

REPORT
OF
THE EXPERT COMMITTEE
ON
THE TEXTILE INDUSTRY



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF SUPPLY & TEXTILES

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वाणिज्य मंत्रालय
भारत सरकार
नई दिल्ली
Secretary (Textiles)
Ministry of Commerce
Government of India
New Delhi

27 April, 1985

FROM

S. S. Varma,
Secretary to the Government of India,
Department of Textiles, and
Chairman, Expert Committee on Textiles.

TO

Hon'ble Shri Chandra Shekhar Singh,
Union Minister of State for Supply & Textiles,
Ministry of Supply & Textiles,
Government of India,
NEW DELHI.

Sub :- Letter of transmittal — Report of the Expert Committee on Textiles.

SIR,

The Government of India had appointed an Expert Committee vide its Resolution No. 8/6/84-TPC, dated 12th October '84, (modified by Resolution No. 8/2/85-TPC, dated 12th March '85), with Secretary (Textiles) as the Chairman. The work of this Committee was set into motion by my predecessor Shri Harbans Singh and was continued by me after I assumed charge on the 14th February 1985.

2. In the short time available to us, the Committee has tried its best to tackle all the facets of complex problems of the textile industry. The Committee visited different parts of the country to meet with a large number of interests in the textile industry. The Committee also received the views of several Secretaries to Government of India, and representatives of State Governments and many other Government and non-official organisations. The Committee also had the benefit of the views expressed by the Members of the Advisory Committee on Textiles attached to the

(ii)

Ministry. The Committee also had discussions with Smt. Pupil Jayakar, Adviser (Handlooms and Handicrafts). After discussing all aspects covering the large spectrum of problems faced by the textile industry, the Committee has made a set of recommendations with a view to evolving a new textile policy and aiding in its implementation. Our objective has been to evolve an integrated textile policy which would make available cloth of good quality and at reasonable prices to the consumer and also lead to healthy and harmonious development of all sectors of the industry. The Committee is of the firm opinion that an integrated approach based on the package of recommendations has to be adopted, and that a piecemeal adoption of only some of the recommendations may tend to cause further distortions.

3. I have the honour to submit the report of this Committee signed by all the members except Shri S. K. Mishra, who is abroad, but whose organisation has given their full support to it.

4. I would like to place on record our appreciation of the arduous work competently carried out by the Textile Commissioner, Shri S. Ramamoorthi, as Member-Secretary of the Committee and the work done by officers and staff of his office. I would also like to take this opportunity to mention my deep appreciation of the painstaking hard work put in by the members who brought to bear a rich fund of experience to tackle the complex problem in the textile industry.

Yours faithfully,

Sd./-

(S. S. VARMA)

*Secretary to Government of India and
Chairman, Expert Committee on Textiles.*

ENCL :—Report of the Committee.

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CHAPTER I

INTRODUCTION

The Government of India, by a Resolution of the 12th October, 1984 (*vide* Annexure I) constituted an Expert Committee on the Textile Industry to review the present situation in the Textile Industry and to suggest measures for its proper development in the future. The Terms of Reference of the Committee are as follows :—

- (i) To study and review the the present structure of the Textile Industry, particularly the relative role and efficiency of different sectors of the industry, namely, handloom, powerloom and the organised mill sector, with a view to suggesting measures for integrated and harmonious development of these sectors for augmenting the production and availability of textiles both for domestic consumption as well as exports ;
- (ii) To examine the existing industrial licensing, fiscal and trade policies with reference to the textile industry and suggest necessary changes for modernisation and growth in the industry ;
- (iii) To review the existing system of control and regulations and suggest changes, wherever necessary ;
- (iv) To suggest measures which would improve the economic viability of the textile industry and to formulate steps which would be necessary to prevent and tackle sickness in the industry, including structural adjustments in the form of redeployment of Labour and capital ;
- (v) To study the need for modernisation of the textile industry and outline its requirements in terms of infrastructural facilities, capital goods/technology and financial resources for the textile industry ;
- (vi) To examine the factors underlying trends in domestic consumption and domestic production of textiles, keeping in view the varietal mix of the output and the long term requirements of the industry ;
- (vii) To suggest specific roles for different fibres in the context of a dynamic multi-fibre policy, taking into consideration such factors as consumption and production trends,

employment implications in the agricultural sector and ecological consideration between renewable and non-renewable sources ;

- (viii) To suggest measures for ensuring stable raw material prices, including the possibility of buffer stock operations in raw materials ;
- (ix) To suggest measures to increase exports of different types of textiles, particularly value added products, having regard to performance, pattern of world trade and comparative advantage of the Indian textile industry ;
- (x) To examine the distribution and marketing channels with reference to domestic consumption as well as exports and to suggest measures for making these more efficient and cost effective.

1.2 The last occasion when a Committee was appointed by the Government to make a comprehensive review of the Textile Industry was in 1952 when a Committee was appointed under the Chairmanship of Shri Kanungo. Since then, the Textile scene, both in India and internationally has undergone vast changes.

1.3 Nothing short of a comprehensive review of the Textile Industry in all its ramifications was expected from the Committee. The Committee had its first meeting on 30-11-1984 at New Delhi and shortly thereafter a questionnaire was circulated to elicit the views of the various Ministries of the Government of India, State Governments, the Financial Institutions, and several organisations representing varying interests in the Textile Industry. The Committee also visited a number of centres of importance to the Textile Industry in the country and had face-to-face discussions with a large number of Organisations, Institutions etc. These discussions benefited the Committee enormously in appreciating the various perceptions concerning the problems faced by the Textile Industry and solutions thereto.

1.4 While approaching its Terms of Reference the Committee took note of the objectives of the Textile Policy that was announced by the Govern-

ment on the 9th March, 1981. These objectives are well worth reproducing here. These are :—

- (i) Increase in production of cloth of acceptable quality to meet the clothing requirements of a growing population, at reasonable prices ;
- (ii) Promote harmonious and balanced growth of all sectors of the textile industry in consonance with national priorities and the targets of the Five Year Plans ;
- (iii) Maximum possible growth of Handlooms in the decentralised sector and faster growth of Khadi, Hosiery and the Natural silk sectors to generate more employment and raise the standards of living of small weavers and others employed in these sectors ;
- (iv) Strengthen and streamline infrastructure for distribution of cloth to weaker sections of the population ;
- (v) While maintaining the dominant position of cotton as the main fibre, encourage the use of man-made fibres and yarn by different sectors of the industry keeping in view domestic and international consumption trends, and for this purpose increase the

availability of natural and man-made fibres and yarns, and

- (vi) Generate surplus to produce fabrics of acceptable standards for the world market at competitive prices.

1.5 The Committee was of the view that by and large the basic objectives enunciated above continue to be valid. What was needed, however, for an integrated and harmonious development, was a shift in emphasis and certain changes in details of policy as have been enunciated in the chapters that follow. The Committee felt, however, that it was of paramount importance that the recommendations in the following chapters should be treated as an integrated set and should be adopted and implemented as a package. Otherwise, more distortions may occur and the desired result of integrated and harmonious growth would not be achieved.

1.6 Some of the members are, in their official work, dealing with various aspects of some of the recommendations contained in this report. The conclusions and recommendations, however, are to be treated as based on the personal views of the members and do not necessarily reflect the findings or decisions of Government in this regard.

CHAPTER II

SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

Restructuring of the Textile Industry

2.1 The Textile Industry has so far been viewed in compartments either in terms of physical characteristics such as organised mills, powerlooms and handlooms or in terms of fibre-use namely cotton, artsilk etc. The Committee is of the view that, to achieve the objectives of producing cloth of appropriate quality at a reasonable price both for domestic markets as also for exports, it is necessary to have a more integrated view and to do away with existing structural rigidities (Para 4.3).

2.2 The Committee is of the view that it would be more appropriate to view the Textile Industry in terms of its stages of manufacturing process viz., spinning, weaving and processing. It should not be viewed in terms of sub-sectors of the Textile Industry or fibre-use. This approach would imply that any distinction between mills and powerlooms or between mill processing and independent power processing would be eliminated. In addition, the Industry as a whole should be provided with greater flexibility in the use of various fibres so that it can adapt its production pattern to the changing consumer preferences in the domestic and export markets.

The composite mills and the powerlooms have their own respective strengths and weaknesses in terms of organisation, quality control, production techniques, flexibility in product-mix, marketing etc. In any policy to restore health to the Textile Industry, it would be necessary to equalise approximately the advantages and disadvantages in the two sectors so that they compete on the basis of their own strengths. (Para 4.8, 4.9)

2.3 In any scheme of restructuring, the distinctive role of the Handloom Sector will have to be recognised and the needs of this sector will have to be adequately taken care of. The Khadi Sector has also a special place in the restructuring scheme in view of its large employment potential. The small handprocessing units also deserve special consideration. (Para 4.10)

2.4 A freeze on capacity in spinning, weaving or processing leads to fossilisation of existing units and does not expose them to competition.

There should, therefore, be no barrier to the entry of new firms but such entry should be only on normal commercial terms. (Para 4.11)

2.5 There should also be no barriers to exit of any of the existing units from any of the activities of spinning, weaving or processing that they may be engaged in. However, since such an exit would lead to workers being retrenched, it is necessary that the closure (partial or total) of a unit be negotiated with the representatives of the workers and adequate retrenchment benefits be provided to the displaced workers. (Para 4.12)

2.6 While freedom of entry has been suggested implying that Industrial Licence would not be refused on grounds of existing capacity, this would of course be subject to the other industrial regulations such as the IDR Act, MRTP Act, FERA Regulations and also to any restrictions that may be imposed on new units coming up in urban and industrial areas. (Para 4.13)

2.7 While no general ban on new powerlooms is recommended, it is necessary that the State Governments take steps to regulate their growth and bring about a proper dispersal of powerlooms by suitable incentives and disincentives as also take effective steps to prevent malpractices. (Para 4.14)

2.8 In the interest of protection of the Handloom sector, it is very important that the Central Government and State Governments should take all necessary steps to enforce the provisions of the Handloom Reservation Act. (Para 4.15)

2.9 The Committee recommends that while there need be no capacity constraints on processing in composite mills, the endorsement of processing capacity may be made, having regard to the maximum processing capacity of the machines installed rather than processing actually done in the past. (Para 4.16)

2.10 The Committee is of the view that there is no justification for the present restrictions on the use of filament yarn in the warp by cotton textile mills. In respect of handlooms using viscose filament yarn, if necessary, suitable steps should be devised to ensure availability. Sub-

Entries 23(1) and 23(5) of the First Schedule to the IDR Act may be merged and pending such merger, endorsement may be freely given on the Licences to cover both the Sub-Entries. (Para 4.19)

2.11 An immediate removal of restrictions on the extent of wool that can be used by cotton and artsilk mills might put the health of the woollen mills in jeopardy. In view of this, such restrictions may be phased out gradually so that in the meantime the woollen mills are able to improve their competitive strength. (Para 4.20)

Rationalisation of Duty Structure*

2.12 There is a case for shifting of a substantial part of the excise duty on fabrics in stages to Yarn in accordance with the criteria spelt out in the main body of the report. (Para 5.4)

2.13 Considering that Double Hank Cross Reeled Yarn is predominantly used by handloom weavers, the Committee would recommend that DHCR yarn be exempted from duty without the stipulations that are currently made. (Para 5.5)

2.14 In regard to the duty leviable on processed fabrics, there is no need to have a distinction between duties on fabrics processed by mills or those processed by independent power processors. There is need for tightening the duty collection mechanism to prevent evasion of processing duty. However, the existing concessions available for the processing of Handloom fabrics may continue. (Para 5.6)

2.15 Duty exemption for hand processing may be restricted to such processors who cleared upto 36 lakh sq. metres in the previous year and upto 15,000 sq. mtrs. per day or less in the relevant year and the units processing in excess may be subjected to Duty at the same rates as power processing in regard to the entire quantity processed. (Para 5.7)

2.16 The possibility of realising economies of scale in the manufacture of intermediates such as caprolactam, DMT, MEG, TPA and Acrylonitrile should be explored either by expanding capacities in the existing units or while licensing new units. (Para 5.11)

2.17 The Committee would recommend reduction of import duty on the above intermediate inputs which are required to be imported to supplement domestic production. Suitable provision may be made in the import policy to protect the legitimate interests of domestic producers. (Para 5.11)

2.18 In the manufacture of non-cellulosic fibres/filament yarns, it is necessary to benefit from the economies of scale. This needs to be borne in mind when existing manufacturers seek to replace their present equipment and, in any event, new units should be invariably of economic size. (Para 5.12)

2.19 Since the indigenous production of synthetic fibres and filaments will be increasing substantially in the Seventh Plan period, a sufficient reduction of Duty should be effected in the immediate future, so as to ensure a reduction in the cost of these inputs and an absorption of domestic production. Action in this area should be guided by the needs of Textile Policy rather than by revenue considerations alone. (Para 5.13)

2.20 Monopoly profits accruing to indigenous manufacturers of intermediates, synthetic fibres and filament yarns should be reduced by a suitable reduction in duties of competitive imports. (Para 5.14)

2.21 The reduction in prices of synthetic/blended fabrics accompanied by an increase in domestic production can be expected to reduce the extent of imports, legal or otherwise, of synthetic textiles of foreign origin. Such imports have acquired substantial proportions. (Para 5.14)

2.22 The level of excise and import duties on non-cellulosic fibres/filament yarns needs to be brought down significantly in the first instance and further reduction effected over a period of time in such a manner that the benefit of such reduction flows to the consumer. (Para 5.15)

2.23 The Committee recognises that cotton will continue to be our primary fibre in the textile industry. Besides there is a considerable potential for the export of cotton and cotton manufactures which needs to be exploited. The Committee does not consider it very likely that a reduction in prices of synthetic/blended fabrics will have an adverse effect on the cotton economy. However, should it be necessary, it would be possible to ensure and the government should guarantee the offtake of cotton by effective price support operations to the extent necessary. (Para 5.16)

2.24 Currently, when indigenously manufactured components covered by TI.68 of the Central Excise Schedule are incorporated in an item of machinery, a set off is available for the duty paid on such components against the duty payable on the machinery manufactured. If components were imported, no set off of the import duty paid

is available. To bring down the prices of textile machinery of recent technology, the committee would urge that a scheme be evolved to make available such set off. (Para 5.18)

2.25 In order to make the domestically manufactured capital goods for the textile industry priced more competitively, it is necessary to lower the import tariffs on components, special steels etc. that go into the manufacture of textile machinery. The types of machinery for such concession would vary from time to time. There should, therefore, be a periodic review to determine the items of eligible machinery. If, in the initial stages of domestic manufacture of sophisticated machinery, the indigenous manufacturers seek for clearance for a high level of import content, this might not be objected to. (Para 5.19)

2.26 To facilitate the objective of modernisation and technological upgradation at low costs, the Committee would suggest that the import of capital goods for the Textile Industry as also for the Textile Machinery manufacturing sector on OGL should be subject to nominal tariffs in so far as there is no domestic production of such capital goods. (Para 5.20)

Textile Control Order and Notifications issued thereunder

2.27 Many of the provisions of the Textile Control Orders have been extant for decades and have not been reviewed earlier. Many of these provisions have outlived their utility. A number of them have not been found necessary in actual practice. The Committee is of the view that only those provisions of the Textile Control Orders/Notifications which have been found necessary should be continued. (Para 6.2)

2.28 The requirements of composite mills having to obtain prior permission of the Textile Commissioner for processing outside cloth should be done away with. (Para 6.11)

2.29 The basic rationale of imposing an obligation on the mills to produce a proportion of the yarn they market in the form of hanks is undisputed. The Committee would, therefore, recommend that such an obligation may be imposed, after removing the legal infirmities, if any, in the existing orders. (Para 6.31)

2.30 The Committee recommends the continuance of the obligation in regard to the proportion of hank yarn that should be of below 40s counts. (Para 6.31)

2.31 The Committee is of the view that the Statutory Hank Yarn Obligation on art silk yarn manufacturing units is not necessary and, therefore, recommends that the relevant Notification be cancelled. (Para 6.50)

2.32 In the main Body of the Report, a large number of provisions have been recommended for deletion. The Committee would further suggest that the provisions that have not been dealt with be scrutinised further and decision for retention or deletion be taken in the light of the general approach adopted by the Committee. The Committee would urge that the continuing provisions be regrouped, re-drafted and re-issued in a more compact manner reducing the number of Control Orders to as few as possible. The Committee would also recommend that, if, in future, it is considered necessary to issue any Statutory Order or Notification, a time limit during which the Order/Notification will be in force may be indicated in the Order/Notification itself so that a periodic review of the merits of continuance of the Order/Notification becomes obligatory. (Para 6.58)

Measures for Reviving Sick Mills

2.33 While analysing the conditions of any mill, it becomes necessary to look into the productivity of the various activities of the mill and to find out where productivity could be improved. (Para 7.2)

2.34 In a number of cases, the mills although potentially viable, have been led to sickness by inept management or mis-management. The management would not then command the confidence of Banks or Financial Institutions. In such cases, the existing management has either to be neutralised by appointment of professionals as whole-time directors with responsibility to manage day-to-day affairs or to bring about change in the ownership and management by induction of a new promoter acceptable to Banks and Financial Institutions. The Committee feels that along with modernisation of plant and machinery, strengthening of management has also to be taken care of. (Para 7.3)

2.35 As a rule, takeover by Government or nationalisation of sick mills with no reasonable expectation of becoming viable in a reasonable period of time would not provide a solution to the problem of sickness. Under the existing policy, Government would not intervene in such case. However, exceptional situations may arise where a number of sick mills could be re-organised to

form a smaller number of viable units so that as many as possible of the workers rendered unemployed get back their work. In such a situation, private mergers with a view to reviving and re-organising units should be encouraged. If necessary, State or Central Government may have to intervene or assist by acquiring the closed mills with a full understanding that some of the mills or portions thereof may not be reopened. Nor should such acquisition necessarily imply continued operation by Government. The legal difficulties, if any, in such acquisitions, will have to be resolved by amending the law, if necessary. (Para 7.4)

2.36 While it is difficult to recommend that no promoter's contribution need be insisted upon, Banks and Financial Institutions should take a more sympathetic view in cases where promoters although satisfying prescribed criteria in regard to the quality of management do not have the means to raise the necessary contribution and grant them longer periods for bringing in their contribution. (Para 7.5)

2.37 In case of all proposals for rehabilitation of sick mills, it is necessary to ensure that promoters do not under-estimate the costs and over-estimate the benefits. For this purpose, Financial Institutions could, where necessary, take the help of agencies like the Textile Research Associations or other competent agencies to get the proposals vetted. (Para 7.6)

2.38 In suitable cases, restructuring of capital and liabilities should not be totally ruled out if the prospects of the mill becoming viable with such restructuring are good. In such cases, it would be essential to change the management so that the persons who have been responsible for mismanagement do not continue to run the affairs of the mill. (Para 7.7)

2.39 The measures needed for revival of a mill might comprise additional balancing equipment, replacement of existing machinery, change of product mix, rationalisation of labour including improvement of work norms, strengthening of management and organisation, running or re-opening of only certain sections, seven day operation to absorb surplus labour, disposal of old and discarded assets, etc. Rationalisation of labour and revision of work norms where such measures are considered necessary would need to be negotiated with the labour. If reduction of labour force is considered inevitable, the measures needed for minimising the hardships of labour rendered redundant would have to be given

serious thought. The funds needed for paying retrenchment compensation to the labour should be part of the relief package and loans needed for such compensation should also be provided on concessional terms. (Para 7.8)

2.40 To work out a package of term loan and additional working capital needed by a unit, a suitable "Nodal Agency" may be designated. Once the package is approved it should be binding on all parties concerned. (Para 7.9)

2.41 Where a rehabilitation programme is in several phases, loans needed for subsequent phases should be contingent on achieving certain agreed performance levels in the earlier phases. (Para 7.10)

2.42 Where a mill is wholly unviable, normally there is no alternative other than liquidation. In the event of a mill going into liquidation, the worst affected are the workmen who are thrown out of employment. If the workers are displaced by the partial or total closure of a mill, they should get preference in other mills that may be owned by the same management. If persons not so absorbed could be employed in other mills in the area, in vacancies that may arise by natural wastage, etc. this would minimise the hardships of the workers. If a displaced worker opts for self-employment, he should be able to get loans at concessional rates of interest and other facilities to enable him to earn his livelihood by self-employment. If the workers decide to operate the whole or a part of the mill, by forming a co-operative, they may be given permission/licence to do so. (Para 7.11)

2.43 There is need for a scheme by which during a period of transition, a displaced worker may get a tapering amount for three years say 75% of the wage equivalent in the first year, 50% in the second year and 25% in the third year. The funds needed for such transitional payment may come from the industry itself by a suitable cess, but, to start with, a Nucleus Fund may be provided from the exchequer. The Committee would, therefore, urge the creation of a suitable Workers' Rehabilitation Fund for the textile sector that would provide relief payments to the workers on the above lines for a maximum duration of three years. (Para 7.12)

2.44 Although many avenues have been discussed above, it was felt that it may not be possible in every case to find a satisfactory solution to provide rehabilitation to the workers retrenched from a closed unit. All the same, it

was felt that each case has to be examined to ensure that all possible avenues have been tried before the retrenchment and to minimise the social costs of transition implicit in the restructuring of the textile industry. (Para 7.15)

2.45 The Textile Research Associations (TRAs) have a major role to play in the revival of the textile industry, especially in the revival of sick units in the industry. They have built up a substantial amount of valuable expertise in regard to various areas of operation of a mill. Apart from technical advice TRAs can give for improving the productivity in the various sections of the mill, they would also be able to assess the viability of proposals for revival of sick units. They would also be able to furnish the mills with periodic inter-firm comparisons that will enable individual mills to compare their performance with those of the rest of the industry. The TRAs should, therefore, be more actively involved in programmes for revival and rehabilitation of sick mills. (Para 7.16)

2.46 A considerable volume of data relating to textile mills is received in the Office of the Textile Commissioner and also by the Banks and Financial Institutions that might have lent money to the mills. In regard to the Banks and Financial Institutions, there is need to strengthen the reporting arrangements so that the corporate data relating to the mills is available to the top management without much delay. On the side of the Textile Commissioner's Office, there is need to ensure that the data called for are received promptly. For a proper coordination and processing of the data received by the Textile Commissioner's Office and by Banks/Financial Institutions, there is need for computerisation of the data. Such computerisation will help development of an advance warning system to detect instances of incipient sickness in or deteriorating health of individual units. This should, therefore, be accorded high priority. A similar monitoring mechanism should be set up at the governmental level also. - (Para 7.18)

Modernisation

2.47 While considering the issue of modernisation in the textile industry, we cannot afford to ignore the modernisation needed in regard to the ginning of cotton. (Para 8.3)

2.48 The National Bank for Agriculture and Rural Development (NABARD) and other Financial Institutions have a significant role to play in this respect and the Committee would urge provi-

sion of concessional finance for replacement of the existing gins. Further, there is also need for exerting some pressure on the owners of very old gins to replace the gins with new equipment. Assistance should also be given for installation or replacement of precleaning machinery since the traditional gins do not adequately reduce the trash content. (Para 8.3)

2.49 Public Agencies such as the Cotton Corporation of India, the Maharashtra State Cotton Cooperative Marketing Federation Ltd., Gujarat State Cotton Growers Federation Ltd. who procure as much as 35 to 40 per cent of the cotton grown in the country should be prevailed upon to put up their own gins along with precleaning equipment, to some extent, so that private gin owners feel compelled to replace or renovate their equipment. (Para 8.3)

2.50 Saw-ginning can be advocated mainly in areas of irrigated cotton, especially in areas where on account of irrigation facilities being recent, ginning facilities have not developed adequately or where there is manpower shortage. (Para 8.4)

2.51 While financing new gins, whether of the roller or saw variety, it may be made obligatory on the part of ginning factories to install suitable pre-cleaners and concessional finance may be given for such installation. It would also be necessary for the State Government to fix higher rates of ginning for those ginneries which install such pre-cleaners. (Para 8.4)

2.52 Where saw ginning is not practicable, replacement of existing roller gins by double roller gins or installation of pre-cleaners may be encouraged. (Para 8.5)

2.53 If the quality of lint from cotton in an entire area could be significantly improved, it would be reasonable to expect that the demand for such cotton would go up with consequential beneficial impact on the raw cotton production in the area. (Para 8.6)

2.53 In regard to spinning, weaving and processing, a number of mills will benefit by giving priority attention to the backlog of maintenance and improvement of productivity by installing of balancing equipment wherever necessary and renovation of the existing machinery, before going in for replacement or modernisation. (Para 8.7)

2.54 While replacing the existing machinery, the markets which the mill can successfully exploit will have to be kept in mind. If the market

is clearly identified, the machines that manufacture the products for this market at least cost will help to improve the profitability of the mill. (Para 8.7)

2.55 Modernisation loans for sophisticated technologies should be given only to mills which have a proven record of good management capable of absorbing such technology and preferably having a standing in the export market. (Para 8.7)

2.56 While sanctioning loans for modernisation, after schemes sanctioned within the present limit of Rs. 4.0 crores have been implemented and results reviewed, further concessional loans beyond the limit of Rs. 4.0 crores should also be considered. (Para 8.7)

2.57 Art silk mills and woollen mills also need assistance for modernisation and the approach mentioned above would hold for them too. (Para 8.8)

2.58 Labour has a vital stake in the modernisation of the textile industry, especially in regard to the kind of modernisation that would be adopted by individual units. Since modernisation in addition to improving the quality of the products and the versatility of the machines, generally involves an increase in productivity, the impact on labour has to be assessed well in advance. The extent of labour likely to be rendered surplus should be decided in consultation with the representatives of the workers. The basic guidelines laid down by the National Labour Conference in 1957 in regard to "rationalisation without tears" continue to be valid. If modernisation is considered necessary and desirable, it should be planned in advance and the changes have to be phased over a period of three years or so. To avoid actual retrenchment of workers, natural wastage arising as a consequence of retirement etc. should be utilised and the workers who may still be rendered surplus may be deployed in other units under the same management, after suitable retraining where necessary. It may also be possible to get the workers to agree to voluntary separation on suitably negotiated terms. The funds needed for such voluntary separation benefits or retrenchment compensation, as the case may be, may be a part of the package of financing for modernisation. (Para 8.9)

2.59 The Committee would recommend setting up of a national level Standing Advisory Committee including representatives of management and labour in the Textile Industry as also representatives of financial institutions and suitable

technical experts. This Committee should be asked to make recommendations from time to time concerning the types of modernisation that the industry should go in for. (Para 8.10)

2.60 The financial institutions shall take into account the recommendations made by such a Committee while considering applications for loans for modernisation. (Para 8.10)

2.61 To enable the industry to have a sufficient volume of self-generated funds for modernisation, the committee would suggest that individual units be permitted to deposit say 20% of their pre-tax profits with the IDBI or IRBI in a blocked account. This amount could be permitted to be utilised only for the purpose of modernisation and could be linked with the loan that the financial institutions may advance for modernisation. The amount so set apart should be treated as non-taxable. This arrangement would enable more funds becoming available and besides the debt service burden on modernisation expenditure would become less. The amount utilised from the blocked account could be set off against the promoter's contribution needed in regard to the modernisation loans. (Para 8.11)

2.62 The Textile Machinery Industry should be afforded all facilities for updating of their technical know-how by way of collaboration or import of technology. This may be in accordance with the National technology and Trade Policies that the Government may adopt. Currently, in a number of areas indigenous R & D may not be able to substitute for imported technologies. However, the development of indigenous R & D may be separately encouraged. (Para 8.14)

