legislation for certain sickness and old age benefits, which might, if accepted by the Legislature, entail an addition of three to four weeks' wages to the annual Wage Bill. I have to add that in the view of Government such legislation cannot in any case come into force before six or seven months. It may take a longer period. I am to request that these facts may be taken into consideration by the Committee.

I have the honour to be,

Sir,

Your most obedient servant,

(Signed) H. F. KNIGHT,

Chief Secretary to the Government of Bombay,
Political and Reforms Department.

*Enclosures not printed.

APPENDIX E

SUPPLEMENTARY SCHEDULES

Schedule of Earnings for a Pay-period of 14 Working Days

Category of earnings.	Rate of increase.	Remarks.
Below Rs. 7-4-4 ..	3 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 8-5-6 as a result of the increase.
Rs. 7-4-4 and below Rs. 13-7-5.	2½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 15-1-3 as a result of the increase.
Rs. 13-7-5 and below Rs. 18-13-6.	2 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 21-2-2 as a result of the increase.
Rs. 18-13-6 and below Rs. 21-8-7.	1½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 23-2-6 as a result of the increase.
Rs. 21-8-7 and below Rs. 40-6-2.	1 Anna in the Rupee.	Provided that no person falling in this category shall receive an increase in earnings of less than Rs. 1-9-10.
Rs. 40-6-2 and over ..	Nil.	

Schedule of Earnings for a Pay-period of 16 Working Days

Category of earnings.	Rate of increase.	Remarks.
Below Rs. 8-4-11 ..	3 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 9-8-7 as a result of the increase.
Rs. 8-4-11 and below Rs. 15-6-2.	2½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 17-3-8 as a result of the increase.
Rs. 15-6-2 and below Rs. 21-8-7.	2 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 24-2-6 as a result of the increase.
Rs. 21-8-7 and below Rs. 24-9-10.	1½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 26-7-5 as a result of the increase.
Rs. 24-9-10 and below Rs. 46-2-6.	1 Anna in the Rupee.	Provided that no person falling in this category shall receive an increase in earnings of less than Rs. 1-13-6.
Rs. 46-2-6 and over ..	Nil.	

APPENDIX E—*contd.**Schedule of Earnings for a Pay-period of 27 Working Days*

Category of earnings.	Rate of increase.	Remarks.
Below Rs. 14-0-4	3 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 16-1-6 as a result of the increase.
Rs. 14-0-4 and below Rs. 25-15-5.	2½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 29-1-3 as a result of the increase.
Rs. 25-15-5 and below Rs. 36-5-6.	2 Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 40-12-2 as a result of the increase.
Rs. 36-5-6 and below Rs. 41-8-7.	1½ Annas in the Rupee.	Provided that no person falling in this category shall receive more than Rs. 44-10-6 as a result of the increase.
Rs. 41-8-7 and below Rs. 77-14-2.	1 Anna in the Rupee.	Provided that no person falling in this category shall receive an increase in earnings of less than Rs. 3-1-10.
Rs. 77-14-2 and over	NH.	