2.63 The Textile Research Associations on account of their intimate contact with the Textile Industry have a vital role in the development of indigenous R & D in regard to textile machinery also. (Para 8.15)

2.64 Modernisation is important not merely for the organised sector of the Textile Industry but also for powerlooms and for handlooms. The role of the Textile Research Associations has hitherto been perceived as restricted to the textile mills. This role will have to be expanded. The Textile Research Associations should be actively involved in the upgrading in efficiency and the modernisation of powerlooms and handlooms. To enable the TRAs to play their enlarged role the arrangements for their funding should be reviewed and suitably strengthened. (Para 8.16)

2.65 In regard to Handlooms, the Institutes of Handloom Technology have a major responsibility for evolving improved types of handlooms that will increase their productivity. There is need to ensure swift and smooth transfer of technology from the research institutions to the handloom weavers. Necessary finances for the upgradation of Handlooms needs to be provided by way of refinance by the NABARD. (Para 8.16)

2.66 To enable the powerloom weavers to improve their skills in regard to the maintenance of their equipment and evolving new designs and improving the quality of their weaving, there is need for more powerloom service centres in the major powerloom concentrations. The Textile Research Associations may be entrusted with the responsibility of running some of such service centres. A census of all existing powerlooms may be undertaken. (Para 8.17)

2.67 To enable proper planning of the requirements of the Handloom Sector for modernisation, it is necessary to have a reliable data base. The Committee would recommend the periodic censuses and sample surveys be conducted of Handlooms in the country. (Para 8.18)

2.68 For the future growth of the Handloom Sector, greater emphasis may be laid on modernisation, weaver training, processing facilities, marketing and publicity. There is need for strengthening the managerial and technical capabilities in the Handloom Sector. (Para 8.19)

Consumption Trends

2.69 The consumer trends indicate that as a long term perspective multi-fibre policy should be followed vigorously in the interest of the consumers and suitable steps should be taken for bringing down the prices of fabrics of non-cellulosic fibres/filament yarns and of blended fabrics containing such fibres/filament yarns. (Para 9.12)

2.70 There is a need to build up the expertise in carrying out studies on income and price elasticities of textiles so that the results of such studies can be used in a more meaningful manner. From time to time a committee of experts should review the studies undertaken and advise the Textile Committee on the methodology to be adopted and the types of studies to be carried out in this area of research. (Para 9.13)

Raw Materials

2.71 The Committee would urge that steps be taken for improving the yield per hectare of cotton in particular medium staple cotton, both

by proper extension and fuller utilisation of the media and by research into high yielding varieties of such cotton. The proliferation of varieties needs to be reduced and the higher yielding and short duration varieties promoted. (Para 10.2)

2.72 It is desirable to encourage the optimal spinning of long and extra long staple cottons by significant reduction in the excise duties on yarns of 50 counts and above and fabrics using these yarns. (Para 10.2)

2.73 In the task of reducing the fluctuations in price of cotton, the CCI has a crucial role to play. It is also necessary that operations of the other major public agencies reinforce this role. For this purpose the CCI should have a coordinating role. (Para 10.3)

2.74 Considering that the CCI has built up considerable expertise in the buying and selling of cotton, an independent Agency for Buffer Stock is neither necessary nor desirable. (Para 10.4)

2.75 Whatever quantity is held by the CCI as Buffer Stock should get credit on concessional terms. The purchases of the CCI at support prices may be treated as for Buffer Stock. (Para 10.5)

2.76 The Cotton so bought for Buffer Stock should be utilised for sale at pre-fixed remunerative prices when the market prices exceed such remunerative prices. (Para 10.5)

2.77 To effectively play its role, the CCI should also have freedom to import or export cotton. It would also be desirable to give the CCI the freedom to enter into Call or Put Options (*viz.*, an option to buy or sell a futures contract at pre-determined prices) in the New York Cotton Exchange. The extent to which such options may be entered into will have to be cleared beforehand by the Government. However, it should not be necessary for the CCI to get government's approval to each transaction. It is also necessary that the CCI be asked to submit a detailed report to Government on the implications of CCI buying or selling such options, so that full details are available with the Government to enable a decision to be taken in this respect. If CCI has sufficient freedom for the import and export of cotton, this will help in limiting the fluctuations in the prices of cotton. (Para 10.6)

2.78 The role of the CCI will need to be re-defined in the context of the above recommendations and to enable the CCI to play its enlarged role effectively, the management of the CCI needs to be strengthened. (Para 10.6)

2.79 In the matter of stabilisation of cotton prices, the role of other fibres such as Viscose (including modified viscose) and non-cellulosic man-made fibres is also crucial. For effective price stabilisation of cotton, it is desirable that prices of other fibres are substantially less than the current prevalent prices. (Para 10.7)

2.80 Especially in times of cotton shortage, the import and excise duties of cellulosic man-made fibres, which have properties similar to cotton and can effectively substitute for cotton, should be suitably adjusted so that the shortage of cotton could be made good by the use of such fibres. Imports of such fibres on low duty through a suitable canalising agency is also recommended. (Para 10.8)

2.81 The Cotton Textile Mills have to plan well in advance in regard to the types of the cotton to be used for the manufacture of the fabrics and made-ups they intend producing, especially for the export market. The cotton season varies from State to State in the country and different varieties of cotton are grown at different points of time. To buy a proper mix of the cottons needed, the mills have to enter the market long before the commencement of production of specific fabrics for exports. In view of this, the Committee would recommend that Packing Credit for exports of cotton/blended fabrics and made-ups should be extended from 90 days to 180 days. (Para 10.9)

2.82 The Committee recommends that the policy of allowing import of man made fibres/yarn under OGL be continued. Protection to indigenous industry may be provided through the tariff mechanism. (Para 10.10)

2.83 To make yarn and other raw materials available to handloom weavers regularly at reasonable prices, the National Handloom Development Corporation and the state level Handloom Agencies should take effective steps. (Para 10.11)

Exports

2.84 The Committee is of the view that besides the Clothing sector, the Textile sector would also benefit by a freer international trading regime, provided certain support measures are implemented to make the Textile Industry more competitive. (Para 11.6)

2.85 If we want to have a stable export base, apart from measures needed for promoting the health of the Textile Industry as a whole, it is

necessary to have a stable export policy. In particular, the export incentives policy must be for a stable period of 3 to 5 years. (Para 11.8)

2.86 The facility of registration of contracts available to other exporters by which the exporter can depend on getting incentives as on the date of registration should be made available for cotton textile products also. (Para 11.8)

2.87 A stable policy for export of cotton yarn of counts 40s and below is essential. The Committee would recommend that cotton of the appropriate qualities be allowed to be imported under the recently announced Import-Export Passbook Scheme for the export of cotton yarn so that, in times of domestic shortage of cotton, exports of yarn may continue on the basis of actual imports of raw cotton. (Para 11.9)

2.88 There is need to widen the production base of the industry so that the basic raw materials are available at internationally competitive prices and enough surplus is created for exports. This is a long term process and in the short term, facilities for liberal imports of man-made fibres/fabrics for export purposes may be given. Input-output norms under the Advance Licensing Scheme and under the duty free REP Scheme may be reviewed and made more realistic. (Para 11.11)

2.89 In view of our unique comparative advantage in handloom production, the exports of handloom fabrics, made-ups and garments can be increased substantially. (Para 11.12)

2.90 Machinery needed by the garment and hosiery sectors should be allowed to be imported either duty-free or at a very low rate of duty. The indigenous machinery manufacturers should also be enabled to produce various kinds of textile machinery including garment and hosiery machinery. Import of machinery for export production should be provided with concessional credit facilities. (Para 11.13)

2.91 There are certain constraints in setting up of 100% Export-Oriented units. These constraints are :

- (i) difficulties in release of production in the domestic tariff area ;
- (ii) high cost of Customs-bonding ;
- (iii) difficulty in getting job-work done outside the bonded area ;
- (iv) imbalance in the various sections of 100% EOU's.

These difficulties cannot be removed overnight, but continuous efforts are needed to mitigate the difficulties. (Para 11.14)

2.92 There must be an institutional linkage between the garment and hosiery manufacturers and suppliers of fabrics and yarns in all sectors of the Textile Industry. (Para 11.14)

2.93 There should be uninterrupted power supply for export-oriented units. (Para 11.15)

2.94 Suitable steps may be taken to encourage installation of in-house and in-process quality control measures. (Para 11.16)

2.95 There is need for constant study of individual markets and strategies to develop our exports or expand our market shares in such markets. There should be extra incentives for diversification of markets and market exploration. There is need to have a separate fund that should be utilised for better marketing approaches. Funds for generic publicity and for publicity in new and non-traditional markets should be earmarked for use by different Export Promotion Councils. (Para 11.18)

2.96 Availability of foreign exchange for various Export Promotion Schemes like Buyer-Seller Meets, etc. should be increased. (Para 11.18)

2.97 The setting up of a Fashion Design Institute should be speeded up. There is need for adequate training facilities in the various garment manufacturing centres of the country for garment workers and technicians. (Para 11.18)

2.98 Necessary marketing infra-structure must be created among the exporting units either individually or in consortia and institutional linkages be established with market channels in the importing countries. (Para 11.20)

2.99 In regard to export of staple cottons, the Committee would recommend that such exports may be canalised through the CCI. (Para 11.21)

Marketing and Distribution

2.100 Having regard to the traditional relationship between the mills and the distributors and the problems in regard to extending credit and effecting recoveries that might arise by mills dispensing with one or more of the tiers, it would be difficult to advocate, as of now, modifying the distribution system either by the mills or by Government intervention. (Para 12.1)

2.101 The Committee considers it necessary that the consumer receives the correct information concerning the fibre composition, quality of cloth, processes carried out, name of manufacturer etc. Marking regulations to cover most, if not all, varieties of cloth whether manufactured by mills or by powerlooms should be prescribed and effectively enforced. Any dealer who stocks cloth for sale with spurious markings should be liable for prosecution apart from others who might be responsible for such spurious markings. (Para 12.3)

2.102 There is need for strengthening the Public Distribution System for sale of Controlled Cloth in remote and tribal areas. In places where having a regular shop is not a feasible proposition, the question of having mobile sales outlets which will sell cloth at Fairs and Weekly Bazars needs to be considered. (Para 12.4)

2.103 To ensure that Controlled Cloth reaches the poorer people for whom it is meant, certain measures are necessary especially in rural areas. The fact that the cloth has reached the sales outlets should be certified by say two local people with representative capacity and the dates on which the cloth will be sold must be known in advance to the people. Not more than 10 metres of cloth should be sold per person. (Para 12.5)

2.104 There is need for improving the quality of Janatha cloth and for streamlining the distribution of Janata Cloth somewhat on the lines earlier indicated to ensure that it reaches the weaker sections of the people. Periodical campaigns for selling the Janatha Cloth in remote interior and tribal areas be carried out. (Para 12.6)

2.105 There is need to increase the volume of production and to ensure that the consumer preferences in the different regions of the country are duly taken into account while deciding the pattern of production. (Para 12.7)

2.106 Consistent with the recommendation already made in the Textile Policy, the Committee would urge that the transfer of production of controlled cloth from NTC to the Handloom Sector be accelerated and preferably completed by the end of the 7th Plan period. (Para 12.8)

2.107 In comparison with the volume of production, the management and marketing area in regard to handlooms are not adequately manned. These areas need to be strengthened. The role

of the National Handloom Development Corporation and the State Handloom Development Corporations have to be enlarged to enable them to provide adequate services in regard to production and marketing in the handloom sector. (Para 12.9)

2.108 The existing system of rebates which are given as a market support measure may continue. However, to minimise the delays involved in the payment of rebate, it would be advisable to place a certain amount as a corpus fund at the disposal of the State Government every year, at the beginning of the year itself based on their perfor-

mances during the previous year. This amount could be utilised by the State Government for disbursing the claims of the Cooperative Societies and Corporations. They may submit the periodic accounts to the Central Government and claim the balance rebate. (Para 12.10)

2.109 It is of paramount importance that one recommendations on the Report should be treated as an integrated set and should be adopted and implemented as a package. Otherwise, more distortions may occur and the desired result of integrated and harmonious growth would not be achieved. (Para 1.5)

* Since recommendations relating to rationalisation of duty structure related directly to a Sensitive Operational area in the realm of his official function, Dr. Bimal Jalan abstained from joining in specific recommendation.

CHAPTER III

OVERVIEW OF THE INDUSTRY

3.1 The Textile Industry can broadly be classified into two main groups viz. (a) Cotton Textile Industry and (b) Non-Cotton Textile Industry. The Cotton Textile Industry can be further divided into mills (spinning and composite), powerlooms and handlooms. Further, there are also small sectors such as Khadi, Hosiery and Garments and Independent Processing Units. On the non-cotton side, the sectors are mainly in terms of different fibres viz. Silk, Rayon, Woollen, Synthetics (fibres and filaments). Under these sectors, there are spinning units, weaving units and composite units as well. This second group also has small sectors of hosiery and processing and garments. Besides, there is also a woollen carpet industry in some selected centres.

3.2 In the beginning, all these sectors in terms of their fibre usage were quite distinct. However, over the years all these sectors have started using carpet industry in some selected centres. mixed form.

3.3 The Textile Industry can also be broadly classified into organised and decentralised sectors. In the organised category, there are cotton textile mills, both spinning and composite. In the organised sector, there are also certain non-cotton mills both spinning and weaving units, and a number of large processing houses. There are also a number of spinning and composite mills in the woollen sector. There are also a number of weaving units in the silk industry. Besides, Bombay, Delhi, Madras, Tirupur, Calcutta, Ludhiana etc. are important hosiery Centres.

3.4 In the decentralised sector, the most important is the Handloom Sector which is dispersed in different parts of the country, particularly in rural areas. This is a traditional industry of India which can be said to date back to more than 2000 years. The Khadi sector in textiles (weaving

fabrics on Handlooms from Handspun yarn) is almost entirely a rural industry in the decentralised form. In the last 3 decades or so, a number of concentrations of powerlooms have also come up. Both the Handlooms and Powerlooms in the beginning were concentrating on cotton cloth production but now the decentralised sector has also taken up production of non-cotton, blended/mixed textiles in a big way. The cloth produced by the handlooms and powerlooms is processed either by the mills or by Independent Power Processing Houses or by Hand Processors. The hosiery sector consists essentially of a number of small hosiery units. There are some industrial units which specialise in yarn processing such as sizing of yarn, crimping of yarn, texturising of yarn, etc. There are also some areas like Assam, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, etc. where the manufacture of cloth is done on handlooms for personal use, but not for commercial purposes. At this stage, we may also take note of the large number of ginneries located in different places which do the ginning of cotton which is purchased by the cotton textile mills, either directly or from traders.

COTTON TEXTILE INDUSTRY

(i) MILL SECTOR

3.5 The Cotton Textile Mill Industry in India today is the single largest organised industry in the country directly employing about 12 lakh persons. Besides, there are a large number of ancillary industries depending upon this sector. On the assumption that a worker's family comprises of 5 persons, the direct dependence on the organised textile industry works out to about 60 lakhs,

3.6 The Cotton Mill Industry witnessed a rapid growth on the spinning side during the last 3 decades. The number of units in the industry

went up from 378 to 920 while the spindleage increased from 11 mn. to 24.28 mn. The growth of loomage has, however, been insignificant on account of the freeze imposed by Government Policy to protect the Handlooms. The details in this regard can be seen in table-1.

TABLE 1

Year	Spinning Mills (Nos.)	Composite Mills (Nos.)	Total (Nos.)	Installed	
				Spdls. (Mns.)	Looms (Thousands)
1951	103	275	378	11.60	195
1961	192	287	479	13.66	199
1971	373	291	664	17.88	208
1981	442	281	723	21.78	210
1982	525	280	805	22.53	210
1983	595	280	875	23.89	210
1984 (Mar.)	639	281	920	24.28	210

SOURCE : Textile Commissioner's Office.

The increase in the number of units and the spindle capacity has mainly come about through the increase in the spinning mills, especially in Southern India.

3.7 Because of the increase in the number of units and spindle capacity, the number of workmen on rolls has gone up, although the daily average employment has not shown any such trend (Table 2). Since the total production of

yarn in weight terms has gone up from 884 Mn. Kgs. in 1961 to 1309 Mn. Kgs. in 1983. i.e. by 48.08% while the daily average employment has remained the same, the productivity per workman, on an average, can be said to have gone up by this extent.

TABLE 2

Year	Labour on roll	Daily average employment			
		(In thousands)			
		Ist Shift	2nd Shift	3rd Shift	Total
1951	785	416	250	49	715
1961	918	418	266	111	795
1971	947	361	224	134	719
1981	1201	423	258	199	880
1982	1184	353	213	166	732
1983	1192	386	232	176	794
1984 (Mar.)	1196	372	229	165	766

SOURCE : Textile Commissioner's Office.

Capacity Utilisation

3.8 Although the total installed capacity of spindles showed rapid growth during the last 3 decades the capacity utilisation of spindles in percentage terms especially in the recent years, has not witnessed any improvement. In fact, during the last 3 decades, the capacity utilisation has declined. The details in this regard can be seen from the Table 3.

TABLE 3

Year	Spindles					Looms		
	Installed Millions	Worked%			Installed Thousands	Worked%		
		I	II	III		I	II	III
1951	11.00	90.29	79.94	23.69	195	92.00	79.15	10.79
1961	13.66	83.46	87.13	53.08	199	91.41	83.69	25.68
1971	17.89	74.41	74.66	63.91	208	80.36	73.21	33.20
1981	21.78	76.40	77.80	76.51	208	84.05	82.47	67.14
1982	22.53	66.00	65.00	64.40	210	64.05	60.71	49.09
1983	23.89	67.27	67.81	64.25	210	72.67	69.19	54.14
1984(Mar.)	24.28	67.05	68.00	63.30	210	66.32	65.00	46.14

SOURCE : Textile Commissioner's Office.

Raw Material

3.9 The figures of consumption of different fibres/filaments by the Textile Industry during the past 3 decades was as shown in Table-4.

TABLE 4
(Figures in Mn. Kgs.)

Year	Man-made fibre, filament					Total
	Cotton	Cellulosic		Non-Cellu.		
		Fibres	Filament	Fibres	Filament	
1951	693	N.A.	N.A.	N.A.	N.A.	693
1961	1091	N.A.	N.A.	N.A.	N.A.	1091
1971	1059	70	39	12	11	1191
1981	1260	181	44	46	57	1588
1982	1200	132	40	48	57	1477
1983	1343	125	42	60	83	1653

Source : Textile Commissioner's Office.

3.10 It will be seen from table No. 4 that the consumption of cotton has gone up from 693 Mn. Kgs. in 1951 to 1343 Mn. Kgs. in 1983. In the beginning, the industry was required to use imported cotton to the extent of about 25% of its requirements. However, with the increase in the indigenous cotton production, there have been no imports of cotton in the recent years. The industry also went in for increased utilisation of man-made fibres/filaments especially during the last decade. The consumption of man-made fibres during 1971 was practically confined to cellulose and was of the order of about 132 Mn. Kgs. while the consumption of man-made fibres/yarns in the year 1983 was 167 Mn. Kgs. of cellulose and notably 143 Mn. Kgs. of non-cellulose. The total availability (Production + Imports-exports) of cellulosic fibres/filament yarn was 149 Mn. Kgs. & for non-cellulosic 150 Mn. Kgs. in 1984. The multi-fibre policy adopted by Government has encouraged the increasing usage of man-made fibres and filament yarns.

Yarn Production

3.11 The production of spun yarn over the last 3 decades has increased from 602 Mn. Kgs. in the year 1951 to 1309 Mn. Kgs. during 1983. The details in this regard may be seen in Table-5.

TABLE 5
(Million Kgs.)

Year	SPUN YARN			Total
	Cotton	Blended	100% Non-Cotton	
1951	591	—	11	602
1961	862	—	22	884
1971	881	34	64	979
1981	1015	170	97	1282
*1982	958	133	84	1175
1983	1092	141	76	1309

*Excluding Bombay City data.

SOURCE : Textile Commissioner's Office.

3.12 It will be seen from the table that the production of blended yarn commenced from 1971 onwards and is now placed at 141 Mn. Kgs.

3.13 The average count of yarn spun by the industry improved from 25s in 1961 to 31s in 1983. This improvement in the average count has mainly come about because of the increased consumption of long staple and extra long staple cotton by the industry. In the 50s, almost 65 to 70% of the yarn was consumed by the mill industry itself while the balance 30 to 35% was consumed by the decentralised sector. However, the percentage of yarn consumed by the mill industry has now come down to only about 35% while 65% of the yarn produced is consumed by the Handloom and Powerlooms.

Cloth Production

3.14 Table-6 gives the production of cloth by the organised sector of the industry during the last 3 decades :

TABLE 6

Cotton Mill Sector Cloth Production

(Million Metres)

Year	Cotton Cloth	Blended/ Mixed	100% Non Cotton	Total
1951	3727	—	13	3740
1961	4701	—	2	4703
1971	3957	147	2	4106
1981	3147	919	7	4073
1982*	2258	648	7	2913
1983	2719	806	4	3529

*Excludes Bombay Mills data.

SOURCE : Textile Commissioner's Office.

3.15 As stated in the earlier paragraphs, the weaving capacity in the organised sector of the industry has remained almost static over the years. It is also seen that over the years capacity utilisation in the weaving section of the industry has come down, with the result that the production of cloth in the organised sector has shown a downward trend. At the same time, the production of blended and 100% non-cotton cloth by the industry has been increasing significantly. It is also seen that the reed/pick construction of the cloth woven by the industry has improved over the years indicating that the quality of cloth has improved. It is also observed that at the time of replacement of the loom, higher-width looms are preferred by the industry and, therefore, the average width of the cloth produced has also gone up.

Sickness in the Mill Sector

3.16 Industrial sickness in general and in the Textile Industry in particular, has assumed serious proportions resulting in loss of production as well as loss of employment suffered by workers employed in the affected industrial units. In a complex organic system such as the Textile Industry in India today, the causes of sickness must necessarily be an interplay of many related factors. Table-7 shows the number of units identified by the Banks as sick and outstanding amounts for the period 1977-1983:

TABLE 7
Sick Units in the Industry

Period ending	Textile Industry		All Industries	
	No. of sick units (Rs. crores)	Outstanding Bank Credit large and medium sick units (Rs. crores)	No. of Outstanding large and medium sick units	Outstanding Bank Credit (Rs. crores)
Dec. 1977	73	N.A.	289	858.00
June, 1978	78	263.65	325	958.08
June, 1979	84	287.71	345	1,101.72
June, 1980	89	349.56	389	1,232.70
June, 1981	94	406.48	422	1,453.29
June, 1982	114	520.24	439	1,728.40
Jan. 1983	123	521.00	422	1,800.00

SOURCE : RBI Bulletin.

3.17 For these data, a unit has been considered as sick, if it has incurred cash loss for one year and in the judgement of the bank, it was likely to continue to incur cash losses for the current year as well as for the following year and which has an imbalance in its financial structure, such as current ratio less than 1:1 and worsening debt — equity ratio (total outside liabilities to net worth).

3.18 It may be observed from the above table that about 30% of the total No. of sick units belong to the Cotton Textile Industry. According to the figures made available by the RBI, the number of sick units in the Textile Industry increased from 73 in 1977 to 123 in 1983. Apart from the above, there may be a number of marginal units which may be in immediate danger of closure. In some of these, closure can be averted by well thought out advance measures.

3.19 Table 8 indicates the number of mills that were lying closed at the end of some years, in the last three decades.

TABLE 8
Number of Closed Mills

	No. of Mills closed	No. of workmen affected
end of 1956	19	N.A.
end of 1961	17	N.A.
end of 1971	52	57,665
end of 1981	37	78,397
end of 1982	28	32,387
end of 1983	53	94,431
end of 1984	77	99,582

SOURCE : Textile Commissioner's Office.

3.20 It will be seen that existence of a certain number of closed mills has been almost a permanent feature of the cotton textile industry in the period considered. It is partly because some of the mills are essentially of an uneconomic character 69 closed mills as at the end of February 1985 had a total capacity of 18.21 lakh spindles and 0.200 lakh looms. 107,896 workmen were affected by the closure. Considering that the total spindleage in the cotton textile industry is 24.28 million spindles and 2.10 lakh looms, the closed mills account for 7.5% of the spindleage and 9.5% of the total loomage.

3.21 The profitability in the Cotton Textile Industry has been generally less and very often considerably less than the All Industries averages, as can be seen from Table-9.

TABLE 9
Profits of Cotton Textile Mills

Year	Gross Profits as percentage of sales net of rebate, discount, excise dut and cess	
	Cotton Textile Industry	All Industries
1969-70	6.1	9.6
1970-71	6.1	10.3
1971-72	4.9	10.0
1972-73	7.0	9.5
1973-74	11.1	10.5
1974-75	7.7	11.4
1975-76	2.7	9.1
1976-77	3.2	9.0
1977-78	5.3	9.0
1978-79	8.0	9.5
1979-80	7.9	10.1
1980-81	7.8	9.6

*Gross Profits here are prior to interest but after depreciation.

SOURCE : RBI Bulletin, July 1983.

3.22 The figures of gross profits expressed as a percentage of sales for the last twelve years indicate that the Textile Industry is not only a low profit industry as compared to All Industry but its profitability has also displayed a cyclical pattern. These characteristics of the Textile Industry's profitability have affected the "plough—back" into the industry.

(ii) HANDLOOMS

3.23 The Handloom sector is the largest unorganised economic activity after agriculture and provides the maximum employment in rural areas, after agriculture. The number of handlooms in the country has gradually gone up from about 28 lakhs in 1951 to about 30 lakhs at present (this does not include domestic non commercial looms in the North East whose number is estimated at 8 lakhs). A majority of these handlooms work on cotton, while a few also utilise other raw materials like silk, wool, art silk and other man-made fibres. The production of cotton cloth by the handloom sector has increased from a level of about 1240 million metres in 1951 to 2994 mn. mtrs. in 1983-84. The handlooms also produce some blended and non-cotton fabrics, but no reliable figures of these are available. About 10 million people depend either fully or partly on handlooms for their livelihood. Besides producing coarse and medium categories of cotton cloth on a large scale, the Handloom Industry also specialises in producing some exquisite fabrics showing excellent craftsman-ship. In view of its significant contribution to Textile Production and taking into account the extent of employment the Handloom Sector provides in rural areas, it has rightly been accorded a preferential treatment in our Planning.

3.24 However, because of its decentralised nature, no accurate information in regard to the actual installed capacity, working capacity, production, consumption of fibres etc. is available and recourse has to be taken to indirect estimation of cloth production by the Handloom Sector from the deliveries of yarn in hank form to the decentralised sector. The handloom sector mainly produces dhoties, sarees, lungies, towels, bed-sheets and furnishing material. The usage of other fibres is comparatively of a much lower magnitude.

3.25 Assistance in a variety of forms and institutional support is provided through cooperatives and corporations. This includes fiscal and other measures to the cooperative societies as also non-cooperative units, making available inputs and

assisting in processing and marketing of products. The majority are still outside effective coverage.

(iii) POWERLOOMS

3.26 The Powerloom sector is of comparatively recent origin. Since the 50's the capacity in the powerloom sector increased substantially year after year. Partly because of the operational advantages enjoyed by the powerloom sector (both legitimate & otherwise) in comparison to the mill sector and partly because of fiscal concessions, the production capacity in the powerloom sector increased substantially and the Govt. had to go on regularising the powerlooms from time to time as *fait accompli*. This happened because although the regulatory measures were there, its implementation was almost impossible because of the decentralised nature of production. In 1958-59, a census of powerlooms showed about 45,000 powerlooms in existence. At present there are about 6.5 lakh authorised looms and a sizeable number of unauthorised looms. The unauthorised growth has taken place without any Govt. protection/assistance. The main concentrations of powerlooms are at Bhiwandi, Surat, Malegaon, Ichalkaranji, Belgaum, Solapur, Bangalore, Dodballapur, Coimbatore, Erode/Salem, Burhanpur etc.

3.27 This sector also depends upon the mill sector for its supply of yarn, mainly in the form of cones and beams. Because of its decentralised nature, direct production statistics are lacking. However, figures of yarn delivery by the mills in the form of cones and beams converted into cloth can give an indirect estimate of cloth production from the powerloom sector. The estimates of cloth production from 1978-79 onwards are as shown in Table-10.

TABLE 10
Cloth Production

Year	Million Metres
1978-79	3948
1979-80	3835
1980-81	4140
1981-82	4547
1982-83	4694
1983-84	5255

SOURCE : Textile Commissioner's Office.

3.28 From the usage of various fibres, it is seen that the powerloom sector is a major producer of non-cotton and blended/mixed fibre fabrics. This sector produces cotton cloth of higher medium,

fine and super fine categories and mainly specialises in production of mulls, voiles, dorias, long-cloth and various man-made fibre fabrics. For the processing of man-made fibre fabrics, the goods are sent to either Independent Processors or to the Mills. Cotton fabrics get processed to a significant extent by Hand Processors also.

3.29 Most of the Powerloom owners are small scale operators, who depend upon the master-weavers/merchants who give them yarn on credit and purchase the grey fabrics by paying them conversion costs. These small powerloom weavers are not entrepreneurs in their own right but are only converters. The master weavers/merchants get the fabrics processed and sell them in the market.

(iv) COTTON HOSIERY

3.30 Cotton Hosiery has developed rapidly, both for domestic consumption and exports. Its growth is largely concentrated in some locations e.g. Calcutta, Tirupur and Ludhiana. The current consumption of hosiery yarn has reached about 100 million kgs. from 63 million kgs. in 1980. Knitwear (including woollen hosiery) also accounts for 20% of total garment exports.

Man-Made Textiles

3.31 Most of the units manufacturing various fibres and filament yarns for the man-made textile

industry have come up during the last 15-20 years. Details in regard to the number of units and their installed capacity are at Table 11.

TABLE 11

Sl. No.	Item	No. of Units	(In tonnes)	
			Licensed Capacity	Installed Capacity
(1)	(2)	(3)	(As on 31-12-83)	
			(4)	(5)
1	Regular Viscose	2	33 000	85 000
2	Modal Fibre	3	53 500	22 670
3	Acetate fibre	1	500	800
4	Viscose filament	8	44 490	43 385
5	Acetate filament	1	3 600	3 200
6	Polyester fibre	9	99 531	38 268
7	Acrylic fibre	2	16 000	20 000
8	Polypropylene fibre	1	6 000	43 000
9	Nylon filament	9	36 388	30 499
10	Polyester filament	12	43 036	37 813
11	Polypropylene filament Raw Materials	9	9 000	1 000
12	Caprolactam	1	20 000	20 000
13	D.M.T.	4	129 000	30 500
14	Acrylonitrile	1	24 000	24 000
15	M.E.G.	2	23 900	23 900

SOURCE : AMFI Bulletin, 1983.

3.32 During the VII Plan, a further expansion in these capacities is expected. The actual production of various man-made fibre/filaments for the various years is shown in Table-12.

TABLE 12

Production of Man-Made Fibre/Filament Yarn

Fibre/Filament	(Figures in tonnes)						
	1951	1961	1971	1981	1982	1983	1984
Regular Viscose	—	26 061	60 712	85 639	49 018	63 914	93 756
Staple Fibre (RVSF)							
Modal Viscose Fibre	—	—	—	8 565	3 462	5 779	5 037
Total	—	26 061	60 712	94 204	52 480	69 693	98 793
Acetate Staple Fibre (ASF)	—	—	306	298	331	181	288
Polyester Staple Fibre (PSF)	—	—	5 739	26 754	28 119	25 833	34 701
Acrylic	—	—	—	13 234	16 045	14 622	20 334
Viscose Filament Yarn (VFY)	2 461	21 436	36 846	40 191	35 861	34 762	33 035
Acetate Filament	—	2 032	1 626	1 595	1 870	1 441	1 011
Nylon Filament	—	—	10 303	22 103	26 272	27 844	32 148
Polyester Filament Yarn (including Preoriented Yarn)	—	—	504	14 780	19 241	44 403	53 822

SOURCE : Textile Commissioner's Office/AMFI

3.33 There are also about 40 Man-made fibre spinning units that have an installed capacity of about 3.92 lakh spindles.

3.34 In the decentralised sector of the man-made Textile Industry, there are about 107 organised art silk mills with an installed capacity of about 11,384 powerlooms, which are covered under the IDR Act, 1951.

3.35 Various man-made fibres are used by the cotton textile sector and woollen textile sector for the purpose of blending with other fibres. Blended yarn is used for the manufacture of man-made fibre fabrics, both by the organised sector as also by the decentralised sector. Besides, fibres/filament yarns are also under OGL. The production of non-cotton and blended fabrics by the Cotton Textile Industry for the various years is as shown in Table 13.

TABLE 13
Man-Made and Blended Fabrics Production

(Million Metres)

Year	Mill Sector	Decentralised Sector	Total
1951	13	161	174
1961	2	422	424
1971	149	1072	1221
1981	926	2099	3025
1982	*655	1989	2644
1983	810	2095	2905

*Excludes Bombay Mills' Data.

SOURCE : Textile Commissioner's Office.

3.36 The consumption of viscose fibre and filament yarn in India, as a proportion of the total fibre consumption, was, 9.12% in the year 1970 as against 10.29% in recent years. The international trends reflect a downward trend in the consumption of viscose from 16.5% of the total fibre consumption in 1970 to 10.1% in 1982. The durability of viscose fibre is less than that of cotton and even that of modified viscose/polynosic fibre is just about the same as cotton. Moreover, viscose fabrics or cotton viscose fabrics with more than

about 10% of viscose are known not to have dimensional stability. As against these disadvantages, viscose has the advantage of easily blending with cotton and imparting a lustre to the fabric with the result that in some parts of the country, viscose fabrics serve as "the poor man's silk". For future development, considering the inherent deficiency of viscose fibres in comparison with non-cellulosic fibres, it would be advisable to promote the latter by suitable measures.

Per Capita Availability

3.37 The per capita availability figures are compiled by subtracting from production figures the exports and then dividing the resultant figure by the population. The per capita availability figures, however, do not include Hosiery, Khadi, Pure silk, Acrylic, Woollen and Polyester-woollen fabrics; nor do they take into account certain other factors like increasing width of cloth, the shift towards higher counts of yarn, greater durability of synthetics and blended fabrics etc. The detailed statistical position in regard to per capita availability for the last 3 decades is shown in Table 14.

TABLE 14

(In Mtrs.)

Year	Cotton	Non-Cotton	Blended/Mixed	Total
1951	10.99	—	—	10.99
1961	14.74	1.15	—	15.89
1971	13.56	1.71	0.28	15.55
1981	10.65	2.05	2.27	14.97
1982	9.85	1.91	1.79	13.55
*1983	10.86	1.85	2.11	14.82

*(Provisional)

SOURCE : Textile Commissioner's Office.

Exports

3.38 The Textile Industry is one of the largest foreign exchange earning industries. The growth of exports of various cotton textile items since 1950 can be seen from the Table 15.

TABLE 15
Exports of Cotton Textiles

Year	(Value in Rs. Crores)									
	Mill-made Cotton cloth		Cotton Yarn		Cotton apparel		Cotton Hosiery		Other Cotton Mfrs. incl. made-up items	
	Q	V	Q	V	Q	V	Q	V	Q	V
	Mn. Sq. Mtrs.		Mn. Kgs.							
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1950	964.54	NA	37.65	NA	NA	NA	NA	NA	NA	NA
1951	617.49	NA	12.25	NA	NA	NA	NA	NA	NA	NA
1961	484.70	46.15	7.14	3.73	NA	0.14	NA	0.14	NA	4.42
1971	389.24	66.60	12.40	12.88	NA	11.77	NA	0.38	NA	17.73
1981	271.70	156.06	6.65	22.50	NA	483.75	NA	56.47	NA	94.36
1982	200.36	137.98	5.97	27.29	NA	440.10	NA	47.33	NA	80.65
1983	272.01	173.09	6.59	21.78	NA	476.50	NA	63.61	NA	59.07
1984	420.88	276.49	9.70	36.49	NA	638.33	NA	89.21	NA	57.99

Year	Handloom Cotton cloth		Handloom cotton mfrs.		Powerloom cotton cloth		Powerloom Cotton mfrs.		Total	
	Q	V	Q	V	Q	V	Q	V	V	
	M. Mtrs.				M. Sq. Mtrs.					
	(0)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1950	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1951	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1961	25.92	4.78	NA	0.74	NA	NA	NA	NA	NA	60.10
1971	27.74	9.18	NA	6.45	6.02	0.78	NA	0.57	NA	126.34
1981	90.47	83.00	NA	40.20	42.06	16.65	NA	5.50	NA	958.49
1982	51.04	66.35	NA	67.87	54.81	23.64	NA	28.39	NA	919.60
1983	40.06	51.02	NA	67.74	73.81	28.84	NA	21.00	NA	962.65
1984	79.66	96.39	NA	59.80	102.06	55.37	NA	23.06	NA	1333.03

SOURCE : For figures upto 1980—D.G.C.I. & S., Calcutta.
For figures from 1981—TEXPROCIL/AEPC.

3.39 It is observed that the trends in exports are particularly encouraging in the case of readymade garments. In regard to the exports of non-cotton textiles, the present quantum of exports is less as compared to exports of cotton textile items. The details are as under :

Exports of Non-Cotton Textiles

(Rs. Crores)

	1982-83	1983-84
Synthetics	57.69	57.02
Natural Silk	78.31	94.47
Woollen	91.01	63.10
(Excluding hand knotted carpets)	—	—
Total	227.01	214.59

SOURCE : Export Promotion Councils.

The Government of India have taken various export promotion measures from time to time to increase exports of different types of textiles.

Woollen Industry

3.40 The Woollen Industry in India broadly falls under two sectors :

(A) Organised Sector

(i) Composite Mills ; (ii) Commission Combing Units ; (iii) Worsted and Non-worsted spinning units ; (iv) Machine-made carpet manufacturing units.

(B) Decentralised Sector

(i) Hosiery and Knitting ; (ii) Powerloom ; (iii) Hand-made Carpet ; (iv) Handlooms ; (v) Independent dyeing houses etc.

Installed capacity—as on 30-10-1984.

(a) Wool combing	— 26.34 Mill Kgs.
(b) Synthetic Combing	— 2.27 Mill Kgs.
(c) Worsted Spindles	— 3,10,786
(d) Powerlooms under organised sector	— 2828
(e) Powerlooms in Backward areas	— 342
(f) Machine-made carpet	— 8.3 lakh sq. mts. plus 2.27 mill kgs.

3.41 The production of woollen items since 1981-82 to 1983-84 is given in Table 16.

TABLE 16

(Figures in '000)

Production	1981-82	1982-83	1983-84
Wool Tops Kgs.	15,300	13,630	14,980
Non-Worsted yarn Kgs. (Woollen and Shoddy)	47,900	62,120	78,630
Worsted yarn Weaving Kgs.	20,020	18,830	19,990
Hosiery Kgs.	4,130	3,700	3,930
H. Knitting Kgs.	2,750	2,460	2,620
Wearable Mts.	65,590	58,730	62,370
Non-wearable Kgs.	20,180	30,520	43,420
Hosiery Kgs.	3,800	3,400	3,620

SOURCE : Textile Commissioner's Office.

3.42 Currently, installation of spindles upto 2400 under worsted and non-worsted sectors has been delicensed. However, the units have to obtain prior permission (letter of Offer) from the Office of the Textile Commissioner, Bombay. The total number of spindles registered under the scheme upto 30-10-1984 is approximately 8 lakh spindles.

CHAPTER IV

MEASURES FOR RESTRUCTURING OF THE TEXTILE INDUSTRY

4.1 The Committee is required to study and review the present structure of the Textile Industry, particularly the relative role and efficiency of the different sectors of the industry viz., Handlooms, Powerlooms and the organised mill sector with a view to suggesting measures for integrated and harmonious development of these sectors for augmenting production and availability of textiles both for domestic consumption as well as for exports.

4.2 Thinking of the textile industry in an integrated form is at present impeded by certain compartmentalisations. Such distinctions which bring about a rigidity of structural approach arise in two different dimensions. The first set is on the basis of physical characteristics, i.e. organised mills, powerlooms and handlooms and in the second dimension, distinctions are drawn on the basis of fibre-use, i.e. cotton textiles, woollen textiles and man-made textiles.

4.3 In the view of this Committee, the distinctions are in part cause and in part effect of the pattern of policies pursued in the Textile Sector hitherto. Thinking of different segments has inhibited the use of technologies and prevented adequate flexibility in production to cater to consumer preferences. The policies have also had an unforeseen and asymmetric impact on different sectors, which has led to emergence of several vested interests on the one hand and fossilisation on the other. The Committee feels that structural rigidities are not consistent with the avowed objective of an integrated textile policy, viz. to produce cloth of appropriate quality at reasonable prices, both for the domestic market as also for exports. In the treatment of the question of restructuring, we proceed to analyse the different sectors with a view to bringing about an integrated approach.

4.4 Spinning, is by and large, in the organised sector, on account of the substantial investment needed. A unit of 25,000 spindles, which is considered as an economical unit, needs an investment of about Rs. 11 crores. A negligible amount

of spinning is being done through hand-spinning. There are about 300 waste spinning units which are supposed to use waste cotton for production of yarn of counts upto 10 and as such are outside the purview of the Textile Control Orders. For about six years, till August, 1984, spinning was delicensed and anyone intending to set up a spinning mill was required to obtain a permit from the Textile Commissioner. Permits were kept alive by the holders by periodic renewal by indicating "Effective Steps" taken to install the spinning unit. The number of spindles covered by such permits is approximately 15 million and about one million might have been installed. Waste cotton units were also permitted to convert themselves into regular spinning units under this scheme. The policy in regard to delicensing was modified by the Govt. in October, 1983 to restrict new permits to 'No Industry Districts' and in August, 1984, it was decided to do away with the delicensing scheme, in regard to cotton and artsilk spinning units. New units will hereafter have to apply for an industrial licence. Permit holders under the existing scheme are also required to apply for COB Licence.

4.5 In regard to weaving, there has been a freeze on loomage in the organised sector. The current loomage is about 2.10 lakh looms. There is, however, no restriction on replacement of looms by more modern and productive looms. In this sense there is no freeze on production capacity. In the powerloom sector, about 6.50 lakhs of looms have been authorised. Besides, a sizeable number of looms function without authorisation. It has not been possible to check the growth of the powerloom sector, although there are statutory restrictions to ensure the supply of powerlooms by the machinery manufacturers only to permit holders. The State Electricity Boards have also been requested not to connect electric supply for unauthorised looms. In practice, these measures have proved ineffective.

4.6 In regard to processing, in the organised sector, till 1982, there were no restrictions on the total quantity that could be processed and while

the mills were required to take the permission of the Textile Commissioner for processing cloth from outside, this permission was freely granted. In 1982, it was decided to endorse the processing capacity on the Industrial Licence of the mills on the basis of the maximum capacity reached in any year for the three years prior to 31-3-1978. There are also a number of independent power processors, in regard to whom only general restrictions under the IDR Act apply. There was no ceiling on their processing capacity. Besides, there are a large number of hand processors in centres like Jethpur, Pali, Jaipur, Dombivali, etc. A large number of them are small processors processing about 15,000 metres of cloth per day and are largely dependent on intermediaries for their business. Some are however, substantially large with fabric through-put of several lakhs of metres per day. These units escape duty by not using steam or power for bleaching and using heat from coal or gas for processes such as stentering, calendering, etc.

4.7 The Committee appointed by the Government in the year 1952 under the Chairmanship of Shri Kanungo to make a detailed enquiry into the various sectors of the Cotton Textile Industry with a view to determining the place of each in the National Economy, recommended the gradual conversion of handlooms into powerlooms. However, efforts made to provide powerlooms to convert handloom have not succeeded and only a few of the new powerlooms have been set up by handloom weavers. The progress made in regard to the provision of powerlooms for Handloom Weavers' Cooperative Societies under the Plan has also not been satisfactory due to several reasons.

4.8 The vast growth of powerlooms has been due to certain advantages which they have enjoyed vis-a-vis the composite mills. These are low wages, low fiscal levies on yarn, absence of levy on grey fabrics which are the only products of the powerlooms, wholesale evasion of protective labour legislation, low overheads, low requirements of working capital and flexibility in changing the product-mix to suit market demands, etc. As against this, it must be recognised that there are also certain advantages with the composite mills. For instance, the yarn costs to the powerlooms are about 8% higher than for the composite mills. The composite mills also have the advantage of much higher level of technological capabilities and marketing strength with reputed brand names established in the market and better quality control. On balance, however, the advan-

tage was distinctly with the powerlooms so far as the production of cotton fabrics is concerned. That this advantage has put the composite mills in some difficulty cannot be gainsaid. In any policy calculated to restore health to the textile industry, it would be necessary to approximately equalise the advantages and disadvantages of these two sectors and the Committee has attempted to do this through its recommendations.

4.9 The Committee is of the view that it would be more appropriate to view the Textile Industry in terms of its stages of manufacturing process viz. Spinning, Weaving and Processing. As mentioned in Para 4.3 it should not be viewed in terms of sub-sectors of the Textile Industry or fibre use. This approach would imply that any distinction between mills and powerlooms or between mill processing and independent power-processing would be eliminated. In addition, the industry as a whole should be provided with greater flexibility in the use of various fibres so that it can adapt its production pattern to the changing consumer preferences in the domestic and export markets.

4.10 Within the Textile Industry, the Handloom sector is responsible for a considerable proportion of fabric production and a preponderant majority of those employed in the Textile Industry depend on Handlooms for their livelihood. Handlooms being dispersed in the rural areas of the country, are able to provide employment at or near the places of living of these people. Besides, Handlooms have been successful in preserving traditional designs and skills which have a world-wide repute. Consequently, in any scheme of restructuring, the distinctive role of the Handloom Sector will have to be adequately taken care of. The Khadi Sector (Hand-Spinning and Hand Weaving) has also a special place in the restructuring scheme in view of the large employment potential. A large number of rural women depend on hand-spinning for their livelihood. In the area of processing too, a large number of persons in this sector are small hand-processors and this sector also contributes to increased employment. The needs of the Khadi Sector and the Small hand-processing sector also deserve special consideration.

4.11 We have also noted that, both in spinning and weaving, the present capacity in the country is excessive and to some extent this would be true of processing also. There is, therefore, no case for active encouragement to additional capacity creation in spinning, weaving or processing. On the

other hand, if there were a freeze, the existing units tend to get fossilised and would not be exposed to competition from innovative new entrants. There should, therefore, be no barrier to entry of new firms but only on normal commercial terms without any concessions. The Banks and Financial Institutions would have to exercise their prudent commercial judgement concerning the viability of such units while deciding their applications for terms loans and working capital.

4.12 Just as there should be no barriers to entry of new firms, there should be no barriers to exit of any of the existing units from any of the activities of spinning, weaving or processing that they may be engaged in. However, since such an exit would lead to workers being retrenched, it is necessary that the closure (partial or total) of a unit be negotiated with the representatives of the workers and adequate retrenchment benefits be provided to the displaced workers. Failure to discontinue in time of an unviable part of a unit may well lead to the entire unit becoming unviable with larger unemployment implications. This is an aspect that both the management and the labour would need to keep in mind.

4.13 Although freedom of entry, which has been suggested, would imply that Industrial License would not be refused on grounds of excess capacity, this would of course be subject to the other industrial regulations such as the IDR Act, MRTP Act, FERA regulations and also to any restrictions that may be imposed on new units coming up in urban and industrial areas.

4.14 While the powerlooms have come up as an household industry, they have come up in concentrations in towns like Surat, Bhiwandi, Erode, etc. This may be on account of advantages in regard to obtaining yarn, credit facilities and marketing. While no general ban on new powerlooms is recommended, it is necessary that the State Governments take steps to regulate their growth and bring about a proper dispersal of powerlooms by suitable incentives and disincentives as also take effective steps to prevent malpractices.

4.15 In the interest of protection of the Handloom sector, it is very important that the Central Government and State Governments should take all necessary steps to enforce the provisions of the Handloom Reservation Act.

4.16 Currently, in the Industrial Licences of the mills, the capacity in regard to spinning or weaving is expressed in terms of spindles/rotors

or looms as the case may be. However, in regard to processing, the capacity is expressed in terms of kgs. of yarns and/or metres of cloth on the basis of maximum processing done in a year during the 3 years preceding 31-3-1978. The Committee recommends that while there need be no capacity constraints on processing, the endorsement of processing capacity may be made having regard to the maximum processing capacity of the machines installed, rather than processing actually done in the past.

4.17 Spinning, Weaving and Processing are regulated by the provisions of I(D&R) Act, 1951 and the various Control Orders issued under the Essential Commodities Act, 1955. The Textile Industry is included at Entry 23 of the First Schedule to the I(D&R) Act, 1951. The relevant sub entries of the said Entry read as under:—

- “23. Textiles (including those dyed, printed or otherwise processed) ;
- (1) made wholly or in part of cotton, including cotton yarn, hosiery and rope ;
 - (2) made wholly or in part of jute, including jute twine and rope ;
 - (3) made wholly or in part of wool including wool tops, woollen yarn, hosiery, carpet and druggets ;
 - (4) made wholly or in part of silk, including silk yarn and hosiery ;
 - (5) made wholly or in part of synthetic, artificial (man-made) fibres including yarn and hosiery of such fibres.

4.18 By a Notification under the Cotton Textiles Control Order, 1948 which itself has been issued by the Government of India under the Essential Commodities Act, the Textile Commissioner has prohibited composite cotton textile mills from using art silk yarn in the warp of any cloth. There is a minor exception to this general rule, permitting artificial silk yarn of non-gold coloured variety in the warp of the border of sarees. By another Notification, the restriction on the use of artificial silk yarn in the warp of a cloth has been relaxed, in regard to manufacturers who themselves spin art silk yarn. The net outcome is that cotton composite mills cannot use filament yarn in the warp. This restriction was originally imposed to ensure the availability of viscose filament yarn to the handloom sector. However, even when Nylon and Polyester Filament yarns became increasingly

available and fabrics made out of these enjoyed a consumer preference, the restriction came in the way of cotton textile mills having a wider option in regard to their product-mix. With the recent development of texturising of filament yarns which enable the yarns to 'breathe', the appeal of filament yarn fabrics and apparel made of such yarn is likely to increase.

4.19 The Committee is of the view that there is no justification for the present restrictions on the use of filament yarn in the warp by Cotton Textile Mills. In respect of handlooms using viscose filament yarn, if necessary, suitable steps should be devised to ensure availability.

Entries 23(1) and 23(5) of the first schedule to the IDR Act may be merged and pending such

merger endorsement may be freely given on the licences to cover both the sub-entries.

4.20 The Committee also considered whether the sub-entries (1), (3) and (5) may be merged together. Currently there are certain restrictions about the extent of wool that can be used in the fabrics produced by the cotton or artsilk units. These restrictions are meant to help the woollen mills which, in terms of loomage, are relatively small compared to either the cotton mills or the large artsilk mills. An immediate removal of the restriction on the extent of wool that can be used by cotton and art silk mills might put the health of the woollen mills in jeopardy. In view of this such restrictions may be phased out gradually so that in the meantime the woollen mills are able to improve their competitive strength.

CHAPTER V

FISCAL AND TRADE POLICIES WITH REFERENCE TO THE TEXTILE INDUSTRY*

5.1 By the Second Term of Reference of the Committee, the Committee has been asked to examine the existing Industrial Licensing, Fiscal and Trade Policies with reference to the Textile Industry and suggest necessary changes for modernisation and growth in the industry.

5.2 The Committee believes that the impact of industrial policies, fiscal policies or trade policies on the textile industry should not be seen in a compartmentalised manner in isolation from each other. While each of these policies have discernible consequences, it is the overall impact of industrial policies, fiscal policies and trade policies, taken together, that needs to be recognised. For instance, the regime of industrial policies has led to a situation where uneconomic capacities have been licensed or capacities have been frozen, as a consequence of which competition between firms has been limited, and there has been little incentive or pressure to reduce costs of production. The structure of fiscal levies, manifest in excise duties and custom duties, has exacerbated the problem, by further escalating the costs of both inputs and outputs. At the same time, the structure of tariffs on imports has not been harmonised with the import licensing system embodied in trade policies. The consequences of these policies taken together has been to push up domestic prices of textiles and in several synthetic or blended fabrics domestic prices are much higher than world prices. In order to attain the objective of making available cloth at reasonable prices, it would be necessary to restructure the package of policies across the board in an integrated and programmed manner, so as to reduce the costs of producers and the prices for the consumers. For this purpose, industrial policies, fiscal policies and trade policies should run in tandem rather than work at cross purposes. A time-bound programme for the restructuring of these policies, which would be constituted by a series of simultaneous steps should aim to increase the degree of competition among firms in the textile industry, created an environment that would be conducive to bring about a reduction in the costs of production and hence

make it possible to provide cloth at much more reasonable prices for the consumer. Towards this objective, the steps necessary in the sphere of industrial policies have been outlined in an earlier chapter, and a rationalisation of fiscal policies and trade policies is suggested in this chapter.

Rationalisation of duty structure

5.3 The Textile Industry contributes almost Rs. 1700 crores by way of Excise revenue which is nearly 15 per cent of the total Excise revenue of the country. Out of this Rs. 1700 crores, cotton yarn contributes Rs. 106.70 crores while cotton fabrics contribute Rs. 152.49 crores (including handloom cess leviable on cotton fabrics). The yarn is produced in a limited number of spinning mills. A substantial portion of cotton fabrics produced by the powerlooms do not have to pay any duty either because they are processed by hand processors or because their value does not exceed Rs. 5 per metre.

5.4 A progressive system of indirect taxation would ordinarily imply that the tax is imposed at the final point of sale at a rate that is atleast proportional to the price of the fabric. However, on administrative grounds, there are conveniences in levying the whole or a substantial part of the duty at the yarn stage since the number of units from which tax has to be collected is small and these are well-organised. At the processing stage, the number of units to be handled is very large and it is seldom possible to verify the prices of fabrics declared since the processor is only a converter and is not himself a manufacturer. On the other hand, a substantial increase in yarn duty, while keeping hank yarn duty free, might encourage conversion of hanks to cones which is technically possible. The deterrent factor is the cost of conversion. If the duty differential were substantially higher than the cost of conversion, such conversion may be a paying proposition and may lead to loss of revenue. Levying the same duty on hank yarn and returning collections to the handloom weavers as a subsidy is not considered as yet feasible because of inadequate co-operativisation of handlooms. Development of

institutional support to Handlooms should be expedited to enable duty refund after duty is imposed on hank to prevent risk of diversion. Keeping all these facts in mind, there is a case for shifting a substantial part of the fabrics duty in stages to yarn. The Committee notes that the Government has, in the recent Budget taken a step in this direction by increasing the yarn duty and reducing the duty payable on fabrics correspondingly.

5.5 While hank yarn is exempt from excise duty, double hank cross reel yarn (DHCR) is not so exempt. However, the duty on DHCR yarn is chargeable at a reduced rate when such yarn is purchased by a Registered Handloom Co-operative Society or by an organisation set up or approved by Government for the development of handlooms and payment for such yarn are made by cheque drawn by the cooperative society or organisation on its own bank account. The Committee is given to understand that DHCR yarn is used by handlooms mainly in Maharashtra, Uttar Pradesh and West Bengal and that, for the mills, the conversion cost from cone to DHCR yarn is less and consequently there is a higher productivity. A limited amount of DHCR yarn (mainly coloured yarn) is used by powerloom weavers. However, considering that DHCR yarn is predominantly used by handloom weavers, the Committee would recommend that DHCR yarn may be exempted from duty without the stipulations that are currently made.

5.6 Since the Committee has already recommended that the power operated weaving and processing sectors, whether in the mill or in independent powerlooms/power processors, be treated as one, there is no need to have a distinction between duties on fabrics processed by mills or those processed by independent power processors. The recent Budget has already brought this about by equalising the duties on processed fabrics, whether processed by independent processors or mills. There are complaints of rampant duty evasion by power processors. There is need for tightening the duty collection mechanism. However, the existing concessions available for the processing of handloom fabrics may continue.

5.7 Hand processors of cotton fabrics who do bleaching with the aid of machines are not subjected to any duty, if the quantity cleared in the previous year does not exceed 36 lakh sq. metres and in the relevant year 15,000 sq. metres per day. No duty is also leviable on the process of printing with the aid of machines other than "Screen Printing on fixed tables with the aid

of heated oil circulated by pump operated by manual or animal labour". Besides, processing done without the aid of power or steam is totally free from duty and the quantity of cotton fabrics subjected to the process of bleaching and used within the factory in which such fabrics are so bleached for the purpose of printing (either after such bleaching or after subjecting them to any further process) is outside the limit of 36 lakh sq. metres in the previous year or 15,000 sq. metres in the relevant year. These provisions have led to a number of large scale hand processors resorting to the so called cold bleaching process which does not need power or steam and subsequently printing such bleached fabrics. The duty concession given were meant initially for small processors but were also availed of by large processors. This does not seem justifiable. Duty exemption for hand processing may be restricted to such processors who cleared upto 36 lakh sq. metres in the previous year and process upto 15,000 sq. metres per day in the relevant year and the units processing in excess may be taxed at the same rates as power processing in respect of the entire processing done.

5.8 Table-17 gives the Sixth Plan Projections for the requirement of man-made fibres and filament yarns, estimated indigenous production and imports in the end year of the Plan and the projections for the end year of the Seventh Plan made by the Working Group constituted by the Planning Commission for the development of the Textile Industry in the Seventh Five Year Plan period.

TABLE 17

(In metric tonnes)

Sl. No.	Fibre/Filament yarn	Projection of requirements by 84/85	Estimated domestic production	Imports in the end year of the 6th Plan 84/85	Projections made for the end year of the 7th Plan 89-90
1	Viscose Staple Fibre	1,11,830	94,793	11,567	1,36,000
2	Acetate Fibre	—	263	—	770
3	Modified Viscose Fibre	—	5,310	2,443	28,000
4	Polyester Staple Fibre	82,100	38,994	2,008	1,69,000
5	Acrylic Fibre	—	20,923	824	97,000
6	Polypropylene Fibre	—	—	—	5,000
7	Viscose Filament yarn	47,368	32,619	777	43,000
8	Acetate Fil. yarn	—	704	319	1,600
9	Nylon Fil. yarn	37,040	32,258	509	69,000
10	Polyester Fil. yarn	27,550	54,909	1,274	78,000

SOURCE : 7th Plan Working Group Report/Textile Commissioner's Office/AMFI

5.9 There is a definite increasing trend in the consumption of synthetic and blended fabrics. Internationally, the consumption of non-cellulosic fibres and filament yarns has gone up from 22.1% in 1970 to over 35% in 1979 and thereafter, while the consumption of cellulosic filament/staple has gone down from 16.5% in 1970 to 10.1% in 1982. During the corresponding period, the consumption of non-cellulosic filaments/staples in India went up from 1.64% to 7.11% of the total fibre consumption. The consumption of cellulosic filament/staple stood at 10.19% in 1980. The consumption of synthetic fabrics and blended fabrics continues to increase. Fabrics made of non-cellulosic fibres/filament yarn and blended fabrics containing them in adequate proportion have the advantage of durability and also easy care property. While our consumption of non-cellulosic fibres and filament yarns, as a proportion of our total fibre consumption, is considerably below the international level, it would be reasonable to expect a significant increase in the consumption, if the prices of such fabrics were to come down.

5.10 In the world markets, there are no significant differences in prices between cotton, viscose and non cellulosic fibres and filament yarns as witnessed by the figures given in the table-18.

TABLE 18

Statement showing Indian and International prices of Fibres/Filament Yarns

Sl. No.	Particulars	Indian Prices (Rs. per Kg.)	International Prices(CIF) (Rs. per Kg.)
1 COTTON			
(a)	20s Count	14.76 (Rs. 5255 per candy)	17.48 (62 cents per lb. or Rs. 6222 per candy)
(b)	30s Count	15.47 (Rs. 5507 per candy)	15.79 (56 cents per lb. or Rs. 5620 per candy)
(c)	40s Count	15.96 (Rs. 5682 per candy)	17.19 (61 cents per lb. or Rs. 6121 per candy)
2	Viscose staple fibre (1.5-D)	23.75	13.04 (\$1.055 per kg.)
3	Polyester staple fibre (1.5-D)	93.28	16.91 (\$ 1.368 per kg.)
4	Polyester filament yarn (76-D)	192.00	44.25 (\$3.58 per kg.)

SOURCE : Textile Commissioner's Office (C.I.F. cotton prices are from Cotton Outlook, CIF prices of VSF, PSF, PFY, and are wt. ave. of contracts regd. in Jan. '85).

5.11 As against the international price of \$3.53 per Kg. of PFY (76 deniers), the Indian price is Rs. 192. The corresponding figures of PSF are \$1.368 per kg. and Rs. 93.28 per kg. The reasons for the considerably higher Indian prices are the indigenous cost of production of intermediate inputs, import duty on imported inputs needed to supplement the indigenous availability, higher costs of manufacture of fibre/filament yarns on account of lack of economies of scale and Excise duties on fibres and filament yarns. The fabric duty on polyester cotton, blended or mixed fabrics costing less than Rs. 25.00 per metre was brought down from a level of 7.72% ad-valorem to 2% ad-valorem in the 1984-85 budget. However, to bring down the fabric prices considerably, an attack on all the fronts mentioned above would be needed. The possibility of realising economies of scale in the manufacture of intermediates such as caprolactam, DMT, MEG, TPA and Acrylonitrile should be explored either by expanding capacities in the existing units or while licensing new units. Since this process may take some time before there is any result, the Committee would recommend reduction of import duty on intermediate inputs which are required to be imported to supplement the domestic production. Suitable provision may be made in the import policy to protect the legitimate interest of domestic producers.

5.12 Similarly, while licensing new capacities for the manufacture of non-cellulosic fibres/filament yarns, it is necessary to benefit from the economies of scale. This needs to be borne in mind when existing manufacturers seek to replace their present equipment and, in any event, new units should be invariably of economic size.

5.13 Since the indigenous production of synthetic fibres and filaments will be increasing substantially in the Seventh Plan period, a sufficient reduction of duty should be effected in the immediate future so as to ensure a reduction in the cost of these inputs and absorption of domestic production. Action in this area should be guided by the needs of Textile Policy rather than by revenue considerations alone.

5.14 Monopoly profits accruing to indigenous manufacturers of synthetic fibres and filament yarn should be reduced by a suitable reduction in duties on competitive imports. The reduction in prices of synthetic/blended fabrics can also be expected to reduce the extent of imports, legal (by way of permissible personal baggage) or

otherwise of synthetic textiles of foreign origin. Such imports have acquired substantial proportions.

5.15 The level of excise and import duties on non-cellulosic fibres/filament yarns need to be brought down significantly in the first instance and further reduction effected over a period of time in such a manner that the benefit of such reduction flows to the consumer.

5.16 The Committee recognises that cotton will continue to be our primary fibre in the textile industry. Besides there is a considerable potential for the export of cotton and cotton manufactures which needs to be exploited. The Committee does not consider it very likely that a reduction in prices of synthetic/blended fabrics will have an adverse effect on the cotton economy. However, it would be possible to ensure and the Government should guarantee the off take by effecting price support operations to the extent necessary. Utilisation of surpluses should be possible in view of higher domestic consumption and utilisation of export window in respect of cotton and cotton manufactures.

5.17 As noted in an earlier Chapter, India has developed a substantial Textile Machinery Industry. The Indian Textile Machinery Industry is able to cater to practically the entire requirements of conventional machinery needed by the cotton textile industry. The machinery manufacturers have also developed their own R & D or entered into collaboration with foreign manufacturers for the manufacture of sophisticated machines. The manufacture of such machines necessitates a considerable amount of import of components and special steels etc. The current

levels of duties on components, special steels etc. contribute to an increase in the final price of the machinery. To bring down the prices, the following recommendations are made.

5.18 Currently, when an indigenously manufactured component covered by TI 68 of the Central Excise Schedule is incorporated in an item of machinery, a set off is available for the duty paid on such a component against the duty payable on the machinery manufactured. If components were imported, no set off of the import duty paid is available. To bring down the prices of textile machinery of recent technology, the Committee would urge that a scheme be evolved to make available such set off.

5.19 In order to make the domestically manufactured capital goods for the textile industry priced more competitively, it is necessary to lower the import tariffs of components, special steels etc. that go into the manufacture of textile machinery. The types of machinery for such concession would vary from time to time. There should, therefore, be a periodic review to determine the items of eligible machinery. If in the initial stages of domestic manufacture of sophisticated machinery the indigenous manufacturers seek for clearance for a high level of import content, this might not be objected to.

5.20 To facilitate the objective of modernisation and technological upgradation at low cost, the Committee would suggest that the import of capital goods for the Textile Industry as also for the Textile Machinery Manufacturing Sector on OGL should be subject to nominal tariffs in so far as there is no domestic production of such capital goods.

*Since recommendations in this Chapter related directly to a sensitive operational area in the realm of his official function. Dr. Bimal Jalan abstained from joining in the recommendations contained in this Chapter.

CHAPTER VI

CONTROLS AND REGULATIONS

6.1 The Committee has already dealt with, in the context of restructuring of the industry, in Chapter IV, the question of the division of the Textile Industry, according to fibre use under Entry 23 of the First Schedule of the IDR Act at present and has recommended the merger of sub-entries (1) & (5) and made some related recommendations thereon.

6.2 The Textile Industry has, over the last 4 decades, been subjected to a variety of controls. A number of these controls were originally formulated to deal with conditions of shortage. Many of the provisions of the Textile Control Orders have been extant for decades and have not been reviewed earlier. Many of these provisions have outlived their utility. A number of them have not been found necessary in actual practice. The Committee is of the view that only those provisions of the Textile Control Orders/Notifications which have been found necessary should be continued.

6.3 The Cotton Control Order, 1955 was issued under Essential Commodities Act 1955 to ensure a fair and adequate return to the growers, to assist in the maximisation of cotton production; to make available cotton to the textile industry at reasonable prices and to ensure that the available cotton is distributed equitably. To achieve these objectives, powers have been given to the Textile Commissioner for fixing maximum/minimum prices of cotton, kapas or cotton seed; to control the activities relating to cotton by licence; directing and prohibiting sale of cotton or kapas; rendering assistance for procuring cotton, collecting statistical information, to enter and search any premises and seize articles, etc.

6.4 Under the above Control Orders, powers have been delegated to the Textile Commissioner for fixing prices of cotton, kapas, etc. (Clause 3), to issue directions to any person holding any stock of cotton or kapas regarding a maximum quantity which may be kept in possession at any time (Clause 4A), for directing sale of cotton (Clause 6), for furnishing samples (Clause 12), for issuing direction to gin kapas (Clause 13), for prohibiting transport of cotton (Clause 14), for directing and prohibiting sale of cotton or kapas (Clause 14A)

and to close the booking and transport of cotton or kapas (Clause 16). These powers of the Textile Commissioner are no more required in the current context. As such, the Committee recommend the deletion of these provisions. Similarly, there is a restriction on entering into contract for sale or purchase of cotton (Clause 4) and there is a provision for taking assistance from Textile Commissioner for procuring cotton, kapas, etc., (Clause 14B). These provisions are also no more required and hence their deletion is recommended.

6.5 Under the Essential Commodities Act, 1955, the Cotton Textiles (Control) Order, 1948 (CTCO) was issued with a view to provide stimulus to and regulate the creation of additional capacity in the Cotton Textile Industry; to regulate prices and distribution of textiles and to protect the handloom and other decentralised sectors apart from protecting the consumer's interests. To achieve these objectives, powers have been given to the Textile Commissioner to regulate acquisition, installation, sales, etc. of powerlooms and spindles through a system of permits; restricting use of sizing/filling material and use of wheat flour; reservation of items of production for handloom, khadi, handicraft, handprinting, hand processing, etc., by prohibiting such items from production by powerlooms, issuing direction for packing yarn for handloom sector, restricting the processing of outside cloth by composite mills; to specify mode of packing of yarn and cloth and packing material to be used; directing production and packing of controlled varieties of cloth for the vulnerable masses; prescribing channels of distribution of such cloth; to fix maximum and minimum prices of cloth and yarn and the markings to be made on cloth and yarn, to regulate stock of cloth and yarn to be held by the manufacturers and dealers; to collect information, samples and inspect books of accounts, apart from powers to enter, search and seize; to prohibit dismantling of factory and removal of spare parts, etc.

6.6 The Textile Commissioner has issued notifications prohibiting production of certain varieties of cloth by powerloom in order to protect the

handlooms, handicrafts, hand processors, hand printers, khadi sector, etc. and also for maintaining quality of cloth and yarn in the interest of consumer protection. He has also issued notifications specifying the formula for determining prices of controlled cloth. Other notifications issued by him cover fixing the obligation on mills to pack yarn in hank form for adequate supply to handloom sector, specification of packing and the packing materials to be used, markings to be made on cloth and yarn, etc.

6.7 As per Clause 12(3) to Clause 12(5) of the CTCO, every powerloom owner is required to apply within hundred days from the commencement of the Cotton Textiles (Control) Amendment Order 1973 to the Textile Commissioner in the prescribed form for a registration certificate in respect of each powerloom in his possession and on receipt of such application, the Textile Commissioner shall register the powerloom. Since the utility of this Clause is already over, there is no necessity to retain this Clause in the said Control Order. The Committee, therefore, suggests deletion of Clause 12(3) to clause 12(5) along with the specified form 'A' and form 'B'.

6.8 As per Clause 13 of the above said Control Order, no person can manufacture or cause to be manufactured any cloth other than cloth meant for export and not for sale in India containing any sizing or filling material or both of any description which exceeds in the aggregate 20% of the weight of the cotton in the cloth without prior permission in writing from the Textile Commissioner. Since this restriction is not relevant in the current context, it may be deleted.

6.9 As per Clause 14 of the CTCO, no person can use wheat flour for the purpose of sizing or filling cloth. This restriction was imposed at the time of the war with a view to conserve food stuff. In the changed situation this can be deleted.

6.10 Clause 15 and 16 of the CTCO restrict the purchase and disposal of cloth which has been manufactured in contravention of Clause 13 and Clause 14 and empower the Textile Commissioner to prescribe the method of test to be carried out in finding out the quantum of the sizing material. Clauses 13 and 14 are recommended for deletion. Consequently Clauses 15 and 16 are also not relevant and may be deleted.

6.11 As per Clause 20C of the CTCO, composite mills cannot undertake or carry out any processing of any cloth not produced by him without the prior permission in writing of the Textile Com-

missioner. While granting permission, the Textile Commissioner has to take into account the following factors :—

- (a) the need to satisfy the demand for processed cloth from the domestic and export markets ;
- (b) the need to satisfy the requirements of the Central Government ; and
- (c) any other relevant circumstances ;

and such permissions have never been refused. However, it is learnt that the independent processors in some parts of the country made out a grievance to the Textile Commissioner that their livelihood is affected if mills were granted permission for outside processing. Since there is no barrier to new processing units coming up for processing only outside cloth, the requirements of composite mills having to obtain prior permission of the Textile Commissioner for processing outside cloth should be done away with.

6.12 As per Clauses 21(1) and 21(2) of the CTCO, no manufacturer of cloth or yarn can sell or otherwise dispose of cloth and yarn except in packed condition in the manner indicated under the said Clauses. The quantum of cloth/yarn to be packed in each full bale, three-quarter bale, half-bale, quarter bale, etc. has been specified under these clauses. For statistical purpose, the quantity is reported in terms of Kgs. which should suffice. The manufacturers should have the liberty of packing of cloth and yarn, as per the requirement of the market. In view of this, the Committee recommends deletion of Clause 21(1) and 21(2) of the above said order. The Notification issued under Clause 21(1) by the Textile Commissioner may also be, consequently, deleted.

6.13 As per Clause 21(3)(c) of the above said Control Order, no composite mill can pack during any month a quantity of yarn less than 80% of the average quantity of yarn packed by it per month during the year 1955. This provision was inserted with a view to have adequate supply of yarn. Since sufficient capacity in spinning has already been created, this provision seems to be superfluous. The Committee recommends its deletion.

6.14 As per Clause 21(4) of the CTCO, the Textile Commissioner can prescribe the manner in which any manufacturer shall pack cloth or yarn in bales or packages. The Textile Commissioner has also issued a Notification specifying the manner of packing and the type of packing material to be used. Since a lot of changes have

taken place in the use of packing material and the packing method, these stipulations are no more required. In view of this, Clause 21(4) and the Notification may be deleted.

6.15 As per Clause 22(2) of the CTCO, the State Government or an Officer authorised by the State Government has power to fix the prices in respect of any type of cloth or yarn and specify the marking wherever Textile Commissioner has not specified the same. Since these powers have not been exercised by the State Governments, it is not necessary to retain the provisions in the Control Order and the same may be deleted.

6.16 As per Clause 23(2)(i) of the CTCO, no manufacturer can sell or deliver any cloth or yarn 'other than such classes or specifications thereof as are specified in this behalf by the Textile Commissioner of which the maximum ex-factory prices have not been specified or determined under Clause 22'. Similarly, as per Clause 23(2)(iii) of the CTCO, no manufacturer can sell or deliver any non-controlled cloth unless he has previously sent to the Textile Commissioner a sample of such cloth of the dimension of 15 cms. by 15 cms. together with true and accurate information "in such forms and in such manner as may be specified by the Textile Commissioner in this behalf about the manufacturing particulars thereof". Since these restrictions are no more required in the current context, they may be deleted.

6.17 As per Clause 23(3) of the CTCO, no person shall use sewing thread or sewing thread yarn in the manufacture of cloth. This restriction is also not now relevant and may be deleted.

6.18 As per Clause 24(2) of the CTCO, every sale by a dealer except to a consumer of cloth or yarn of which the maximum prices have been specified or determined under Clause 22 shall be at a price either f.o.b. station of despatch or ex-godown of storage, at the buyer's option; provided that the commission of the commission agent shall be paid by the buyer. Similarly, as per clause 24(3), no person acting as a commission agent in respect of sale of cloth or yarn to which Clause 24(2) applies shall receive a commission which exceeds half per cent of the maximum price of the cloth or yarn, the subject matter of such sale. Since these matters are to be decided between the buyers and the sellers, the restriction contained in these clauses are not necessary in the current context. In view of this, Clause 24(2) and 24(3) may be deleted.

6.19 As per Clause 24(4) of the above said Control Order, the Textile Commissioner may, by notification, in the Official Gazette, provide for the giving of a cash memorandum by any manufacturer or dealer in respect of any sale transaction and for the particulars to be contained in any such memorandum. Since no notification has been issued by the Textile Commissioner in this regard, Clause 24(4) may be deleted.

6.20 As per Clause 24(5) of the said Control Order, no manufacturer or dealer shall, without sufficient cause refuse to sell cloth or yarn to any person. Since there is no shortage of cloth or yarn, there may not be an occasion to refuse sale of cloth or yarn and, in view of this, Clause 24(5) may be deleted.

6.21 As per Clause 25 of the above said Order, the Textile Commissioner has power to issue direction in respect of keeping stock of cloth or yarn at any time by the manufacturer or dealer. No direction has been issued in the recent past and as such Clause 25 may be deleted.

6.22 As per Clause 37 of the above said order, any court, trying contravention of any of the provisions of the order, may direct that any article or articles, in respect of which it is satisfied that the order has been contravened, shall be forfeited to "His Majesty". Presumably some general amendment must have been made by the Government to replace expression like "His Majesty", 'Crown', etc. Needless to add, while re-issuing the Control Order, the change may be effected in the order itself.

6.23 The Textile Commissioner has issued Notification under Clause 20 of the CTCO prohibiting production of certain items of cloth on powerlooms in order to protect the Handloom Sector. Reservation of items for production by handlooms have been made, based on the recommendations of various High-Powered Study Teams in the past. After initiation of necessary action under the recently enacted Handloom Reservation of Articles Act, the reservation provisions made under the Cotton Textile Control Order would become redundant and may be deleted.

6.24 The Textile Commissioner has issued a Notification under Clause 20 of the CTCO by which the following directions have been issued —

- (a) Production of dhoti or saree in excess of 120% of the quantum of dhoti or saree, as

the case may be, produced by composite mills during the year 1963 or 1965 or 1966, has been prohibited. This restriction was imposed with effect from 1-1-1972 for protecting handlooms. However, this restriction is not applicable to production for export and controlled dhoti and saree.

- (b) Composite mills are prohibited from dyeing in standard olive green shade (scamie emblem 314) or any shade closely resembling it, other than for supply to Government. This is a requirement of defence.
- (c) Piece-dyeing of poplins, mulls, voiles and dorias which is not fast to washing is prohibited for composite mills. This is a quality control measure for consumer protection.
- (d) Use of any coloured yarn which is not dyed in fast-to-bleach shade in the border of the dhoti or saree is prohibited for composite mills and processors. This is also a quality control measure for consumer protection.
- (e) A manufacturer is prohibited from Dyeing or finishing of cloth meant for making umbrella, unless he dyes it himself with the prescribed dyes. There is quality improvement in dyeing and finishing of umbrella cloth. Moreover, umbrella cloth is now made out of artsilk also. In view of this, it is suggested to remove this restriction.
- (f) Printing of saree, bed spread, bed cover and table cover produced on powerloom with heading or border is prohibited. This restriction is intended for protection of hand printing industry in the Decentralised Sector.
- (g) Use of artificial silk yarn by composite mills in the warp of any cloth other than yarn manufactured by him is prohibited. In view of the recommendation made in Chapter IV of this report concerning fibre flexibility and merger of sub-entries 23(1) and 23(5) of the First Schedule to the IDR Act, this restriction may be removed.
- (h) Production of controlled varieties of cloth should be as per the specifications.
- (i) Production of controlled cloth without the permission of the Textile Commissioner is prohibited. This is with a view to safeguard the misuse of controlled cloth.
- (j) The producer should include 2 coloured thread warpwise all through the length and adjacent to one of the selvages of certain varieties of controlled cloth. This shade should not be inserted in non-controlled cloth. This is with a view to distinguish controlled cloth from non-controlled cloth.
- (k) Production of reverse twist yarn for sale without the permission of the Textile Commissioner is prohibited. This restriction was imposed from 1-7-1950 with a view to protect khadi industry.
- (l) No manufacturer, having an embroidery machine, can undertake or carry out the following type of embroidery with the help of an embroidery machine without the prior permission of the Textile Commissioner :—
 - (i) Kasida work and ruffugiri ;
 - (ii) Chikankari ;
 - (iii) Phulkari.

This restriction was perhaps imposed to protect the hand-embroidery sector. The Committee could not assess the views of the hand-embroidery sector and would therefore, suggest the retention of the provision unless it appears to Government that the sector does not need any special protection.

Except restrictions at item (e) and (g), all other restrictions may be retained.

6.25 With a view to protecting handlooms/hand processors, the Textile Commissioner has issued a Notification under Clause 20 of the Cotton Textiles Control Order 1948 by which power processors are prohibited from piece dyeing of dhoti and saree manufactured on powerlooms. Similarly, power processors are prohibited from printing of saree, bed spread, bed cover and table cover produced on powerlooms with a heading or border in order to protect hand-printers. Since these restrictions are meant for protecting hand processors/handlooms/hand printers, it is recommended to retain the restriction.

6.26 The Textile Commissioner has issued Notification under Clause 22 of the CTCO 1948 specifying prices of controlled cloth packed after 30-9-1966. Since this is no more relevant, it may be deleted.

6.27 The Textile Commissioner has issued Notification under Clause 22 of the CTCO prescribing formulae for calculating prices of controlled cloth. Since the very scheme of controlled cloth

and the price calculation has undergone a lot of changes, it is recommended to replace this Notification with a fresh Notification covering the aspects relevant to the present scheme.

6.28 The Textile Commissioner has issued the following Notifications under Clause 20 and 21A of the CTCO 1948 specifying the quantum of obligation of controlled cloth:—

1. CER/22/74 dated 3-4-1974
2. CER/23/74 dated 3-4-1974
3. CER/23/74 dated 5-4-1974
4. CER/22/74 dated 21-6-1974
5. CER/22/74 dated 26-6-1974

Since the Notifications are not relevant to the present scheme of controlled cloth, the above five Notifications may be deleted.

6.29 The Textile Commissioner has issued Notifications under Clause 22 of the CTCO by which he has specified the various markings to be made on the cloth and yarn by producers and processors. It is recommended to replace these Notifications by a simple Notification relevant to the present day requirements.

6.30 By an order issued under Clause 30 of the CTCO, the Textile Commissioner has restricted the sale and delivery of controlled cloth by wholesalers. Since these are not relevant to the present system of distribution of controlled cloth, this may be deleted.

6.31 By a Notification issued under Clause 20 and 21 of the CTCO, the Textile Commissioner has fixed obligation on the mills to pack yarn in hank form for civil consumption. This is with a view to make adequate supply of yarn to the handloom sector. An obligation has been imposed on the mills to produce 50 per cent of the yarn for civil deliveries in the form of hanks and 85 per cent of the 50 per cent is required to be in counts 40s and below. The Committee understands that the Madras High Court has recently struck down the hank yarn obligation and that the Government has preferred an appeal to the Supreme Court against the said decision. While the lacunae, if any, in the existing orders need to be removed and provisions made for exempting mills who face significant difficulties in regard to production and marketing of such yarn, the basic rationale of imposing an obligation on the mills to produce a proportion of the yarn they market

in the form of hanks is undisputed. The Committee would, therefore, recommend that such an obligation may be imposed, after removing legal infirmities, if any, in the existing orders. Normally, if the mills are required to produce a certain quantity of hank yarn, it could be expected that production by mills would conform to the market requirements without the need for a specific statutory prescription insisting on 85 per cent of the production being of yarn of counts 40s and below. It was however urged on behalf of handloom weavers before the Committee that, without such an insistence, it is conceivable that there may be a mis-match between what is produced by the mills and what is needed by the handlooms and the possibility of a substantial quantity of hank yarn being produced in higher counts and subsequently converted into cone yarn by powerlooms cannot be ruled out. In view of this, the Committee recommends the continuance of the obligation in regard to the proportions of hank yarn that should be of below 40s counts.

6.32 The Textile (Production by Powerlooms) Control Order, 1956 was issued under the Essential Commodities Act 1955, and relates to installation of powerlooms producing non-cotton fabrics with the objective of arresting the unauthorised growth of powerlooms. To achieve this objective, powers have been given to the Textile Commissioner for issuing permits for acquisition, installation, sale, transfer, etc. of powerlooms; to seal the powerlooms installed without permission; to collect information; to inspect of books of accounts, to enter and search of any premises and to seize powerlooms, etc.

6.33 Clause 3 to 5 of the above Control Order deal with the registration of the then existing powerlooms. Since the registration work of powerloom is already over, it is recommended that Clause 3 to 5 along with Form-A and Form-B connected therewith be deleted.

6.34 Instead of the system of permits for acquisition, installation, sale, transfer, etc. of powerlooms, a simple system of compulsory reporting and automatic registration may be prescribed for statistical purposes, so that the person who acquired, installed, or disposed of the looms reports to the Textile Commissioner after such acquisition, installation or disposal.

6.35 As per Clause 6A of the above said order, the types of yarn to be used by powerlooms are to be specified by the Textile Commissioner. Since this is not relevant now, it is recommended

to delete 'Clause 6A except sub-clause (b) of Clause 6A. Consequently Form C given under Clause 6A may also be deleted.

6.36 The Textiles (Production by Knitting, Embroidery, Lace making, Printing Machines) Control Order 1963 was issued under the Essential Commodities Act 1955 in order to regulate the growth of these machines, with a view to protect handloom and handicraft sectors. To achieve these objectives, powers have been given to the Textile Commissioner to issue permits/registration for acquisition, installation, sale, transfer, etc. of these machines; to collect information; inspection of books and accounts, etc. apart from power to enter and search any premises and to seize the unauthorised machines.

6.37 Clause 3 of the above control order deals with the registration/issuing of permits for the initially existing embroidery, knitting, lace making and printing machines. Since that period of registration is over, the provision is no more required. Hence it is recommended to delete Clause 3 along with Form-A and Form-B connected therewith.

6.38 For machines that may be acquired or installed hereafter, a simple system of compulsory reporting and automatic registration may be prescribed for statistical purposes, so that the person who acquired, installed or disposed off such machines reports to the Textile Commissioner within a reasonable period after such acquisition, installation or disposal.

6.39 The Textile Machinery (Production & Distribution) Control Order 1962 was issued under the Essential Commodities Act 1955 with the objective of regulating the growth of the Textile Machinery sector and to assist the mills which are experiencing difficulty in securing textile machinery. To achieve these objectives manufacturers of and dealers in textile machinery are required to register themselves with the Textile Commissioner and furnish periodic returns of their production, delivery and stock. The Textile Commissioner has the power to direct the manufacturers to sell the machines to specified persons. He has also power to collect information, inspection of books of accounts, to enter and search any premises and to seize any machinery.

6.40 There is no need for the Textile Commissioner to have powers to direct any manufacturer or dealer to sell or deliver a specified quantity

of machinery to specified persons. Consequently, Clause 4 of the said Order may be deleted.

6.41 The Artsilk Textiles (Production & Distribution) Control Order 1962 was issued under the Essential Commodities Act 1955 with the objective of regulating the growth of spinning capacity in the artsilk sector and to control production, delivery and prices of man-made fibre yarn. To achieve these objectives, acquisition and installation of spindles are regulated by permits to be issued by the Textile Commissioner. The Textile Commissioner has power to fix stock limits of artsilk yarn to be kept by various persons; to direct manufacturers to pack yarn in hanks, cones, etc.; to fix prices of artsilk yarn and to issue specifications of packing and marking; to direct the manufacturers/dealers to sell or not to sell yarn; to collect information and samples; to enter and search any premises and seize any article.

6.42 Clause 3 of the above said Order deals with control on production by issuing acquisition and installation permission for spindles. Further, the Textile Commissioner has power to specify the quantity of artsilk yarn of different specifications to be produced by the manufacturers for a specified period. This power is no more required in the current context and as such it is recommended to delete Clause 3(1) and 3(2) and first two provisos of Clause 3(3).

6.43 As per Clause 3A of the above said order, the Textile Commissioner has power to issue orders fixing stock limit of artsilk yarn, which can be kept in possession of the manufacturer, dealer, processor or any other person. Since no stock limit has been fixed, this provision is not necessary. Hence it is recommended to delete Clause 3A.

6.44 As per Clause 5 of the above said order, the Textile Commissioner may, by Notification in the official gazette, require the manufacturers of or dealers in artsilk yarn to give a cash memorandum in respect of every sale of artsilk yarn in such form as may be specified in the notification. Since no notification has been issued so far for this purpose, it is recommended to delete Clause 5.

6.45 As per Clause 6 of the above said order, the Textile Commissioner has power to direct the mill to sell or not to sell artsilk yarn. Since no direction has been issued under this Clause, it is recommended to delete Clause 6.

6.46 As per Clause 7 of the above said order, no manufacturer of or dealer in artsilk yarn shall, without sufficient cause, refuse to sell artsilk yarn to any person. Since there is no shortage of yarn, the question of refusing sale normally does not arise. In view of this, it is recommended to delete Clause 7.

6.47 The Textile Commissioner has issued a Notification under Clause 3(3) of the above Control Order by which all the textile mills are permitted to produce yarn from viscose, polynosic and polyester fibre which the mills are permitted to import in accordance with Public Notices dated 24-7-1976. Since these Public Notices are not relevant now, it is recommended to delete the above Notification dated 26-9-1976.

6.48 The Textile Commissioner has issued a Notification by which artsilk yarn manufacturers have been directed to submit a return in the proforma given thereunder in respect of import and consumption of artsilk fibres imported according to Public Notice dated 24-7-1976. Since these Public Notices are not relevant now, the question of submission of returns does not arise at present. In view of this, it is recommended to delete the above said notification dated 6-10-1976 alongwith the proforma return.

6.49 The Textile Commissioner has issued a Notification alongwith a proforma return under clause 31 of the Cotton Textile Control Order 1948 and Clause 10 of the Artsilk Textiles (Production & Distribution) Control Order 1962. As per this Notification, the importers of polyester fibre imported under Public Notices dated 24-7-1976, 20-8-1976 and 22-11-1976 have to submit a return in the specified proforma giving details of letter of credit, quantity, opening balance, imports made, consumption and balance in stock of various artsilk fibres imported. Since the import of Polyester fibre and other artsilk fibres is under OGL, the Public Notices are not relevant in the current context, it is recommended to delete the above Notification dated 15-12-1976.

6.50 By a Notification issued under the Artsilk Textiles (Production & Distribution) Control Order 1962, the Artsilk yarn manufacturing units are required to pack 50 per cent of the total yarn packed for civil consumption in hank form. The amount of artsilk yarn, especially filament yarn used by the handloom sector is rather limited. The Committee is of the view that the Statutory Hank Yarn Obligation on Artsilk yarn manufacturing units is not necessary and therefore, re-

commends that the relevant Notification be cancelled.

6.51 By a Notification issued under Clause 4(2) read with Clause 9 of the above order, the Textile Commissioner has specified the marking to be made on cloth and yarn. Since these markings are meant for consumer guidance, it is recommended to retain the Notification.

6.52 The Woollen Textiles (Production & Distribution) Control Order 1962 was issued under the Essential Commodities Act 1955 with a view to control and regulate the acquisition, installation, sale, transfer, etc. of woollen textile machinery in order to regulate the growth in this sector. The Textile Commissioner has power to control production, delivery and prices of woollen yarn and cloth. The growth of the sector is regulated by permits issued by the Textile Commissioner. The Textile Commissioner has also powers to issue direction for processing or not processing and selling or not selling woollen yarn, to fix processing charges, to collect information and samples, to enter and search any premises and seize articles, etc.

6.53 As per Clause 3A of the above said Order, the Textile Commissioner has power to control production and issue specification of production. Since no order has been issued under this Clause, it is recommended to delete Clause 3A.

6.54 As per Clause 4 of the above said order, the Textile Commissioner has power to fix spinning charges and processing charges of woollen yarn and maximum ex-factory wholesale prices, etc. of woollen yarn. Similarly, he has power to specify the manner of packing and the markings to be made. Since only the power of issuing marking regulations is required by the Textile Commissioner, Clause 4(1), 4(1A), 4(3) and 4(4) may be deleted.

6.55 As per Clause 5 of the above said order, the Textile Commissioner may, by a Notification in the Official Gazette, require the processors or manufacturers of and dealers in woollen yarn to give a cash memorandum in respect of every processing or sale, as the case may be, of woollen yarn, in such form as may be specified in the Notification. Since no notification has been issued, it is recommended that Clause 5 may be deleted.

6.56 As per Clause 6 of the above said Order, the Textile Commissioner has power to issue direction for processing or not processing and

selling or not selling woollen yarn. Since this power has not been invoked, it is recommended that Clause 6 be deleted.

6.57 As per Clause 7 of the above said Order, no processor of any variety of woollen yarn shall without sufficient cause refuse to process such woollen yarn. Similarly, no manufacturer of or dealer in woollen yarn shall, without sufficient cause, refuse to sell woollen yarn to any person. Since this provision is not required in the current context, Clause 7 may be deleted.

6.58 While a large number of provisions have been recommended for deletion, the Committee would suggest that the provisions that have not

been dealt with in this Chapter be scrutinised further and decision for retention or deletion be taken in the light of the general approach adopted by the Committee. The Committee would urge that the continuing provisions be regrouped, re-drafted and re-issued in a more compact manner reducing the number of Control Orders to as few as possible. The Committee would also recommend that if, in future, it is considered necessary to issue any Statutory Order or Notification, a time limit during which the Order/Notification will be in force may be indicated in the Order/Notification itself, so that a periodic review of the merits of continuance of the Order/Notification becomes obligatory.

CHAPTER VII

MEASURES FOR REVIVING CLOSED/SICK MILLS AND FOR PREVENTING SICKNESS IN TEXTILE MILLS

7.1 According to the data received in the office of the Textile Commissioner, there were 69 cotton textile mills with a labour complement of 107896 which were closed as on 28th February, 1985. In terms of the number of workmen rendered out of work, eight percent of the employees on roll in the spinning mills and a similar proportion in the composite mills were affected. However, the number of spinning mills (622) is large, having on rolls employees to the extent of 3.55 lakhs compared to the number of composite mills (281) having on roll 8.57 lakh employees. Some of the mills are closed on account of labour disputes, while the rest, by and large, are closed on account of financial difficulties. Most of the mills in the latter category owe their present plight to one or more of the factors such as managerial incompetence, lack of technical competence and motivated personnel, excess labour, incorrect product-mix, poor marketing, obsolete machinery, inadequate maintenance, poor labour relations, etc. However, while considering measures for reviving of such mills, apart from any measures contemplated for improving the health of the Textile Industry as a whole, it becomes necessary to study the problems of each individual mill in greater detail to ascertain whether the mill could be revived at all and if so, what needs to be done for such revival.

7.2 A number of studies done by ATIRA and other Research Associations have brought out wide variations in productivity per person or per machine or per unit of capital employed within the textile industry. Between the best and the worst units, the productivity variations are as much as 3 to 1. While analysing the conditions of any mill, it becomes necessary to look into the productivity of various activities of the mill and to find out where productivity could be improved.

7.3 In a number of cases, the mills, although potentially viable, have been led to sickness by inept management or mismanagement. The management would not then command the confidence of Banks or Financial Institutions. In such cases, the existing management has either to be neutralised by appointment of professionals

as whole-time directors with responsibility to manage day-to-day affairs or to bring about change in the ownership and management by induction of a new promoter acceptable to Banks and Financial Institutions. The Committee feels that along with modernisation of plant and machinery, strengthening of management has also to be taken care of.

7.4 As a rule, take over by a Government or nationalisation of sick mills with no reasonable expectation of becoming viable in a reasonable period of time would not provide a solution to the problem of sickness. Under the existing policy, Government would not intervene in such cases. However, exceptional situations may arise where a number of sick mills could be re-organised to form a smaller number of viable units so that as many as possible of the workers rendered unemployed get back their work. In such a situation, private mergers with a view to reviving and re-organising units should be encouraged. If necessary the State or Central Government may have to intervene or assist by acquiring the closed mills with a full understanding that some of the mills or portions thereof may not be re-opened. Nor should such acquisition necessarily imply continued operation by Government. The legal difficulties, if any, in such acquisitions, will have to be resolved by amending the law, if necessary.

7.5 The Committee is given to understand that while working out packages of relief for some individual mills, even if studies indicate that the mills could be made viable, the promoters find it difficult to bring in their share of contribution which is an essential part of the relief packages. While it is difficult to recommend that no promoters' contribution need be insisted upon, Banks and Financial Institutions should take a more sympathetic view in cases where promoters, although satisfying prescribed criteria with regard to the quality of management do not have the means to raise the necessary contribution and grant them longer periods for bringing in their contribution.

7.6 In case of all proposals for rehabilitation of sick mills, it is necessary to ensure that the promoters do not underestimate the costs and overestimate the benefits. For this purpose, Financial Institutions could, where necessary, take the help of agencies like the Textile Research Associations or other similar agencies to get the proposals vetted.

7.7 While the viability of a mill is assessed in terms of the mills' ability to raise resources to be able to discharge the obligations on past debts (which may be suitably rescheduled) and further loans that may be advanced, the restructuring of capital and liabilities is rarely contemplated. In suitable cases, restructuring of capital and liabilities should not be totally ruled out, if the prospects of the mill becoming viable with such restructuring are good. In such cases, it would be essential to change the management so that the persons who have been responsible for mismanagement do not continue to run the affairs of the mill.

7.8 The measures needed for the revival of a mill might comprise additional balancing equipment, replacement of existing machinery, change of product mix, rationalisation of labour including improvement of work norms, strengthening of management and organisation, running/reopening of only certain sections, seven day operation to absorb surplus labour, disposal of old and discarded assets, etc. Rationalisation of labour and revision of work norms, where such measures are considered necessary, would need to be negotiated with Labour. If reduction of labour force is considered inevitable, the measures needed for minimising the hardships of labour rendered redundant would have to be given serious thought. The funds needed for paying retrenchment compensation to the labour should be part of the relief package and loans needed for such compensation should also be provided on concessional terms.

7.9 While assessing the capital needs of a unit, especially a sick one, for modernisation, it is also necessary to appraise the need for additional working capital as a single package. It is conceivable that, without timely and adequate working capital, the assumptions that were made in preparing the modernisation proposal may not materialise. For this purpose, a suitable "Nodal Agency" such as RBI, IDBI, or IRBI may be designated for evolving suitable packages in consultation with the concerned agencies. Once the package is approved, it should be binding on all parties concerned.

7.10 Ultimately, the restoration to health of a sick mill is dependent on its ability to reach a better performance level as assessed by suitable indices, financial and technical. The Banks and Financial Institutions are in a position to monitor the performance, particularly when a rehabilitation package is in several phases. Where a rehabilitation programme is in several phases, loans needed for subsequent phases should be contingent on achieving certain agreed performance levels in the earlier phases.

7.11 Where a mill is wholly unviable, normally there is no alternative other than closure or liquidation. In the event of a mill going into liquidation, the worst affected are the workmen who are thrown out of employment. If the workers are displaced by the partial or total closure of a mill they should get preference in other mills that may be owned by the same management. If persons not so absorbed could be employed in other mills in the area, in vacancies that may arise by natural wastage etc., this would minimise the hardships of the workers. If a displaced worker opts for self-employment, he should be able to get loans at concessional rates of interest and other facilities to enable him to earn his livelihood by self-employment. If the workers decide to operate the whole or a part of the mill by raising necessary resources and by forming a cooperative they may be given permission/licence to do so.

7.12 While alternative employment in the textile sector and concessional finance for self-employment/employment may provide relief to some displaced workers, there would still be a large number of workers affected by mill closure who may not be able to get relief by these measures. Such persons may need a period of transitional adjustment to enable them to resetttle themselves. There is need for a scheme by which during a period of transition, a displaced worker may get a tapering amount for three years, say 75% of the wage equivalent in the first year, 50% in the second year and 25% in the third year. The fund needed for such transitional payment may come from the industry itself by a suitable cess, but, to start with, a Nucleus Fund may be provided from the exchequer. The Committee would, therefore, urge the creation of a suitable Workers' Rehabilitation Fund for the textile sector that would provide relief payments to the workers on the above lines for a maximum duration of three years.

7.13 Institutionalised retraining facilities are also not adequate. The need for assessing areas where the demand for employment or self-employment will be emerging and for providing suitable training facilities is obvious. However, to develop such facilities and to ensure that persons who are seeking employment or self-employment get suitably trained or retrained needs adequate forward planning and implementation.

7.14 In some countries there are special Authorities created on an industrywise basis, financed by contributions from all sectors of the Industry, to provide facilities for training/retraining after assessing the needs of the economy. Constituting such an Authority may take some time and would not provide immediate relief to people who are currently unemployed in the textile sector. However, in the long run, creation of such an Authority needs to be given serious attention.

7.15 The issue of workers' welfare and rehabilitation was discussed at great length. Although many avenues have been discussed above, it was felt that it may not be possible in every case to find a satisfactory solution to provide rehabilitation to the workers retrenched from a closed unit. All the same, it was felt that each case has to be examined to ensure that all possible avenues have been tried before retrenchment to minimise the social costs of transition implicit in the restructuring of the textile industry.

7.16 The Textile Research Associations (TRAs) have a major role to play in the revival of the Textile Industry, especially in the revival of sick units in the industry. They have built up a substantial amount of valuable expertise in regard to various areas of operation of a mill. Apart from technical advice TRAs can give for improving the productivity in the various sections of the mill, they would also be able to assess the viability of proposals for revival of sick mills. They would also be able to furnish the mills with periodic inter-firm comparisons that will enable individual mills to compare their performance with those of the rest of the industry. The TRAs should, therefore, be more actively involved in programmes for revival and rehabilitation of sick mills.

7.17 While it is not possible to evolve a package of measures that will ensure that there will be no sickness in future in the Textile Industry, the need for close monitoring of textile data to detect any incipient sickness is obvious. In the Budget

Speech this year, there is mention of a proposal to constitute a Board for monitoring Industrial sickness for this very purpose.

7.18 A considerable volume of data relating to textile mills is received in the office of the Textile Commissioner and also by the Banks and Financial Institutions that might have lent money to the mills. In regard to the Banks and Financial Institutions, there is need to strengthen the reporting arrangement, so that the corporate data relating to the mills is available to the top management without much delay. On the side of the Textile Commissioner's Office, there is need to ensure that the data called for are received promptly. For a proper coordination and processing of the data received by the Textile Commissioner's Office and by Banks and Financial Institutions, there is need for computerisation of the data. Such computerisation will help development of an advance warning system to detect instances of incipient sickness in or deteriorating health of individual units. This should, therefore, be accorded high priority. A similar monitoring mechanism should be set up at the government level also.

7.19 While the above analysis is concerned with the problem of the Textile Industry at a micro-level, to revive and improve the health of the industry as a whole, there is need for measures that will improve the demand for textiles within the country and encourage the export of textiles.

7.20 The per capita consumption of textiles in the house-hold sector came down from 14.49 metres in 1973 to 12.31 metres in 1981 and has started rising thereafter and stands at 13.70 metres in 1983. The proportion of cotton fabrics in this consumption went down from 89.10% to 73.80%, while the proportion of blended/mixed fabrics went up from 5.66% to 15.63%. This would seem to indicate that the consumer preference is shifting to better quality cloth and synthetic/blends and also non-cottons.

7.21 So far as the poorest households are concerned, there is need to take measures to improve their purchasing capacity which can be expected to lead to an increase in demand for textiles. In regard to other groups, the textile demand for non-cotton/synthetic fabrics can be expected to improve, if the prices of such fabrics could be brought down. The measures needed have been considered elsewhere in this report. There is also need to discourage smuggling of synthetic fibres, fabrics, garments, yarn etc.

7.22 It would also be appropriate at this stage to note some infra-structural difficulties faced by the Textile Industry as a whole. The extent and frequency of power-cuts and load-shedding in various States in the country have been one of the major reasons for capacity under-utilisation in the Textile Industry. While some of the textile mills have equipped themselves with stand-by capacity to meet situations of power cuts, this adds to the cost of production and affects the viability of the unit. The need for adequate forward planning in the Power Sector followed up by timely implementation, so that the extent and frequency of power cuts is substantially reduced cannot be gainsaid.

7.23 Another major problem that affects the textile mills is the quantity and quality of coal that is made available. There seems to be problems of inadequate coordination concerning the proper weighing of coal and availability of railway wagons apart from the low calorific value of the coal that is made available. The Expert Committee has not been able to study this problem in detail but would urge a study by the concerned departments of Government to eliminate the bottlenecks in regard to the quality and quantity of coal and availability of railway wagons.

CHAPTER VIII

MODERNISATION OF THE TEXTILE INDUSTRY

8.1 Since it is the oldest manufacturing industry in the country, it is not surprising that the Textile Industry has more than an average proportion of aged equipment. A Census of Machinery in Cotton Textile Mills is conducted every five years by the Textile Commissioner's Office by obtaining detailed information concerning the age of machinery from the mills in a prescribed form. The last census for which published details are available was conducted in 1979. The Census indicates, for instance, that of the 43,000 Ring Frames, nearly 12,000 are over 30 years old and another 8,000 are over 20 years old. In weaving, of the 138,000 non-automatic looms, over 106,000 are over 30 years old and another 11,800 are over 20 years old. Even in regard to automatic looms, of the nearly 40,000 looms, over 10,000 are more than 20 years old and another 10,700 are between 15 to 20 years old. The studies conducted by the various Textile Research Associations reveal that the quality of maintenance in a large number of mills leaves very much to be desired. Besides, there are wide variation in productivity between mill and mill and the productivity in the worst of the mills is hardly 1/3rd that of the best.

8.2 The Textile Research Associations, in a joint study conducted in 1984 have concluded that some 25 spinning mills (average size 30 thousand spindles) and 40 composite mills (average size 40 thousand spindles and 750 looms) are not worth reviving. Of the rest, about 125 spinning mills and 90 composite mills are revivable sick mills which could be restored to health by suitable programmes of renovation/modernisation, improvement of modernisation and labour rationalisation. While measures for revival of sick mills have been considered in another Chapter, this Chapter would be mainly concerned with the problems of modernisation in the textile industry as a whole.

8.3 While considering the issue of modernisation in the textile industry, we cannot afford to ignore the modernisation needed in regard to the ginning of cotton. The existing gins in the country are generally very old and belong to the

category known as roller gins. While ginning with the help of roller gins affects adversely the quality of lint, the advantage of roller-gins is that they cost less, are labour intensive and being more widespread, involve less transport of cotton from the field to the ginnery, an aspect that is relevant especially in areas of low productivity. However, it cannot be gainsaid that roller gins which have become too old need to be replaced by new machinery. The National Bank for Agriculture and Rural Development (NABARD) and other Financial Institutions have a significant role to play in this respect and the Committee would urge provision of concessional finance for replacement of the existing gins. Further, there is also need for exerting some pressure on the owners of very old gins to replace the gins with new equipment. Assistance should also be given for installation or replacement of the cleaning machinery since the traditional gins do not adequately reduce the trash content. The Committee has been apprised that the South India Textile Research Association has developed precleaning machinery. Public Agencies such as the Cotton Corporation of India, Maharashtra State Cotton Cooperative Marketing Federation, Gujarat State Cotton Growers' Federation, etc. who procure as much as 35 to 40 per cent of the cotton grown in the country should be prevailed upon to put up their own gins along with pre-cleaning equipment, to some extent, so that private gin owners feel compelled to replace or renovate their equipment.

8.4 Saw-ginning of cotton improves the quality of lint cotton in regard to short and medium staple varieties and a number of long staple varieties. The capacity of a saw-ginning unit to process seed cotton into lint cotton is several times that of a roller-gin unit. However, replacement of existing roller gins in some areas by saw-gins has the implication of displacement of labour to a considerable extent and, because of higher capacity of saw-gins, transportation of cotton over a longer distance from the field to the ginnery. In view of these implications, saw-ginning can be advocated mainly in areas of irrigated cotton.

especially in areas where on account of irrigation facilities being recent, ginning facilities have not developed adequately or where there is manpower shortage. Broadly speaking, these areas would cover Punjab, Haryana and newly irrigated cotton areas of Andhra Pradesh and Karnataka. In these areas, saw-ginning of cotton upto 27 mm except for Bengal Deshi varieties needs to be encouraged, by way of concessional finance and other means. On an experimental basis, saw-ginning of cotton between 27 mm and 32 mm such as H-4, S-4, MCU-7, etc. may be tried in suitable areas. Elsewhere, if ginning factories would like to instal saw-ginning for short staple varieties, necessary incentives may be given. While financing new gins, whether of the roller or saw variety, it may be made obligatory on the part of ginning factories to instal suitable pre-cleaners and concessional finance may be given for such installations. It would also be necessary for the State Government to fix higher rates for ginning for those factories which instal pre-cleaners.

8.5 Where saw-ginning is not practicable, replacement of existing roller gins by double roller gins may be encouraged or installation of pre-cleaners may be encouraged and concessional finance be made available for such replacement also.

8.6 If the quality of lint from cotton in an entire area could be significantly improved, it would be reasonable to expect that the demand for such cotton would go up, with consequential beneficial impact on the raw cotton production in that area.

8.7 In regard to spinning, weaving and processing, a number of mills will benefit by giving priority attention to backlog of maintenance and improvement of productivity by installing balancing equipment, wherever necessary, and renovation of the existing machinery before going in for replacement or modernisation. While replacing the existing machinery, the markets which the mill can successfully exploit will have to be kept in mind. If the market is clearly identified, the machines that manufacture the products for this market at least cost will help to improve the profitability of the mill. The Committee notes that the emphasis under the new Soft Loan Scheme of the IDBI for modernisation is on "upgradation of process, technology and products, export orientation and import substitution, improvement in capacity utilisation through increase in productivity and de-bottle-necking,

etc. rather than merely replacement of equipment". The Committee is of the view that a limited number of mills may be able to tap the high value market by going in for sophisticated machines, but this option is not available to most of the mills. The quality requirements of the export market could also be generally met by machines not necessarily of the latest technology. The financial institutions have to examine each case on its merits in the light of the above and modernisation loans for sophisticated technologies should be given only to mills which have a proven record of good management capable of absorbing such technology and preferably having a standing in the export market. At present, there is a limit of Rs. 4.0 crores for modernisation. The Committee felt that, in respect of some units, this amount may not be sufficient for complete modernisation. Hence, after the schemes sanctioned within this limit have been implemented and the results reviewed, further concessional loans beyond this limit of Rs. 4.0 crores should also be considered.

8.8 There are divergent views concerning the volume of funds needed for the modernisation of the Textile Industry. The Working Group set up by the Planning Commission for the 7th Five Year Plan for Development of the Textile Industry has worked out an investment of Rs. 1715 crores for the Cotton Textile Industry and another Rs. 522 crores for the Woollen Industry. These figures do not take into account the amount needed for the modernisation of powerlooms or handlooms. The joint recommendations of the four Textile Research Associations made pursuant to their joint Technological Conference held in 1984 on the rehabilitation of the textile industry have estimated an amount of about Rs. 1,000 crores as the maximum needed for reviving the viable sick spinning and composite mills. This figure does not take into account the requirement for modernisation of mills that are not sick. It would seem to be reasonable to assess that the total fund requirements for modernisation of the Cotton Textile Industry would be of the order of Rs. 17 to Rs. 18 hundred crores and if this order of funds could be made available at reasonable terms over the next 5 to 7 years, along with other measures such as duty rationalisation and concessions wherever necessary, it would go a long way to revive the health of the industry. Art silk mills and woollen mills also need assistance for modernisation and the approach mentioned above would hold for them too

8.9 Labour has a vital stake in the modernisation of the Textile Industry, especially in regard to the kind of modernisation that would be adopted by individual units. Since modernisation, in addition to improving the quality of the products and the versatility of the machines, generally involves an increase in productivity, the impact on labour has to be assessed well in advance. The extent of labour likely to be rendered surplus should be decided in consultation with the representatives of the workers. The basic guidelines laid down by the National Labour Conference in 1957 in regard to "rationalisation without tears" continue to be valid. In fact, even during the last 30 years, a considerable degree of modernisation and rationalisation has taken place without causing undue dislocations of operations or hardships to labour. If modernisation is considered necessary and desirable, it should be planned in advance and the changes have to be phased over a period of three years or so. To avoid actual retrenchment of workers, natural wastage arising as a consequence of retirement etc. should be utilised and the workers who may still be rendered surplus may be deployed in other units under the same management, after suitable retraining, where necessary. It may also be possible to get the workers to agree to voluntary separation on suitably negotiated terms. The funds needed for such voluntary separation benefits or retrenchment compensation, as the case may be, may be a part of the package of financing for modernisation.

8.10 The Committee would recommend setting up of a national level Standing Advisory Committee including representatives of management and labour in the Textile Industry as also suitable technical experts and representatives of financial institutions. This Body should be asked to make recommendations from time to time concerning the types of modernisation that the industry should go in for. The financial institutions shall take into account the recommendations made by such a Body while considering applications for loans for modernisation at concessional terms.

8.11 The Textile Industry will continuously need funds for modernisation. The internal generation of resources for financing such modernisation has not been adequate. To enable the Industry to generate sufficient resources for modernisation, it would be desirable to permit units in the Industry to set apart say upto 20 per cent of pre-tax profits to be deposited with the

IDBI or IRBI in a blocked account only for the purpose of modernisation. The amount so set apart be treated as a reserve. Such a scheme has been provided in the Budget for the Tea Industry. The Committee would recommend that a firm should be required to withdraw resources from this Textile Modernisation Fund account provided it contributes at least an equal amount from the Internal Resources for modernisation so that the investment in modernisation is atleast double the amount set aside from tax profits. This arrangement would ensure more funds becoming available and the debt service burden on modernisation would become less. The amount contributed from the blocked account could be set off against the promoters' contribution needed to service the modernisation loans.

8.12 For assessing the number of units which may benefit from the setting up of a Textile Modernisation Fund, an analysis of the performance was undertaken. The Annual Reports for the years 1981-82, 1982-83 & 1983-84 and 201 mills respectively show that 113 mills made total profits before Tax (after depreciation and interest) of Rs. 124.50 crores and Rs. 222.94 crores respectively. In fact, the fortunes of the Textile Industry have been fluctuating, there are a number of units which have made profits even in good years. Such units may not benefit from the Textile Modernisation Fund.

8.13 In the context of modernisation, attention also be taken of the Textile Machinery Industry in India which has developed considerable production level of Rs. 158.26 crores of complete machinery and Rs. 66.36 crores of components/spares/accessories in the year 1983. The production level of Rs. 255.47 crores of complete machinery and Rs. 90.89 crores of spare parts, components and accessories during the year 1983. The Cotton Textile Machinery Industry should take care of most of the requirements of the Cotton Textile Industry barring some special technology developments. The Government should encourage foreign collaboration to enable the domestic industry to manufacture, in India, sophisticated machinery.

8.14 Needless to add, technological upgradation is a continuous process and to ensure that the modernisation requirements of the Textile Industry are adequately taken care of, the Cotton Textile Machinery Industry should be afforded incentives for constant updating of their know-how by way of collaboration.

Technology and by the development of indigenous R&D. This may be in accordance with the national Technology and Trade Policies that the Govt. may adopt. Currently, in a number of areas indigenous R&D may not be able to substitute for imported technologies. However, the development of indigenous R&D may be separately encouraged.

8.15 The Textile Research Associations, on account of their intimate contact with the Textile Industry, have a vital role in the development of indigenous R&D in regard to textile machinery also.

8.16 Modernisation is important not merely for the organised sector of the textile industry but also for powerlooms and for handlooms. The role of the Textile Research Associations has hitherto been perceived as restricted to the textile mills. This role will have to be expanded. The Textile Research Associations should be actively involved in the upgrading in efficiency and the modernisation of powerlooms and handlooms. In view of the enlarged role of the Textile Research Associations recommended in this Report, the arrangements for their funding may be reviewed and suitably strengthened. In regard to Handlooms, the Institutes of Handloom Technology have a major responsibility for evolving improved types of handlooms that will increase their productivity. Adequate arrangements should be made to ensure swift and smooth transfer of technology from the research institutions to the handloom weavers. Necessary finances for the upgradation of handlooms need to be provided by way of refinance by the NABARD.

8.17 To enable the powerloom weavers to improve their skills in regard to the maintenance of their equipment and evolving new designs and improving the quality of their weaving, there is

need for more Powerloom Service Centres in the major powerloom concentrations. The Textile Research Associations may be entrusted with the responsibility of running some of such service centres. A census of all existing powerlooms should also be undertaken.

8.18. To enable proper planning of the requirement of the Handloom Sector for modernisation, it is necessary to have a reliable data base. For this purpose periodic censuses and sample surveys of the Handloom Sector should be conducted which would help evolve proper and adequate strategies for the growth and development of the Handloom sector. Further, the Statistical Cells in the Office of the Development Commissioner for Handlooms and the State Directorates should be set up or suitably strengthened, as the case may be.

8.19 The present strategy for the development of handlooms through cooperatives and corporations should be continued and suitably strengthened in the light of the past experience. For the future growth of the Handloom sector, a much greater emphasis on modernisation, training of weavers, development of processing facilities, marketing and publicity should be laid. Welfare schemes for weavers should be implemented to provide direct benefit to them. Separate Directorates of Handlooms with necessary infrastructure for implementation, supervision, monitoring and control of handloom development programmes should be created in all states with substantial population of handlooms. The skills of technical, managerial and administrative personnel employed with the Central and State Government agencies, in charge of production and marketing of handloom, should be upgraded and new personnel recruited should be of high calibre to meet the special needs of this decentralised rural sector.

CHAPTER IX

CONSUMPTION TRENDS

9.1 The year-wise data regarding per capita availability of cloth during the 12 year period since 1972-73 is given in Table 19.

TABLE 19
Per Capita Availability of Cloth

(In metres)			
Year	Cotton Cloth	Man-made fibre fabrics	Total
1972-73	13.2	2.0	15.2
1973-74	12.0	1.9	13.9
1974-75	12.9	1.7	14.6
1975-76	12.6	2.0	14.6
1976-77	11.4	2.4	13.8
1977-78	9.5	4.0	13.5
1978-79	10.2	4.8	15.0
1979-80	10.1	4.6	14.7
1980-81	11.0	3.7	14.7
1981-82	10.2	4.2	14.4
1982-83	9.9	3.6	13.5
1983-84	10.7	4.0	14.7

SOURCE : Economic Survey 1984-85.

TABLE 20
Per Capita Consumption of Textiles
(Household Sector)

Q=Quantity in Metres.
V=Value in Rupees at current Prices

Year		Cotton	Non-Cotton	Blended/ Mixed	Total
1973	Q	12.91	0.76	0.82	14.49
	V	45.26	8.63	11.60	65.49
1974	Q	11.85	0.77	1.00	13.62
	V	55.67	11.26	16.49	83.42
1975	Q	11.72	0.62	0.97	13.31
	V	58.85	12.06	19.32	90.23
1976	Q	10.79	0.42	0.76	11.97
	V	52.93	8.89	17.49	79.31
1977	Q	11.60	0.71	0.94	13.25
	V	61.95	16.22	22.98	101.15
1978	Q	11.60	0.84	1.15	13.59
	V	69.18	19.83	29.44	118.45
1979	Q	11.46	0.92	1.27	13.65
	V	71.95	24.17	34.91	131.03
1980	Q	10.56	1.21	1.66	13.43
	V	82.16	34.50	48.94	165.60
1981	Q	9.57	1.01	1.73	12.31
	V	79.05	33.25	54.40	166.70
1982	Q	10.04	1.22	2.26	13.52
	V	88.59	43.10	73.55	205.24
1983	Q	10.12	1.44	2.14	13.70
	V	92.58	51.77	73.64	217.99

SOURCE : Textiles Committee.

The per capita availability figures are arrived at by deducting exports from domestic production and adding the imports and then dividing the net figure by population. These figures, however, exclude pure silk, woollen, acrylic, polyester-woollen, khadi and hosiery goods.

9.2 The Market Research Wing of the Textiles Committee builds up the estimates of per capita consumption of textiles from the household sector. These figures include all the above mentioned fabrics. However, apart from the household sector, there is a sizeable quantity of cloth that is consumed in the non-household sector. While comparing the two sets of series therefore these differences should be borne in mind. The per capita consumption of textiles in the household sector from 1973 to 1983 is shown in Table 20.

9.3 From the said table it is not possible to discern a clear trend in the per capita consumption of all types of textiles. However, the evidence suggests that there was a decline in the per capita consumption of cotton textiles over the period 1973-83, while there was a significant increase in the per capita consumption of non-cotton textiles and blended textiles. At current prices the per capita consumption increased from Rs. 65.49 in 1973 to Rs. 217.99 in 1983. The value of per capita consumption at constant prices showed a definite increase. National Accounts Statistics published by the Central Statistical Organisation show that the share of clothing in private final consumption expenditure, at constant 1970-71 prices, increased from 6.7% in 1970-71 to 9.1% in 1981-82.

9.4 Use of new fibres like nylon, polyester etc. meets the need of more than its equal metreage of cotton. This can be attributed to the higher durability and easy care properties of fabrics made of such synthetic fibres and of their blends. Over the years, the reed pick construction of the cloth has also improved and so also has the average width of fabrics. However, these aspects are not reflected in the foregoing statistics.

9.5 In terms of various fibres the per capita consumption in 1973 and 1983 was as shown in

table 21. This table may not tally with the production data since these are based on consumers' responses which may suffer from the difficulty of identification of blends.

9.6 For certain specific varieties like non-wearables such as bedsheets, chaddars, bed covers etc the market for cotton is well assured. However, in varieties like sarees, shirting/poplin, suiting, ladies dress material, the consumers have shown an increasing preference towards non-cotton and blended fabrics.

9.7 Apart from cotton, cellulosic (viscose) fabrics also have registered a drop in the consumption over the years. Viscose fabrics have less durability than cotton fabrics and do not retain dimensional stability. However, they have got good lustre and dyeability. From the past experience it is seen that the consumption of 100 per cent viscose fibre fabrics in metres per capita has declined. However, viscose is also used in blending either with cotton or with polyester and these blended fabrics have found acceptability in the market, provided the viscose content is low.

TABLE 21

Per Capita Consumption of Textiles — Fibre-wise
(Q=Quantity in Metres.)
(V=Value in Rupees at current Price)

S. No.	Fibre		1973	1983
1	Cotton	Q	12.91	10.12
		V	45.25	92.58
2	Pure Silk	Q	0.09	0.15
		V	2.00	11.40
3	Art Silk	Q	0.31	0.18
		V	1.82	3.42
4	Woollen	Q	0.09	0.17
		V	1.95	8.15
5	Acrylic	Q	—	0.01
		V	—	0.24
6	Nylon	Q	0.09	0.19
		V	0.95	3.53
7	Polyester	Q	0.18	0.74
		V	1.91	25.03
8	Polyester Cotton	Q	0.67	1.65
		V	10.29	60.12
9	Polyester Woollen	Q	0.01	0.02
		V	0.41	1.76
10	Polyester Viscose	Q	Neg.	0.04
		V	Neg.	1.69
11	Other mixed	Q	0.14	0.43
		V	0.91	10.07
Total		Q	14.49	13.70
		V	65.49	217.99

SOURCE : Textiles Committee.

TABLE 22
Per Capita Consumption of Textiles

(Q=Quantity in metres)
(V=Value in Rupees at current prices)

Sl. No.	Annual Household Income	1973				
		Cotton	Non-Cotton	Blended/ Cotton mixed	Total	
1	Less than Rs. 3,000	Q	9.13	0.40	0.41	9.94
		V	38.12	1.66	1.67	41.45
2	Rs. 3,000 to Rs. 6,000	Q	12.39	0.62	1.05	14.06
		V	66.56	4.47	5.71	76.74
3	Rs. 6,000 to Rs. 10,000	Q	13.66	1.05	1.36	16.07
		V	83.36	7.74	8.43	99.53
4	Rs. 10,000 to Rs. 20,000	Q	17.05	1.41	2.34	20.90
		V	107.29	18.60	15.99	141.88
5	Rs. 20,000 to Rs. 40,000	Q	N.A.	N.A.	N.A.	N.A.
		V	N.A.	N.A.	N.A.	N.A.
6	Rs. 40,000 and more	Q	N.A.	N.A.	N.A.	N.A.
		V	N.A.	N.A.	N.A.	N.A.
Average		Q	12.91	0.76	0.82	14.49
		V	45.26	8.63	11.60	65.49

Per Capita Consumption of Textiles

(Q=Quantity in metres)
(V=Value in Rupees at current prices)

Sl. No.	Annual Household Income	1983				
		Cotton	Non-Cotton	Blended/ Mixed	Total	
1	Less than Rs. 3,000	Q	7.67	0.52	0.68	8.87
		V	59.84	11.95	18.68	90.47
2	Rs. 3,000 to Rs. 6,000	Q	8.56	0.86	1.18	10.60
		V	70.94	21.97	36.37	129.28
3	Rs. 6,000 to Rs. 10,000	Q	9.98	1.18	1.89	13.05
		V	87.45	36.36	61.98	185.79
4	Rs. 10,000 to Rs. 20,000	Q	12.42	2.06	3.28	17.76
		V	115.44	73.85	113.18	302.47
5	Rs. 20,000 to Rs. 40,000	Q	11.13	2.64	3.41	17.18
		V	118.41	107.62	122.46	348.49
6	Rs. 40,000 and more	Q	13.18	3.30	4.65	21.13
		V	159.60	177.72	194.38	531.70
Average		Q	10.12	1.44	2.14	13.70
		V	92.58	51.77	73.64	217.99

SOURCE : Textiles Committee.

9.8 It has also been seen that the demand for woollen, acrylic and polyester-woollen textiles is increasing at a fast rate. For production of woollen textiles, the industry is required to import raw wool to a sizeable extent. Domestic production of acrylic fibre is a substitute for such imports. Pure silk fabrics have also been found to be in good demand by the consumers.

9.9 It can be seen that the pattern of consumption has shifted in favour of polyester, nylon, polyester-cotton etc. This has happened inspite of the fact that the prices of non-cotton and blended/mixed textiles are about 4 times the prices of cotton textiles. This shift in the pattern of consumption has been witnessed even at lower income levels, as seen from the table 22. The figures indicate a very significant increase in the consumption of non-cotton and blended fabrics even in the poorest households.

9.10 The present results on consumer demand reactions to prices are tentative and conclusive work yet remains to be done, particularly by income groups, separately for rural and urban areas. Subject to these limitations, it is seen that the price elasticity for cotton textiles is not very high. On the other hand, it is likely that the price elasticity of non-cotton and blended/mixed textiles is relatively higher, particularly for middle and upper income groups. If the prices of these fabrics are brought down, there may be an increase in demand on account of substitution. (Please see Annexures II & III). It has been estimated that about 45 to 50 per cent reduction, in the duties (mainly at the fibre/filament stage) may lead to the reduction in the consumer price of polyester and polyester blended fabrics by

about 15 per cent. This reduction because of the price sensitivity of these fabrics as stated above, may increase the consumption of such material anywhere between 20 to 40 per cent.

9.11 Nylon fabrics have also found good demand especially in regard to sarees, and hosiery goods. However, its growth rate is estimated to be lower than the growth rate of polyester and polyester-cotton blended fabrics. In this case also the reduction in the duties may lead to increased consumption of nylon fabrics.

9.12 As a long term perspective therefore, multifibre policy should be followed vigorously in the interest of the consumers and suitable steps should be taken for bringing down the prices of fabrics of non-cellulosic fibres/filament yarns and of blended fabrics containing such fibres/filament yarns.

9.13 There is a need to build up the expertise in carrying out the studies on income and price elasticities of textiles so that the results of such studies can be used in a more meaningful manner. From time to time, a committee of experts should review the studies undertaken and advise the Textiles Committee on the methodology to be adopted and the types of studies to be carried out in this area of research.

CHAPTER X

RAW MATERIALS

10.1 Cotton is the main raw material needed by the Textile Industry. It is estimated that cotton is grown in about 8 mn. hectares in the country, out of which 6 mn. hectares are un-irrigated. Even marginal differences in the availability of cotton tend to move the prices substantially one way or other. There have also been difficulties concerning making firm estimates of the production of cotton in any agricultural season with the result that prices are very often affected by sentiments rather than statistics. While the mills have been complaining that fluctuations in the prices of cotton affect their viability, there is grievance on the part of the growers that the prices of cotton realised are not adequate, especially in regard to long and extra-long staple cotton.

10.2 Research in increasing the yield per hectare of cotton of the long and extra long staple varieties has been successful, with the result that from being an importer of these varieties of cotton, India has emerged as an exporter. Medium staple cotton grown in irrigated areas, especially in Punjab, have a higher level of productivity in terms of kgs. per hectare but these levels have been stationary and are well below international levels. There is need to reduce the proliferation of a large number of varieties and to promote the higher yielding and shorter duration varieties. The Committee would also urge that steps be taken for improving the yield per hectare of cotton, in particular medium staple cotton, both by proper extension methods and fuller utilisation of the media and by research into high yielding varieties of such cotton. If the total availability of cotton could increase, the need of the domestic industry could be met at reasonably stable prices and surpluses, if any, could be examined. Since there is a surplus production of long and extra long staple cottons in the country, it is desirable to encourage the utilisation of these cottons for spinning to the appropriate counts by significant reduction in the excise duties on yarns of above 50 counts and fabrics using such yarns. It may also be expected whether it would be economical to spin yarns

of relatively lower counts from the long and extra-long staple cottons.

10.3 The CCI and the other Public Agencies procuring cottons, such as the Maharashtra State Cotton Cooperative Marketing Federation and the Gujarat State Cotton Growers Federation buy and sell some 35 to 40% of the total cotton crop. In the task of reducing the fluctuations in the prices of cotton the CCI has a crucial role to play. It is also necessary that operations of the other major public agencies reinforce this role. For this purpose it is necessary that the C.C.I. should have a coordinating role.

10.4 It has been urged before the Committee that the CCI or an independent Public Sector Agency should operate a Buffer Stock for cotton, the idea being that such an agency should enter the market to buy, when the prices go below a prescribed level or to sell, when prices go above a predetermined level. Operating a large Buffer Stock of say 6 to 7 lakhs bales equal to a month's requirement would involve credit to be provided to the agency of the order of Rs. 200 crores or so and is also administratively very complex. Considering that the CCI has built up considerable expertise in the buying and selling of cotton, an independent Agency is neither necessary nor desirable.

10.5 Certain measures are indicated later in this Chapter that will help in reducing the extent of Buffer Stock to be held. Whatever quantity is held by CCI as Buffer Stock should get credit on concessional terms. The purchases of the CCI at support prices may be treated as for Buffer Stock. Currently such purchases are, however, not significant (about 34,000 bales) and are NIL in regard to short and medium staple cottons. Therefore, apart from support price purchases, CCI may also have to buy at market prices for buffer stock operations. The cotton so bought should be utilised for sale at pre-fixed remunerative prices when the market prices exceed such remunerative prices.

10.6 To effectively play its role, the CCI should also have freedom to import or export cotton. It

would also be desirable to give the CCI the freedom to enter into Call or Put Options (viz. an option to buy or sell a futures contract at pre-determined prices) in the New York Cotton Exchange. The extent to which such options may be entered into will have to be cleared before hand by the Government. It should, however, not be necessary to get Government's approval to each transaction. It is also necessary that the CCI be asked to submit a detailed report to Government on the implications of CCI buying or selling such options, so that full details are available with the Government to enable a decision to be taken in this respect. If CCI has sufficient freedom for the import and export of cotton, this will help in limiting the fluctuations in the prices of cotton and the Buffer stock to be held may be less than the 6 or 7 lakh bales mentioned earlier. The role of the CCI will need to be redefined in the context of the above recommendations and to enable the CCI to play its enlarged role effectively, the management of the CCI needs to be strengthened.

10.7 In the matter of stabilisation of cotton prices, the role of other fibres such as Viscose (including modified viscose) & non-cellulosic man-made fibres is also crucial. For effective price stabilisation of cotton, it is desirable that prices of other fibres are substantially less than the current prevalent prices.

10.8 Especially in times of cotton shortage, the import and excise duties of cellulosic man-made fibres, which have properties similar to cotton and can effectively substitute for cotton, should be suitably adjusted so that the shortage of cotton could be made good by the use of such fibres. Imports of such fibres on low duty through a suitable canalising agency is also recommended.

10.9 Fluctuations in cotton prices affect, substantially, the profitability in regard to exports of

fabrics, and made-ups especially when long term contracts are required to be entered into. As such, the Cotton Textile Mills have to plan well in advance in regard to the types of cotton to be used for the manufacture of the fabrics they intend producing, especially for the export market. The cotton season varies from State to State in the country and different varieties of cotton are grown at different points of time. To buy a proper mix of the cotton needed, the mills have to enter the market long before the commencement of production of specific fabrics for exports. In view of this, the Committee would recommend that Packing Credit for exports of cotton/blended fabrics and made-ups should be extended from 90 days to 180 days.

10.10 In order to give effect to the multifibre approach suggested by the Committee, the availability of various man-made fibres/yarns should be increased. This should be done by increasing the indigenous capacity in respect of synthetic fibres/yarns, supplemented as necessary by imports. The Committee noted that import of man-made fibres/yarns is permitted under OGL and the Committee recommends that this policy be continued. Protection to indigenous industry may be provided through the tariff mechanism, taking into account the recommendations of the Committee in Chapter-V regarding reduction of import duties.

10.11 The infrastructure for procurement and supply of yarn and other raw materials to handloom weavers regularly at reasonable prices should be strengthened. For this purpose, the National Handloom Development Corporation and the state level Handloom Agencies should devise appropriate strategies and implementation mechanisms.

CHAPTER XI

EXPORTS

11.1 Textiles constitute the traditional and one of the main sectors of exports from India. Currently, exports of Textiles and Clothing (other than Jute & Coir) account for about 15% of the total exports from India and also constitute around 10% of the total domestic production of textiles. India's textile exports consist primarily of cotton fabrics, made-ups and garments which account for the major share of its total Textile and Clothing exports to the world. The major markets for Indian Textile and Clothing products are West Europe, U.S.A., U.S.S.R. and Canada.

11.2 World trade in Textiles and Clothing since 1961 has been regulated first under the Short-Term Arrangement and later under the Long Term Arrangement. Since 1974, World trade in Textiles and Clothing has been regulated under the Arrangement regarding International Trade in Textiles, commonly known as the Multifibre Arrangement (MFA), which lays down the parameters for trade in products of cotton, wool, man-made fibres and their blends. Two tables setting forth the import of textiles and clothing into developed member countries of MFA from selected developing countries and percentage shares of India in the total imports of Textiles and Clothing in the developed countries are annexed as Annexure-IV and Annexure-V. India's share in the total world market of selected items of Textiles and Clothing is given in Annexure-VI. As regards East European Countries (RPA), India's trade in textiles with these countries is on the basis of annual trade plans finalised between India and the countries. The U.S.S.R. is one of our major trading partners. Indian exports to the U.S.S.R. in 1984 amounted to Rs. 290 crores.

11.3 Till the early 1970s, India's textile exports consisted primarily of cotton fabrics (woven) both to the developed member countries of the MFA as well as globally. During the 70s, significant changes took place. While India's share of exports of fabrics to the world market gradually declined, exports of clothing grew considerably in importance and occupied an increasingly larger share of Indian exports of textile products. In the

area of textiles, India ranked fourth in 1963 but came down to ninth and thirteenth positions in 1973 and 1982 respectively. Even in the clothing sector, despite spectacular increase in exports, India's share is still comparatively small. Indeed, India does not figure in the list of 15 major exporters of garments of the world. In this connection, it is relevant to mention that the major portion of world trade in Textiles and Clothing is still accounted for by trade among the developed countries. The total volume of trade in Textiles and Clothing during 1982 was approximately 100 billion US dollars but the developing countries were restricted to about one-third of this trade.

11.4 The MFA trade regime has become increasingly restrictive. Restraints under the MFA have, since its inception, been applied almost exclusively to products from developing countries. The brunt of such more severe application of the MFA's provisions has been borne by exporting countries which, in some cases, have had their production and marketing adversely affected, even though the MFA explicitly recognizes the need for developing countries to receive special treatment.

11.5 Moves are already afoot in the GATT for liberalisation of world trade in Textiles and Clothing, including the possibility of the full application of GATT rules to this sector. While the benefits of liberalization through a return to the GATT rules would naturally be shared unevenly by the individual developing exporting countries depending upon their competitiveness and areas of specialisation, these countries are likely to benefit in overall terms from such liberalization and non-discriminatory application of the rules of the multilateral trading system to the Textiles and Clothing trade.

11.6 The Committee noted the position that in the area of apparel products, India has acquired the necessary competitive capabilities in respect of several items of apparel. Efforts at broadening and diversifying exports of apparel products have been constrained by quantitative restrictions at

extremely low levels or the prospects of imposition of such restraints at low level of exports. Indian apparel exports are, therefore, likely to benefit under a freer trading regime. In the case of textile products, it appears that India has lost its competitive capabilities over a period of time on account of extremely slow pace of modernisation and renovation. However, here also quantitative restraints have proved inhibitive in respect of a number of countries whereas in the case of certain other countries, large quotas have remained unutilized. The existence of quotas has also come in the way of the Textile Industry adopting a more positive and aggressive export strategy. The Committee is of the view that the Textile Sector would also benefit under a freer international trading regime provided certain support measures are implemented to make the Textile Industry competitive.

11.7 In order to have a significant market share in the international market, the domestic Textile Industry itself should be strong and viable. The various measures recommended in the earlier Chapters are aimed at these objectives and would contribute to the increase of our exports.

11.8 From the angle of foreign buyers, the expectations would appear to be for reliable and timely supplies, assured quality and competitive prices. If we want to have a stable export base, apart from measures needed for promoting the health of the Textile Industry as a whole, it is necessary to have a stable export policy. In particular, the export incentive policy must be for a stable period of 3 to 5 years. At this stage, the Committee would also recommend that the facility of registration of contracts available for other exports by which the exporters can depend on getting incentives as on the date of registration should be made available for cotton textile products also.

11.9 In regard to exports of yarn of counts 40s and below, there was a time when we were exporting over 30 million kgs. In the recent past, we have observed a self-imposed restraint of 6 million kgs. per year and after the ban on export of such cotton yarn, imposed in November, 1984, the export ceiling for 1985 is yet to be announced. The rationale behind this restriction is that the prices of such yarn for domestic handloom weavers should not shoot up. However, of the total cotton yarn production of about 1090 million kgs. exports constitute only a small proportion and are

not likely to create an adverse impact on prices. Considering that we have a very large spinning capacity, where there is under utilisation of installed capacity, and there is a substantial international market for cotton yarn of counts 40s and below, a stable and liberal policy for export of such cotton yarn is essential. The textile industry is of the view that it can easily export 50 ml. kgs. of cotton yarn valued at about Rs. 165 crores without any adverse effect on domestic supply of yarn. The Committee would also recommend that cotton of the appropriate qualities be allowed to be imported under the recently announced Import Export Passbook Scheme, for the export of cotton yarn so that in times of domestic shortage of cotton, exports of yarn may continue on the basis of actual imports of raw cotton. Since there are no quantitative restrictions on import of yarn by importing countries, there are no artificial restrictions in the way of increasing our exports. The value addition from raw cotton to yarn stage is estimated to be around 37%. Higher exports, even if they are based on some import of cotton, would mean higher retained foreign exchange earnings.

11.10 The Committee also considered the desirability of allowing import of cotton under Advance Licences against export of fabrics, made-ups and garments. Currently, these exports are substantially out of domestic inputs and contribute significantly to our net foreign exchange earnings. If cotton were allowed to be imported, the net foreign exchange earning may go down and to make up the loss, the volume of exports may have to be substantially higher, which may not be possible, since there are quantitative restrictions by major importing countries. Consequently, the Committee did not favour import of cotton under the Advance Licensing Scheme for exports of fabrics, made-ups and garments.

11.11 The World demand for textile products is moving more & more towards products made of man-made fibres. Unfortunately, this is an area where Indian Industry is rather disadvantageously placed on account of many reasons. The cost of production of the basic raw material is quite high as compared to international price, and there is considerable domestic pull for these products which makes the exports somewhat unattractive. There is need to widen the production base of the industry so that the basic raw materials are available at internationally competitive prices and enough surplus is created for exports. This is a long term process and in the short term,

facilities for liberal imports of man-made fibres/fabrics for export purposes should be given. Input-output norms under the advance licensing Scheme and under the duty free REP Scheme may be reviewed and made more realistic.

11.12 India has a unique comparative advantage so far as handloom production is concerned and the Committee is of the view that exports of handloom fabrics, made-ups and garments can be increased substantially. There are no quantitative restrictions on handloom fabrics and made-up items even under the present regime (except on made-up items in Sweden).

11.13 To sustain our growth in the exports of garments and hosiery, these sectors should be enabled to be technologically upto-date and competitive and for this purpose, the machinery needed should be allowed to be imported either duty free or at a very low rate of duty. The indigenous machinery manufacturers should also be enabled to produce various kinds of textile machinery including garment and hosiery machinery and the Committee has made recommendations elsewhere for this purpose. The Committee would also recommend that import of machinery for export production should be provided with concessional credit facilities.

11.14 The Government have been trying to promote a scheme of 100 per cent Export Oriented Units in the textile sector. Only one unit is known to have come up for production of fabrics and made-ups, while a few others have been cleared for production of garments. The difficulties that seem to discourage exporters from setting up of 100% EOUs are :—

- (i) difficulties in release of production in the domestic tariff areas ;
- (ii) high cost of customs bonding ;
- (iii) difficulty in getting job-work done outside bonded areas ;
- (iv) imbalance in the various sections of 100% EOUs.

While these difficulties cannot be removed overnight, continuous efforts are needed to mitigate the difficulties. There must be an institutional linkage between the garment and hosiery manufacturers and suppliers of fabrics and yarn in all sectors of the Textile Industry.

11.15 The export oriented units face problems in regard to uninterrupted power supply in a

number of States. The States should be prevailed upon to provide uninterrupted supply of power to such units.

11.16 The exporting units must realise the need for strict quality control measures to meet with exacting international standards. They must install in-house and in-process quality control measures. Government may take suitable steps to encourage the installation of such quality control measures.

11.17 To make exports fully competitive, unrebated indirect taxes should be fully refunded and besides, the exporters should be compensated for higher freight they may have to pay and for the market development expenses. Payment of cash compensatory support should not be linked to export performance. While these incentives would be decided on a case by case basis, certain net incentives should be available to all exporters. The Committee welcomes the recent measure to allow a reduction of 50 per cent of export profits from the taxable income. Elsewhere, the Committee has referred to the need to work out a scheme by which exporting units can get indigenous machinery at no duty or at low duty. To bring down the prices of indigenous machinery needed by the exporters, certain other measures have also been suggested such as reducing the import duty on components and special steels needed for identified items of Textile Machinery.

11.18 Recognising that the export market is not a uniform or homogenous market, there is need for constant study of individual markets and strategies to develop our exports or expand our market shares in such markets. There should be extra incentives for diversification of markets and market exploration. There is need to have a separate fund that should be utilised for better marketing approaches. Funds for generic publicity and for the publicity in new and non-traditional markets should be earmarked for use by different Export Promotion Councils. Export Promotion measures should be undertaken on a continuous basis and there should be adequate follow-up. Many a times, the initial thrust has not been matched by subsequent production and export drive. The availability of foreign exchange for various Export Promotion Schemes like Buyer-Seller Meets, participation in specialised Commodity Fairs and Exhibitions and Market Orientation Studies and Tours should be increased. One of the areas requiring attention is improvement

of fashion designs. We should be able to keep in touch with the fashion changes abroad and modify our production schedule accordingly. Our sensitivity to fashion changes has not been adequate. There is also a lack of expertise and manpower availability in fashion design area in the country. The Government has taken some steps to set up a Fashion Design Institute in India with the help of the Fashion Institute of Technology, New York to take care of this inadequacy. The Committee is of the view that the setting up of the Fashion Design Institute should be speeded up. Equally, there is need for adequate training facilities in the various garment manufacturing centres of the country for garment workers and technicians. This will enable a higher productivity being achieved in garment manufacture.

11.19 The Committee has elsewhere recommended the need for raising the period of packing credit for export of fabrics and made-ups from 90 days to 180 days. This needs to be increased for the garment/hosiery sectors also.

11.20 Necessary marketing infrastructure must be created among the exporting units either individually or in consortia and institutional linkages be established with market channels in the importing countries. Since our share in the

international market is currently insignificant, the growth potential is considerable. The Committee is of the view that if the various measures indicated in this Chapter as in other Chapters are implemented, it would help to substantially step up our exports on a stable basis. Equally, complacency or lack of timely steps could lead to our losing even the existing market share to the new exporting countries that are emerging on the horizon.

11.21 While studying the subject of exports, the Committee had also occasion to look into the exports of cotton (long and extra-long staples) from the country. During the last 3 Cotton years viz., 1981-82, 1982-83, 1983-84, the realisation on account of cotton exports were of the order of Rs. 91.31, Rs. 155.16, Rs. 98.36 crores respectively. The CCI, on account of its considerable expertise in the area, has been able to realise better prices for the cotton sold by it. It also stands to reason that if a single Agency were to export cotton from the country, its bargaining power would be better and the export revenue accruing to the country would be larger. Consequently, the Committee would recommend that exports of staple cottons from the country be canalised through the Cotton Corporation of India.

CHAPTER XII

DISTRIBUTION AND MARKETING CHANNELS

12.1 The Textile Industry as the oldest industry and as one that caters to a basic human requirement, has an extensive distribution system reaching down to the village level. A number of mills and also powerlooms depend on traders to indicate to them what designs will sell in which areas and indicate the production patterns which are organised on the basis of such designs communicated in advance. Very few mills are able to evolve their own designs based on studies concerning consumer preferences. The distribution channel is a three or four tier one consisting of agents, wholesalers, semi-wholesalers and retailers, having regard to the traditional relationship between the mills and the distributors and the problems in regard to extending credit and effecting recoveries, that might arise, by mills dispensing with one or more of the tiers. It would be difficult to advocate, as of now, modifying the distribution system either by mills or by Governmental intervention.

12.2 At the same time, it cannot be contended that the distribution system functions in a completely satisfactory manner and does not have any distortions in regard to the prices charged for similar varieties of cloth at different places. However, so far as the general consumer is concerned, if the availability of cloth is adequate, the market forces can be expected to reasonably ensure that the prices charged are not excessive.

12.3 At this stage, mention may be made of certain malpractices that exist by way of spurious markings on the cloth concerning the fibre composition, processes carried out, etc. The consumer can and does not get cheated by such spurious markings. The Committee considers it necessary that the consumer receives the correct information concerning the fibre composition, quality of cloth, processes carried out, name of manufacturer, etc. Marking regulations to cover most if not all varieties of cloth whether manufactured by mills or by powerlooms should be prescribed and effectively enforced. Any dealer who stocks cloth for sale with spurious markings should be liable for prosecution, apart from others who might be responsible for such spurious markings. The objective of such measures is to ensure that

the consumer gets the information needed and the competition in the market place as between different manufacturers of cloth is fair.

12.4 There has been a noticeable development of consumers' cooperative stores, especially in urban and semi-urban areas. However, to ensure that the weaker sections of the society, in particular those living in remote and tribal areas, have a satisfactory access to sales outlets in regard to the cheaper varieties of cloth that they may require, there is need for strengthening the Public Distribution System for sale of such cloth in these areas. In places where having a regular shop is not a feasible proposition, the question of having mobile sales outlets which will sell cloth at Fairs and Weekly Bazars needs to be considered.

12.5 Currently, the National Textile Corporation produces 260 million square metres per year of cotton controlled cloth which is sold in the range of Rs. 2.62 per linear metre to Rs. 5.68 per linear metre to the consumer and 8 million metres of polyester cotton blended cloth sold at Rs. 10.50 per metre to the consumer. This cloth is distributed through the National Cooperative Consumers Federation and to a limited extent through the N.T.C.'s own retail outlets. To ensure that it reaches the poorer people for whom it is meant, certain measures are necessary especially in rural areas. The fact that the cloth reached the sales outlets should be certified by say two local people with representative capacity and the dates on which the cloth will be sold must be known in advance to the people. Not more than 10 metres of cloth should be sold per person. These measures are expected to ensure that the cloth is bought only by the weaker sections of the society for whom it is meant.

12.6 The handloom sector produces Janatha cloth which is comparable to the Controlled Cloth and this cloth is sold mainly through the State Apex Marketing Societies and the Handloom Development Corporations. There is need for improving the quality of Janatha cloth and for streamlining the distribution of Janatha Cloth somewhat on the lines earlier indicated to ensure

that it reaches the weaker sections of the people. Periodical campaigns for selling the Janatha cloth in remote interior and tribal areas may be carried out.

12.7 The total production of Controlled and Janatha Cloth is 630 million metres of cotton cloth and 8 million metres of polyester-cotton. There is need to increase the volume of production and to ensure that the consumer preference in the different regions of the country are duly taken into account while deciding the pattern of production.

12.8 Consistent with the recommendation already made in the Textile Policy of 1981, the Committee would urge that the transfer of production of Controlled Cloth from NTC to the Handloom Sector be accelerated and preferably completed by the end of 7th Plan period.

12.9 In comparison with the volume of production the management and marketing areas in

regard to handlooms are not adequately manned. These areas need to be strengthened. The role of the National Handloom Development Corporation and the State Handloom Development Corporations have to be enlarged to enable them to provide adequate services in regard to production and marketing in the handloom sector.

12.10 The existing system of rebates which are given as a market support measure may continue. However, to minimise the delays involved in the payment of rebate, it would be advisable to place a certain amount as a corpus fund at the disposal of the State Governments every year, at the beginning of the year itself, based on their performances during the previous year. This amount could be utilised by the State Governments for disbursing the claims of the cooperative societies and corporations. They may submit the periodic accounts to the Central Government and claim the balance rebate.

ACKNOWLEDGEMENTS

The Committee was constituted on the 12th of October, 1984 and was required to submit its report within six months. The task entrusted to the Committee was nothing less than a comprehensive review of the Textile Industry. Discussions had to be held with a number of Ministries of the Government of India, State Governments, RBI, NABARD, Financial Institutions, private organisations, etc. at various centres in the country. In the arduous and voluminous task that the Committee faced, the then Secretary (Textiles), Government of India, Shri Harbans Singh who was Chairman of the Committee till he handed over charge of the post of Secretary (Textiles) on 14-2-1985 guided the Committee with great maturity and wisdom. The Committee would like to place on record its thanks to Shri Harbans Singh. At the various centres that the Committee visited, the State Governments offered all hospitality and help that enabled the Committee to complete a large number of discussions within a limited period. The Committee would like to thank all the concerned State Governments and in particular the Governments of Gujarat and West Bengal who treated the members of the Committee as State guests. The response to the questionnaire issued by the Committee was impressive. Besides a number of individuals and organisations submitted Memoranda for the consideration of the Committee. The Committee would like to thank all those who took the trouble of submitting their detailed replies to the Questionnaire and submitting Memoranda which enabled the Committee to appreciate various perceptions concerning the problems of the Textile Industry. To enable the Committee to have an assessment of the trends in consumption and demand for cotton, non-cotton and blended fabrics, the Market Research Wing of the Textiles Committee convened a meeting of some leading economists who had done work in this area. Dr. B.V. Iyer, ATIRA, Ahmedabad, Ms. Mrudul

Eapen, Centre for Development Studies, Trivandrum, Prof. G.S.V.N. Murthi, Sardar Patel Institute, Ahmedabad, Prof. V.N. Reddy, Indian Institute of Management, Calcutta, Dr. V.K. Chetty, Indian Statistical Institute, Delhi, Dr. Omkar Goswami, Delhi School of Economics, Delhi, attended this meeting at very short notice. The Committee would like to thank them also. The Indian Institute of Management, Ahmedabad, gave a presentation to the Committee at Delhi of their analysis of the problems of the Textile Industry and the solutions. The Committee would like to thank Shri Praful Anubhai and Prof. Mote who gave the presentation on behalf of the Indian Institute of Management, Ahmedabad. The Committee was assisted in some of its sittings by Shri K.V.S. Murthy, Adviser, Planning Commission, Shri J.D. Chaturvedi, Joint Adviser, Planning Commission, Dr. A. Bagchi, O.S.D., Department of Economic Affairs, Ministry of Finance, S/Shri V.K. Agnihotri, A.S. Narayanaswamy and N.N. Vasudev of the office of the Development Commissioner (Handlooms). The Committee is thankful to them. Shri S.H. Khan, General Manager, IDBI, attended most of the meetings of the Committee and the discussions held with various organisations, etc. His participation was very valuable and the Committee would like to thank him. The Committee would also like to thank S/Shri Prabhat Kumar and Dr. J.K. Bagchi, Joint Secretaries for advice given by them. The Committee benefited greatly by discussions with Smt. Pupul Jayakar, Adviser (Handlooms & Handicrafts), Department of Textiles and would like to place on record its thanks to her. Shri Kasturi Srinivasan, Adviser, SITRA met the Committee at Coimbatore and copies of his excellent book on the Indian Textile Industry were made available to the members earlier. The Committee benefited from Shri Srinivasan's knowledge and rich experience of the textile industry and would like to thank him. The work of the Committee was

greatly facilitated by the immense amount of staff work put in by the officials of the Department of Textiles and the Office of the Textile Commissioner. The Committee would like to acknowledge with thanks the assistance rendered by all the persons concerned and in particular S/Shri C.R. Sundaramurti, Deputy Secretary, Department of Textiles, S.R. Ray, Joint

Textile Commissioner, P.G. Saraph, Director, Market Research Wing, Textile Committee, A.A. A. Asees, B. Mallik, K.V.C. Rao, G.S. Shetye, K.R. Jakatdar, A.S. Subramanian, S.G. Rao and M. Bharathan. The Committee would especially like to commend the help of the persons mentioned above since it was rendered in addition to attending to their other normal responsibilities.

K. V. RAMANATHAN

MEMBER

Y. K. ALAGH

MEMBER

M. R. B. PUNJA

MEMBER

N. K. CHANDRA

MEMBER

T. V. RATNAM

MEMBER

DEEPAK NAYYAR

MEMBER

BIMAL JALAN

MEMBER

S. S. MARATHE

MEMBER

S. K. MISRA

MEMBER

T. RADHAKRISHNAN

MEMBER

BAGARAM TULPULE

MEMBER

N. K. SABHARWAL

MEMBER

S. RAMAMOORTHY

MEMBER-SECRETARY

S. S. VARMA

CHAIRMAN

New Delhi, 23rd April, 1985.

ANNEXURE I

Government resolution of the Constitution of the Expert Committee on Textile Industry to be published in the Gazette of India (Extraordinary) Part-I Section-I

GOVERNMENT OF INDIA MINISTRY OF COMMERCE

New Delhi the 12th Oct. 1984

RESOLUTION

No. 8/6/84-TPC. In view of the importance of the textile industry in the national economy, the Government have decided to set up an Expert Committee, under the Chairmanship of Secretary, Department of Textiles, to review the present situation in the textile industry and to suggest measures for its proper development in the future. The constitution of the Committee shall be as follows:—

1. Shri Harbans Singh
Secretary,
Department of Textiles — *Chairman*.
2. Shri K. V. Ramanathan,
Secretary,
Planning Commission.
3. Dr. Bimal Jalan,
Chief Economic Adviser and
Ex-officio Special Secretary
Ministry of Finance.
4. Dr. Y. K. Alagh,
Chairman,
Bureau of Industrial Costs
and Prices,
Ministry of Industry.
5. Shri S. S. Marathe
'Vinay' No. 9, Saharjeevan
Cooperative Housing Society Ltd.,
Off Ganesh Khind Road,
Pune—411 007.
6. Chairman,
Industrial Development Bank of India,
Bombay.
7. Shri S. K. Misra,
Development Commissioner (Handlooms),
Deptt of Textiles.
8. Prof. N. K. Chandra,
Indian Institute of Management,
P.B. No. 16757, Alipore Post Office Road,
Calcutta—700 027.
9. Dr. T. Radhakrishnan,
Director,
Ahmedabad Textile Industry's Research Association,
P.O. Polytechnic,
Ahmedabad—380 015.
10. Dr. T. V. Ratnam,
Director,
South Indian Textile Research Association,
P.B. No. 3205,
Coimbatore—641014.
11. Shri Bagaram Tulpule,
B-3, Bachani Nagar,
Off Daftary Road, Malad East,
Bombay—97.
12. Dr. Deepak Nayyar,
Economic Adviser,
Ministry of Commerce.
13. Joint Secretary,
Department of Textiles.
14. Textile Commissioner,
Bombay — *Member Secretary*.

The terms of reference of the Committee will be as follows:—

- (i) To study and review the present structure of the Textile Industry, particularly the relative role and efficiency of different sectors of the industry, namely handloom, powerloom and the organised mill sector, with a view to suggesting measures for integrated and harmonious development of these sectors for augmenting the production and availability of textiles both for domestic consumption as well as exports;
- (ii) To examine the existing industrial licensing, fiscal and trade policies with reference to the textile industry and suggest necessary changes for modernisation and growth in the industry;
- (iii) To review the existing system of control and regulations and suggest changes, wherever necessary;
- (iv) To suggest measures which would improve the economic viability of the textile industry and to formulate steps which would be necessary to prevent and tackle sickness in the industry, including structural adjustments in the form of redeployment of Labour and capital;
- (v) To study the need for modernisation of the textile industry and outline its requirements in terms of infra-structural facilities, capital goods/technology and financial resources for the textile industry;
- (vi) To examine the factors underlying trends in domestic consumption and domestic production of textiles, keeping in view the varietal mix of the output and the long term requirements of the industry;

- (vii) To suggest specific role for different fibres in the context of a dynamic multi-fibre policy, taking into consideration such factors as consumption and production trends, employment implications in the agricultural sector and ecological consideration as between renewable and non-renewable sources;
- (viii) To suggest measures for ensuring stable raw material prices, including the possibility of buffer stock operations in raw materials;
- (ix) To suggest measures to increase exports of different types of textiles, particularly value added products, having regard to past performance, pattern of world trade and comparative advantage of the Indian textile industry;
- (x) To examine the distribution and marketing channels with reference to domestic consumption as well as exports and to suggest measures for making these more efficient and cost effective.

3. The Committee may, if necessary, consider any other aspect related to the above terms of reference.

4. The Committee will formulate its own procedure of working including engagement of consultants, if considered necessary, for any specific area of its work.

5. The expenses on TA and DA, if any, will be borne by the respective department in respect of Govt. officials, whereas non-officials will be entitled to claim TA & DA as per O.M. No. F. 6(26)-E-IV/59 dated 5th September, 1960 of the Ministry of Finance (Department of Expenditure), as amended from time to time.

6. The Committee will submit its report within a period of six months.

7. The Headquarters of the Committee will be at New Delhi but it may meet at any other place in India.

(Sd.)

(N. K. SABHARWAL)

Joint Secretary to the Govt. of India.

ORDER

Ordered that a copy of Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

(Sd.)

(N. K. SABHARWAL)

Joint Secretary to the Govt. of India.

To
The Manager,
Government of India Press,
Mayapuri,
New Delhi.

To be published in the Gazette of India
EXTRAORDINARY PART I, SECTION 1

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & SUPPLY
Department of Textiles

New Delhi, the 12th March, 1985.

RESOLUTION

No. 8/2/85-TPC(.) Under Resolution No. 8/6/84-TPC dated 12th Oct. 1984, the Govt. of India in the Ministry of Commerce had constituted an Expert Committee on Textile Industry. A correction in the same was made vide Resolution No. 8/6/84-TPC dated 4th Dec. 1984.

2. The Constitution of the Committee has been modified as hereunder :—

1. Sh. S. S. Varma,
Secretary,
Deptt. of Textiles — *Chairman.*
2. Sh. K. V. Ramanathan,
Member Secretary,
Planning Commission.
3. Dr. Bimal Jalan,
Secretary (Banking) and
Chief Economic Adviser,
Ministry of Finance.
4. Dr Y. K. Alagh,
Chairman,
Bureau of Industrial Costs and Prices,
Ministry of Industry
5. Sh. S. S. Marathe,
'Vinay', No. 9 Saharjeevan,
Cooperative Housing Society Ltd.,
Off Ganesh Khind Road,
Pune—411 007
6. Chairman,
Industrial Development Bank of India,
Bombay.
7. Sh. S. K. Misra,
Development Commissioner (Handlooms),
Deptt. of Textiles.
8. Prof. N. K. Chandra,
Indian Institute of Management,
P.B. No. 16757, Alipore Post Office,
Calcutta—700 027.
9. Dr. T. Radhakrishnan,
Director,
Ahmedabad Textile Industry's
Research Association,
P.O. Polytechnic,
Ahmedabad—380 015.
10. Dr. T. V. Ratnam,
Director,
South India Textile
Research Association,
P.B. No. 3205,
Coimbatore—641 014.

11. Sh. Bagaram Tulpule,
B-3, Bachani Nagar,
Off Daftary Road, Malad East,
Bombay—97.
 12. Dr. Deejak Nayyar,
Economic Adviser,
Ministry of Commerce.
 13. Joint Secretary,
Deptt. of Textiles.
 14. Textile Commissioner,
Bombay.
3. Other terms and conditions of the Committee remain the same.

ORDER

Ordered that a copy of Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

(Sd.)

(N. K. SABHARWAL)

Joint Secretary to the Govt. of India.

To
The Manager,
Government of India Press,
Mayapuri,
New Delhi.

ANNEXURE II

Estimates of Income and Price Elasticity

(I) By P.G. Saraph

Data Period	1983—Cross Sectional data
Data base	Consumer Panel (CPT) data of Textiles Committee in Quantity

Income Elasticity

Fibre	Income Level		
	Urban	Rural	All India
Cotton	0.19	0.29	0.19
Polyester	0.36	0.57	0.66
Nylon	0.31	0.37	0.27
Non-Cotton	0.44	0.43	0.60
Polyester Cotton	0.42	0.69	0.77
Other Mixed	0.42	0.43	0.43
Mixed	0.43	0.74	0.66
All Textiles	0.28	0.35	0.29

Price Elasticity

Cotton	-1.05	-1.53	-1.40
Polyester	-2.73	-2.03	-2.40
Nylon	-1.82	-0.63	-1.00
Non-Cotton	-1.73	-1.14	-1.38
Polyester Cotton	-2.17	-2.63	-2.53
Other Mixed	-1.56	-1.12	-1.27
Mixed	-1.83	-2.22	-2.13
All Textiles	-0.60	-0.77	-0.74

Price Elasticities at different income levels

Urban	Income Level			
	Rs. 3,000	Rs. 6,000	Rs. 10,000	Rs. 30,000
Cotton	-1.21	-1.18	-1.15	-0.96
Polyester	-2.92	2.89	-2.85	-2.63
Nylon	-2.14	-2.09	-2.01	-1.65
Non-Cotton	-2.01	-1.96	-1.90	-1.58
Polyester Cotton	-2.32	-2.29	-2.26	-2.09
Other Mixed	-1.62	-1.61	-1.60	-1.52
Mixed	-1.98	-1.95	-1.92	-1.75
All Textiles	-0.72	-0.70	-0.67	-0.53

Rural	Income level			
	Rs. 3,000	Rs. 6,000	Rs. 10,000	Rs. 30,000
Cotton	-1.63	-1.59	-1.54	-1.28
Polyester	-2.12	-2.09	-2.04	-1.79
Nylon	-0.64	-0.63	-0.62	-0.58
Non-Cotton	-1.24	-1.20	-1.15	-0.89
Polyester-Cotton	-2.64	-2.63	-2.62	-2.57
Other Mixed	-1.13	-1.12	-1.12	-1.09
Mixed	-2.25	-2.22	-2.22	-2.15
All Textiles	-0.81	-0.79	-0.77	-0.65

(II) By Mrs. Sukumari Murthy

Data Period	
Data Base	NSS and Consumer Panel (CPT) of Textiles Committee in value terms

		Price Elasticity	Income Elasticity
<i>Rural:</i>			
Poor (40%)		-0.75	1.59
Middle (30%)		-0.44	1.79
High (30%)		-0.38	1.18

<i>Urban:</i>			
Poor (40%)		-0.98	1.61
Middle (30%)		-0.29	1.02
High (30%)		-0.07	1.46

2nd Stage

<i>Rural:</i>	Poor	Cotton	-0.73	1.64
		Non-Cotton	-2.23	2.52
		Mixed	+0.03	0.37
Middle		Cotton	-0.71	1.85
		Non-Cotton	-2.21	2.84
		Mixed	-0.36	0.42
High		Cotton	-0.75	0.88
		Non-Cotton	-1.53	1.24
		Mixed	-2.13	2.19

<i>Urban:</i>	Poor	Cotton	-0.21	0.47
		Non-Cotton	-3.34	0.42
		Mixed	-0.19	0.46
Middle		Cotton	-0.18	0.30
		Non-Cotton	-1.27	3.93
		Mixed	-0.18	0.30
High		Cotton	-0.41	0.80
		Non-Cotton	-0.85	1.73
		Mixed	-0.70	1.45

(III) By Dr. B. V. Iyer, ATIRA

Data Period 1972-79
 Data Base Consumer Panel (CPT) of
 Textiles in quantity terms LES
 Method of analysis.

Income Level

	Less than Rs. 3,000	Rs. 3,000 to 10,000	Rs. 10,000 +
<i>Income Elasticity :</i>			
Cotton	0.80	0.67	0.30
Synthetics	2.06	1.70	1.63
Polyester-Cotton	2.05	1.74	1.93
<i>Own Price Elasticity</i>			
Cotton	-0.80	-0.46	-0.26
Synthetics	-0.97	-0.15	-0.73
Polyester-Cotton	-0.98	-0.42	-0.90
<i>Cross Price Elasticity</i>			
C/Sy	-0.001	-0.09	-0.02
C/Pc	-0.003	-0.10	-0.02

(IV) By Mrs. Mrudul Eapon

Data Period 1974 to 1979
 Data Base Consumer Panel (CPT) of
 Textiles Committee.

Income Elasticity :

Fibre	All India	Urban	Rural
Cotton	0.23	0.31	0.21
Art Silk	0.51	0.62	0.42
Nylon	0.30	0.83	0.62
Polyester	1.07	1.25	0.83
Total Non-Cotton	1.07	1.15	0.83
Polyester/Cotton	1.07	1.35	0.90
Other Mixed	0.61	1.15	0.35
Total Mixed	1.00	1.25	0.76
All Textiles	0.31	0.42	0.28

Price Elasticity :

	Own Price Elasticity	Cross Price Elasticity
I All Non-Cotton	-0.3356	1.500
(a) Rayon (Art Silk)	-0.7419	-0.270
(b) Synthetics (Nylon & Polyester)	-0.4055	2.396
II All Mixed	0.2629	0.937
(a) Polyester/Cotton	0.4794	0.774
(b) Other Mixed	-0.1993	1.384

SOURCE : Consumer Purchase of Textiles, 1974 to 1979.

(V) Prof. C. S. V. N. Murthy

Sardar Patel Institute, Ahmedabad

Data Period 1951-52 to 1978-79

Data Base NSS rounds 2 to 28 (in value terms).

Income Elasticity (With conditions of homogeneity and symmetry)

	Rural	Urban
1. Foodgrains	0.65	0.4
2. Milk etc.	0.79	0.8
3. Other Food	0.71	0.4
4. Clothing	0.09	1.8
5. Fuel, etc.	1.03	0.8
6. Other non-food	2.49	1.9

Own Price Elasticity (With conditions of homogeneity and symmetry)

1. Food Grains	-0.34	-0.4
2. Milk, etc.	-0.45	-0.5
3. Other Food	-0.57	-0.3
4. Clothing	-0.10	-0.3
5. Fuel, etc.	-0.47	-1.1
6. Other Non-Food	-0.13	-1.0

Food Grain Cross Price Elasticity (With conditions of homogeneity and symmetry)

1. Food Grains	-0.34	-0.46
2. Milk etc.	-1.03	-0.63
3. Other Food	-1.15	-0.09
4. Clothing	-0.66	-0.42
5. Fuel & light	-0.53	-0.16
6. Other non-food	-0.51	-0.22

(IV) By Prof. V. N. Reddy and Prof. N. K. Chandra
I.I.M. Calcutta

TABLE NO. 2

Growth Rates in the per Capita Consumption of Cloth during 1972 to 1983

Regression Model : $\log Q = a + bt$;

Variables used : Q = per capita consumption of cotton cloth in metres

C = per capita consumption of non-cotton cloth in metres

Q_{nc} = per capita consumption in metres

nc

$Q = Q + Q$

$1 \quad C \quad nc,$

Q = Per Capita consumption of non cotton cloth in metres

nc (in terms of cotton cloth equivalent).

$1 \quad 1$

$Q = Q + Q$

$C \quad nc$

Region	Variable	Mean	Estimated	Coefficients		R ²	D.W.
				a	b		
Rural	Q C	11.32	2.59	-0.026 (6.72)	0.82	1.72	
Rural	Q nc	1.61	-0.125	0.082 (4.13)	0.63	1.06	
Rural	Q nc	3.22	0.569	0.082 (4.13)	0.63	1.06	
Rural	Q	12.93	2.63	-0.012 (1.48)	0.37	0.55	
Rural	Q	14.74	2.68	-0.008 (0.09)	0.002	0.62	
Urban	Q C	10.80	2.41	-0.005 (0.85)	0.07	1.43	
Urban	Q nc	4.01	0.70	0.097 (10.65)	0.92	1.50	
Urban	Q nc	8.02	1.39	0.097 (10.33)	0.92	1.41	
Urban	Q	14.81	2.54	0.023 (4.35)	0.73	1.39	
Urban	Q	18.02	2.67	0.039 (7.02)	0.87	1.14	

TABLE No. 3
Demand for Cloth

Estimated Equations :

(i) Linear : $Q_i = b_0 + b_1 p_i + b_2 y_i$

(ii) Linear : $Q_i = b_0 + b_1 p_i + b_2 t_i + b_3 t$

(iii) Log-linear : $\log Q_i = b_0 + b_1 \log p_i + b_2 \log y_i$

(iv) Log-linear : $\log Q_i = b_0 + b_1 \log p_i + b_2 \log y_i + b_3 \log t$

t=1972, 73.....83

where Q=Per-capita consumption of cloth, in year i,

P_i =Price per metre of non-cotton cloth in year i,

Price per metre of cotton cloth in year i

y_i =Per Capita real income, in year i,

The demand for cotton cloth Q_c , non-cotton cloth Q_{nc} , and $Q=Q_c + Q_{nc}$ at All India level are estimated separately and given below :

Equation	Dependent Variable	Estimated Coefficients				R ²	D.W.
		b_0	b_1	b_2	b_3		
(i)	Q_c	23.29 (6.76)	0.04 (0.06)	-0.18 (3.17)	..	0.56	1.19
(ii)	Q_c	10.44 (2.30)	-0.076 (0.17)	0.005 (0.52)	-0.295 (3.03)	2.79	2.11
(i)	Q_{nc}	-5.72 (2.15)	-0.93 (2.24)	0.017 (4.48)	..	0.70	2.11
(ii)	Q_{nc}	5.49 (3.80)	-0.832 (6.49)	-0.003 (1.08)	0.257 (9.35)	0.97	2.43
(i)	Q	17.38 (5.50)	-0.89 (1.75)	-0.001 (0.22)	..	0.30	2.09
(ii)	Q	15.97 (2.66)	-0.909 (1.68)	0.002 (0.17)	-0.037 (0.32)	0.31	2.25
(iii)	$\log Q_c$	9.55 (4.20)	0.037 (0.17)	-1.11 (3.16)	..	0.56	1.16
(iv)	$\log Q_c$	3.99 (1.33)	0.184 (0.99)	-0.257 (0.56)	-0.096 (0.35)	0.74	1.54
(iii)	$\log Q_{nc}$	-30.77 (4.01)	1.63 (2.12)	5.18 (4.26)	..	0.67	2.29
(iv)	$\log Q_{nc}$	-4.05 (0.68)	-2.35 (5.79)	1.105 (5.32)	0.459 (1.13)	0.93	2.62

The figures in parantheses are t-ratios .

Region. Variable Mean	Estimated coefficients		R ²	D.W.
	a	b		
All India Q _c	11.23	2.56 —0.022 (6.05)	0.78	1.76
. Q _{nc}	2.16	0.109 0.092 (6.37)	0.80	1.17
. Q ¹ _{nc}	4.31	0.802 0.092 (6.37)	0.80	1.16
. Q ¹	13.39	2.61 —0.003 (0.53)	0.06	0.81
. Q ¹	15.54	2.68 0.01 (1.43)	0.26	0.85

Figures in parantheses indicate 't'-ratios

Non-Cotton includes mixed textiles. We have used 1 meter of non-cotton equivalent to 2 metres of cotton to obtain the cotton cloth equivalent of non-cotton textiles in each year.

(VII) By Dr. Omkar Goswami—Delhi School of Economics

SMPL 1—20

OLSQ/Dependent variable is LDCOTA

	COEF	S.E.	T—STAT
C	1.998534	0.234876	8.508865
LPRCOTA	—0.196588	0.081902	—2.400279
LRINCA	0.335997	0.033694	9.971750

R—Squared=0.85401

Adjusted R—Squared=0.83683

Observations=20

Sum of Squared Residuals=0.121651

S.E. of Regression=0.084592

Durbin-Watson Statistic=1.84753

F—Statistic=49.7242

Covariance Matrix

C,C	0.055167
C, LPRCOTA	—7.347E-3
C, LRINCA	—6.397E-3
LPRCOTA, LPRCOTA	6.708E-3
LPRCOTA, LRINCA	—6.339E-4
LRINCA, LRINCA	1.135E-3

SMPL 1—20

OLSQ//DEPENDENT VARIABLE IS LDCOTB

	COEF	S.E.	T—STAT
C	2.106424	0.356005	5.916838
LPRCOTB	—0.457156	0.066795	—6.844099
LRINCB	0.393510	0.045145	8.716480

R—Squared=0.85378

Adjusted R—Squared=0.83658

Observations=20

Sum of Squared Residuals=0.076984

S.E. of Regression=0.064618

Durbin—Watson Statistic=1.94568

F—Statistic=49.6332

COVARIANCE MATRIX

C, C	0.126739
C, LPRCOTB	—2.312E-3
C, LRINCB	—0.015000
LPRCOTB, LPRCOTB	4.462E-3
LPRCOTB, LRINCB	—7.508E-4
LRINCB, LRINCB	2.033E-3

LLN = nat. Logs.

C : Constant

A : Inc. gr. I & II

B : Inc. gr. III & IV

Data : 1974—1983 over 2 income groups (A or B).
=20 Obs.

A+B=91% of sample households.

(III) By Dr. V. K. Chetty

I.S.I. : Delhi

Data Period . . . =1980 and 1981

Data Base . . . =Primary data of consumer Panel (CPT) of Textiles Committee.

Price and Income elasticities of demand for certain types of cloth
according to Income groups (1980-81)

(1) Cotton Mill :

Income Group Rs./Household/annum	Income Elasticity	Own price Elasticity	Cross price Elasticities		R ²
			Polyster Mill	Polyster cotton mill	
0— 5000	0.3684	-.8318	.0243	-0.633	34.41
5000—10000	0.4859	-.9191	.0094	-.1579	26.79
10000—20000	0.4095	-.9221	.02875	-.0469	40.10
20000—40000	0.5184	-1.034	.01323	-.123	33.50

(2) Polyster Mill

Income Group	Income Elasticity	Own Price Elasticity	Cross Price Elasticities		R ²
			Cotton Mill	Polyster Cotton Mill	
0— 5000	0.9186	-1.539	1.011	0.00557	13.84
5000—10000	0.9477	-1.530	1.067	-.00668	13.46
10000—20000	0.5637	-.9532	0.3386	-.07343	28.33
20000—40000	0.5702	-.9521	0.04416	-.07644	28.28

(3) Polyster Cotton Mill

Income Group	Income Elasticity	Own Price Elasticity	Cross Price Elasticities		R ²
			Cotton Mill	Polyster Mill	
0— 5000	0.3058	-.9570	0.9428	-.0477	14.89
5000—10000	0.5747	-.9021	1.086	-.1028	6.58
10000—20000	0.56639	-.9533	0.4100	-.0033	22.84
20000—40000	0.5924	-.9623	0.4137	-.0050	21.93

ANNEXURE III

Estimates of Income and Price Elasticities of Demand for Textiles in India*

1. Introduction

Several research organisations (SPI, ATIRA, etc.) and government agencies [The Market Research Wing (MRW) of the Textile Committee] have estimated the price and income elasticities of demand for textiles in India.* These elasticities are seen to play an important role in characterising the consumption patterns and in projecting the future demand. The main data sources used for the analysis are the following:—

- (1) National Sample Survey (NSS).
- (2) Survey of Consumer Purchases of Textiles (CPT).
- (3) National Accounts Statistics (NAS).

The studies mentioned above have adopted different methodologies for estimating the demand elasticities. The MRW using the CPT data for a single year estimated demand models in a multiple regression framework. In this the household consumption of textiles (or of a particular variety; cotton, non-cotton, mixed, etc.) in rupees (or in meters) is assumed to be determined by the income and the own price, where the latter variable is derived as the ratio of value and quantity of consumption. The study however does not take into account the effect of the prices of substitutable or complementary items in the consumer budget. Moreover the way in which the price variable is derived is likely to introduce the effect of quality also in the estimated elasticities. Nevertheless the estimated models, depending on the goodness of fit and other criteria could safely be used for projecting the future demand.

The approaches adopted in SPI and ATIRA studies deviate markedly from MRW approach. In view of a broad similarity in the approaches we provide below some details on these studies.

2. SPI Studies

Recognising the limitations inherent in partial demand models for estimating the elasticities, SPI has undertaken several studies on consumer behaviour in a complete demand system framework. Initially attempts were made with the NSS data on consumer expenditure to estimate theoretically consistent demand models for a large number of commodity groups in which clothing is considered as one broad group.

Two types of data namely timeseries and timeseries of cross-section covering the period 1955-56 to 1973-74 are used to estimate demand models separately for rural and urban areas of India. The familiar linear Expenditure System and flexible systems are estimated to examine the pattern of the complete set of demand elasticities. Further these models are analysed by explicitly incorporating the distribution of income (or total expenditure), for which the NSS time series of cross-section data has been pooled into few groups based on the estimated real incomes which are arrived at by considering differential rates of inflation across the classes over the period.

Almost all the models estimated with the NSS data, seemingly indicated clothing to be a luxury or a semi-luxury item

*This note is prepared jointly by G. V. S. N. Murty and B. V. Iyer.

in the urban-consumer budget, yielding an income (or total expenditure) elasticity more than one. This pattern is seen to be insensitive to the type of data used for estimation. In rural areas however time series models exhibited an estimate less than one, while the timeseries of cross section models indicated a pattern similar to that of urban areas. Since the nature of the two types of data is different the timeseries estimates basically represent only the short run behaviour, while the other estimates represent a long-run behaviour.

Since the NSS data do not provide information on different sub-groups of clothing (such as cotton, non-cotton, mixed), a two stage utility maximisation hypothesis is postulated to link the NSS budgetary pattern with that of CPT pattern for clothing group. In this approach consumers are assumed initially to allocate total expenditure across broad commodity groups and at the second stage are assumed to allocate across subgroups within a group. The estimates of income and own-price elasticities of demand obtained from the first stage LES model are given in Table 1. In this model four commodity groups — Food, Clothing, Fuel and Light and other non-food —, and three population groups (poorest 70%, middle 30% and top 30%) are considered separately for rural and urban India. Separate price indices for rural and urban areas are constructed with base 1961-62 and they are wholesale indices.

In the second stage also LES model is specified and three sub-groups — cotton, non-cotton and mixed — within the clothing group are considered separately for rural and urban India. The second stage models are estimated with the help of the CPT data for the years 1972-76, and a single price index (i.e. average index) for all the income classes in a given year is used with 1970 as the base year. In view of the limited amount of data available at that time, only two income groups could be considered representing poorest 70 per cent and top 30 per cent of the population. The price and income elasticities within the clothing group are presented in Table-2. While integrating the first and second stage elasticities the results for the poorest 70% are assumed to represent the subgroup allocation of the first two NSS groups.

3. ATIRA Studies

The data base for the studies conducted by ATIRA has been exclusively the consumer purchase of textiles. Other available sources such as the NSS or the National Accounts Statistics, have not been used for the following considerations: As a research association working on behalf of the textile industry, the ATIRA is interested in analysing the demand in quantitative terms in terms of the commonly used units of metres in addition to an analysis of the expenditure or textiles. By the same token, it was considered important to analyse the demand for sub-categories of textile such as, cotton, synthetics and blends and the changes in the consumption of the textile basket as a whole over a period of time. These considerations meant that only the data provided by the CPT would be suitable. The analysis been carried out for the time period 1972-79 and thus is on time series of cross sections.

One part of the analysis has been the application of the LES model to the above mentioned data. In this, there has been a departure from the traditional use of the model in the sense that the sub-categories of textiles have been given the status of independent commodities. This approach can be justified, since the textile expenditures analysed are in nominal terms (i.e. the actual expenditure incurred) in the context of competition by different commodities in the budget. The prices used in this analysis have been obtained by dividing the expenditure by the quantity; this would inevitably lead to a confounding of the price and the quality effects as in the case of MRW estimates. However, the intensity of this confounding is lessened to some extent because the analysis is carried out separately for different income groups.

The analysis has been carried out at the all India level and for the three income groups. The incomes have been adjusted to 1976 levels with the help of the consumer price index for industrial workers as the common deflator. Three major sub-groups of textiles, namely, cotton, synthetics (polyester+nylon+acrylics) and polyester/cotton have been included in the study. The results of the analysis are reproduced in Table 3. This analysis would broadly correspond to the second stage analysis of the SPI Study mentioned above.

4. Comparison of the results of ATIRA and SPI Studies

At the outset, it may be desirable to recapitulate the broad differences between the two cited studies (i.e. SPI and ATIRA) in terms of data adjustments, time period covered, and methods, etc.

- (a) The SPI study relates to the time period 1970-76 while the ATIRA study covers the period 1972-79.
- (b) The population groups (poorest 70% and the top 30%) are considered in the SPI study while three groups based on real household income (Rs. 0-3000, Rs. 3000-10,000 and above Rs. 10,000) are considered in the ATIRA study.
- (c) The SPI study analyses for the above population groups separately for Rural and Urban India, while the ATIRA study is at the All India level.
- (d) There are differences in the sub-group classification also. The SPI study deals with cotton textiles, non-cotton textiles and blended textiles, each as a separate group. In contrast, the groupings in the ATIRA study are cotton, synthetics and PE/cotton, and thus it ignores some non-cotton textiles such as art silk and blended textiles such as cotton/viscose, etc.
- (e) Differences also exist in the measurement of the price variable between the two studies. SPI considered a single price for all income classes while ATIRA defines price at the ratio of value and quantity.

Although the basic model is the same the above differences are bound to affect the elasticity estimates.

Table 1

The expenditure elasticity of clothing is seen to be in the range of 0.84 to 1.40 in rural India and of 0.76 to 1.38 in urban India. As expected clothing is characterised as a luxury item in the budgets of the poorest 70 per cent of the population in both the areas. The percentage increase in demand with a one per cent increase in total expenditure is seen to increase initially upto a certain level of total expenditure and thereafter declines.

Although all the own price elasticities exhibited the inelastic nature of cloth consumption the influence of price on demand is seen to decline with a rise in the total expenditure.

Table 2

Within the clothing group, a marked increase in the percentage of demand is pronounced for mixed variety in rural and for cotton and mixed varieties in urban, with a rise in the total expenditure. The pattern of the own price elasticities also exhibited similar tendencies.

Although the SPI and ATIRA results are not strictly comparable, the pattern of the elasticities (Table 2 and 3) across the income groups is almost same.

Some adjustments are necessary to the values given in Tables 2 and 3 before even a rough comparison can be made. These have been done as follows: The separate values for rural and urban in the SPI results (Table 2) have been combined to yield an All India figure by weighting the rural and urban values by 0.8 and 0.2 respectively. At the next stage, the values for different income groups in the SPI and ATIRA results have been consolidated into a single value for each set by assigning weightages 0.7 and 0.3 for the two expenditure groups of SPI and 0.24, 0.58 and 0.18 (proportion of aggregate expenditure on textiles) for the three income groups of ATIRA. The so adjusted values are given in Table-4.

It is seen that the income elasticities for non-cotton textiles have turned out to be surprisingly identical and those for cotton textiles are fairly close. All the other estimates are markedly different. In fact, the ATIRA estimates are lower than those of the SPI, except for income elasticity of mixed textiles. The factors (a) to (e) indicated above might have contributed to those differences. This in turn calls for a more comprehensive study on the demand for textiles and the socio-economic and demographic factors affecting it, for evolving realistic price and income policies. Moreover the econometric models hitherto used allow only for limited substitution possibilities, and the need for modelling demand patterns for clothing in a flexible framework can hardly be over-emphasised.

TABLE 1

ELASTICITIES FROM THE FIRST STAGE LINEAR EXPENDITURE SYSTEM

(NSS DATA : 1953-54 to 1970-71) (SPI Results)

Population Group	Rural India				Urban India			
	Food	Clothing	Fuel & light	Other nonfood	Food	Clothing	Fuel & light	Other non food
	<i>Income Elasticity</i>							
Poorest 70%	0.84	1.28	1.59	0.96	0.69	1.24	1.61	1.13
Middle 30%	0.44	1.40	1.79	1.46	0.001	1.38	1.02	1.44
Top 30%	0.34	0.84	1.18	1.66	0.12	0.76	0.23	1.46
	<i>Own Price Elasticity</i>							
Poorest 40%	-0.67	-0.72	-0.75	-0.53	-0.58	-0.86	-0.98	-0.76
Middle 30%	-0.27	-0.56	-0.44	-0.48	-0.0005	-0.68	-0.29	-0.61
Top 30%	-0.17	-0.40	-0.38	-0.72	-0.06	-0.49	-0.52	-0.82

TABLE 2

ELASTICITIES FROM THE SECOND STAGE LINEAR EXPENDITURE SYSTEM*

(CPT DATA : 1970-76) (SPI Results)

Population Groups	Rural India			Urban India		
	Cotton	Non-cotton	Mixed	Cotton	Non-Cotton	Mixed
	<i>Income Elasticity</i>					
Poorest 70%	1.03	1.59	0.24	0.29	3.85	0.29
Top 30%	0.74	1.05	1.86	0.65	1.45	1.17
	<i>Own Price Elasticity</i>					
Poorest 70%	-1.09	-2.24	-0.37	-0.33	-1.34	-0.23
Top 30%	-1.10	-1.62	-2.29	-0.59	-0.95	-0.84

*These estimates relate to within group variables only.

Note: The results of Tables 1 and 2 are taken from the study by Sukumari Murty (1983).

TABLE 3
Elasticities from Linear Expenditure System
(CPT data : 1972-79) (ATIRA Results)

Household Income Group Rs. of 1976	All India		
	Cotton	Synthetics	PE/Cotton
	<i>Income Elasticities</i>		
0 to 3000	0.80	2.06	2.04
3000 to 10000	0.67	1.70	1.73
10000 and above	0.30	1.63	1.93
	<i>Own price Elasticity</i>		
0 to 3000	-0.80	-0.97	-0.98
3000 to 10000	-0.46	-0.15	-0.42
10000 and above	-0.26	-0.73	-0.90

TABLE 4
Weighted Elasticities : Linear Expenditure System
ALL INDIA

SPI Study			ATIRA Study		
Cotton	Non-Cotton	Mixed	Cotton	Synthetics	PE/Cotton
<i>Income Elasticities</i>					
0.83	1.77	0.69	0.64	1.77	1.84
<i>Own price Elasticities</i>					
-0.96	-1.89	-0.84	-0.51	-0.45	-0.64

NOTES

1 See for example the following studies :

(a) *SPI Studies*

- (1) G. V. S. N. Murty (1985); Consumer Behaviour in India; An Application of an Almost Ideal Demand System, SPI.
- (2) G. V. S. N. Murty (1984); Static and Dynamic Demand System for India, Anvesak, Vol. XIII, No. 2.
- (3) Sukumari Murty (1983); An Approach to Estimate Complete Demand Models for Clothing in India, Anvesak, Vol. XIII, No. 1.

(b) *ATIRA Studies*

- B. V. Iyer and T. Narasimham (1984); Domestic Consumption of Textiles in India, ATIRA.

(c) *MRW Studies*

- Income and Price Elasticities for Textiles : Reports 1 and 2

ANNEXURE IV

Imports of Textiles and Clothing into Developed Member Countries of MFA from Selected Developing Countries

(MILLION DOLLARS)

(Figures in brackets indicate percentage share)

Countries	Textiles				Clothing			
	1980	1981	1982	1983	1980	1981	1983	1983
World	16462.07 (100)	15051.80 (100)	14139.90 (100)	14462.21 (100)	20823.21 (100)	21288.78 (100)	21429.66 (100)	22380.94 (100)
India	589.73 (3.58)	494.80 (3.29)	424.30 (3.00)	439.60 (3.04)	649.05 (3.12)	701.81 (3.29)	615.75 (2.87)	582.58 (2.60)
Pakistan	432.37 (2.63)	420.98 (2.80)	415.95 (2.94)	454.84 (3.15)	60.18 (0.29)	70.23 (0.33)	77.69 (0.36)	78.26 (0.35)
Hong Kong	320.20 (1.95)	330.01 (2.20)	272.86 (1.93)	336.36 (2.31)	4202.32 (20.18)	4336.16 (20.37)	4287.08 (20.01)	4423.47 (19.76)
Korea	631.65 (3.84)	678.16 (4.51)	679.16 (4.80)	637.29 (4.41)	2262.87 (10.87)	2795.32 (13.13)	2767.29 (12.91)	2720.85 (12.16)
Singapore	47.60 (0.29)	43.26 (0.29)	26.02 (0.18)	22.31 (0.15)	334.71 (1.61)	341.78 (1.61)	339.17 (1.58)	340.61 (1.52)
China	706.67 (4.29)	819.29 (5.44)	804.58 (5.69)	840.18 (5.81)	708.20 (3.40)	944.88 (4.44)	1193.32 (5.57)	1409.63 (6.30)

SOURCE : GATT Textiles Committee COM. TEX/W/157 of 5 October, 1984.

ANNEXURE V

Percentage Share of India in Total Imports of Textiles and Clothings—1973 to 1983

Importing Country		1973	1978	1979	1980	1981	1982	1983
E.E.C.	T	4.13	4.58	4.96	4.98	4.75	4.11	4.45
	C	1.77	4.05	4.31	4.54	4.71	4.30	3.32
U.S.A.	T	4.27	4.68	5.26	5.29	4.28	3.94	3.56
	C	0.79	3.18	3.25	2.62	2.77	2.23	2.66
Canada	T	0.91	1.08	0.83	0.88	0.81	0.84	0.72
	C	0.52	1.49	1.99	2.29	3.34	2.72	2.49
Australia	T	0.21	0.49	0.48	0.74	0.71	0.77	1.01
	C	0.19	0.43	0.41	0.60	1.02	1.35	0.89
Finland	T	0.40	0.49	0.36	0.48	0.09	0.37	0.29
	C	2.22	2.95	1.94	1.24	2.75	2.39	1.89
Sweden	T	1.39	1.67	1.96	2.29	2.37	2.38	1.92
	C	2.91	1.70	1.52	1.38	1.63	1.50	1.45
Japan	T	2.15	0.69	0.83	0.89	0.76	1.17	1.05
	C	0.18	1.48	1.91	1.80	1.60	1.49	1.25
Switzerland	T	0.25	1.18	1.75	1.31	2.14	2.14	1.80
	C	0.34	1.23	1.09	1.01	1.53	1.62	1.11

T : Textiles.

C : Clothing.

SOURCE : COM. TEX/W/157 5th October, 1984.

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ANNEXURE VI

India's Share in World Exports of Textiles and Clothing

(Value in US Million Dollar)

Year	Clothing not of fur			Cotton fabrics (woven)			Woven textiles (non-cotton)		
	World	India	India's Share (%)	World	India	India's Share (%)	World	India	India's Share (%)
1970	5105.60	36.38	0.71	1436.29	98.33	6.85	3967.45	189.10	4.77
1978	22861.03	410.04	1.79	5238.55	240.84	4.60	9855.25	195.23	1.98
1980	32457.05	590.31	1.82	6783.56	351.49	5.18	12803.55	247.73	1.93
1981	32843.56	757.15	2.31	6190.95	236.67	3.82	13018.91	307.20	2.36
1982	32916.06	804.22	2.44	6176.99	251.38	4.07	11909.74	326.30	2.74

SOURCE : Year Book of International Trade Statistics.

Price : (Inland) Rs. 17.00 (Foreign) £ 1.99 or \$ 9 12 Cents.