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THE INDIAN COTTON MILLS' FEDERATION

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FOREWORD

Dr. Bhagwan Prasad who is at present Lecturer in Economics at the Indian Institute of Technology was offered a Senior Fellowship during the year 1965-66 to work at this Institute in the fellowship programme offered by the Institute to teachers in other Institutes and Universities. While under the fellowship Dr. Bhagwan Prasad prepared a preliminary draft of the present study on the Indian Cotton Mills Federation. After he returned to the parent Institute he continued to be interested in the subject and devoted some time to prepare a comprehensive paper on the problems of the Cotton Textile Industry and the role of the Indian Cotton Mills Federation. We thought that it would be appropriate if we make this study available for larger circulation particularly as it contains work done at the Institute under our programme of fellowships.

Gokhale Institute of
Politics and Economics,
Poona-4.

Dated 20th September, 1968.

V. M. Dandekar
Director

PREFACE

This is a brief study of the Indian Cotton Mills' Federation. No study of this type can be undertaken unless the story behind figures and resolutions is known. I am deeply obliged to Sri Bhaskar G. Kakatkar, Secretary General of the Federation, for not only making various documents available for this study but also for sparing his very valuable time. This undoubtedly enabled me to penetrate deeper than would have been possible otherwise.

Mention must also be made of the Late Sri G. G. Gokhale, Secretary (Eco.), Sri C. V. Radhakrishnan, Secretary, Sri R. V. Joshi, Assistant Secretary, and Sri Y. V. Tamhane, Statistician, for permitting me to discuss various problems connected with the study.

A meeting with Sri Ramnath A. Podar--a former Chairman of the Federation--proved extremely fruitful in analysing initial difficulties of floating such an organization. I am extremely grateful to him.

I am greatly thankful to Sri Tej Kumar Sethi, Chairman, Millowners' Association, Madhya Pradesh, who gave me an opportunity to know the viewpoint of associations.

This study could not have been started but for the interest shown by and the encouragement received from Dr. M. V. Namjoshi. Again, this study would have remained just a dream but for the assistance and the facilities extended by Prof. V. M. Dandekar, Director, Gokhale Institute of Politics and Economics, Poona.

Finally, thanks are due to Prof. R. N. Dogra, Director, Indian Institute of Technology, New Delhi, who was kind enough to grant me leave at a juncture when the Department of Humanities and Social Sciences was short of staff, was in its formative stage, and was not through its teething troubles.

Bhagwan Prasad

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CHAPTER I

THE INDIAN COTTON MILLS FEDERATION - HISTORICAL GROWTH

Prior to the Federation's creation, various mill-owners' associations were attempting to be the spokesman of the industry in their respective regions. Yet there was no platform for the associations to meet together and to evolve a common formula in an endeavour to solve the problems of the industry. There were "behind the scene" efforts to unite various associations but the associations of lesser magnitude probably always had the fear of being dominated by the "big ones". The industry's problems, however, continued to grow and a feeling gathered momentum that if things were allowed to have their way the industry would be the target of policies not favourable to it. The feeling became stronger in the fifties; when an additional excise duty on cotton textiles forced the associations and the industrial magnates to make concerted efforts to form an organization which would strive to place the problems of the industry in a forceful manner. As a result, the efforts of the industrialists took a definite shape and the uniting force known as the Indian Cotton Mills Federation came into being in 1958 with Shri Kasturbhai Lalbhai as its founder chairman. Since its inception, "the Federation has making strenuous efforts to present the industry's point of view on the various problems affecting it, and to meet undeserved criticism levelled against it." 1/

The Federation has a membership of 11 associations and each association represents a certain region (Appendix I). As on 1st January 1965 it covered through member-mills, a total of 12.7 million spindles which amounts to 80 per cent of the total spindles of the cotton mills and 1.7 lakh looms which account for 88 per cent of the total loomage of the cotton mills. 2/

One of its objects is "to regulate relations between employers and employees and between employers and employees engaged in the cotton textile industry and allied industries and trades." 3/

Another significant object is to "promote and protect India's trade, commerce, and industry in general, and particularly in respect of cotton textile industry and allied industries and trades." 4/

The Federation has been effectively functioning "to regulate the supply, distribution, and/or prices of; or engage in the operations of acquisition, import, purchase, stocking, distribution, and/or sale of; raw materials, store articles, colours, chemicals, plant, machinery,

1/ Report of the Federation for the year 1959.

2/ Memorandum of I.C.M.F. to the Second Central Wage Board, 1965.

3/ Rules and Regulations of the I.C.M.F., 1963.

4/ Ibid.

equipment, intermediate products, and finished products pertaining to the cotton textile industry and allied industries and trades." 1/ It has also been able to "impose restrictive conditions on and to regulate purchase, production, prices, and sales of the cotton textile industry and allied industries and trades." 1/

It is important to note that the functions of a Federation and that of a mill-owners association are quite distinctive. The functions of a mill-owners' association are: to encourage friendly feelings and unanimity among the mill-owners in general; to make representations in interests of the members to local, state and central authorities; to arbitrate in disputes arising from contracts for the sale of Indian mill-made piece goods and yarn; to collect, classify and circulate information relating to trade, commerce and manufacture for the benefit of its members; to promote, support, or oppose government legislation; to advance commercial and technical education in the textile trade and manufacture, etc. 2/ The Federation, on the other hand, does not involve itself in local or regional controversies. Again its function is not merely to criticise government policies and function negatively but to act as a "self-regulatory" body for the industry. Instead of criticising government policy it places before the government various difficulties faced by the industry and suggests alternate ways and means to be adopted keeping in view the motive behind these legislations. In addition to this it issues instructions to the mills through associations and does not hesitate to point out if member mills fail to conform to these directions. Thus, its role is not only of "elder brother" where it helps the industry but it also acts as a watch-dog to see that malpractices are not resorted to by the individual units. This has enabled the Federation to view the problems of the industry in the larger context of the economy. It is because of this significant role of the Federation that its suggestions are seriously looked into by the government and even accepted. It is in a happy position to have won the confidence of the government and the government has preferred to enforce certain regulatory measures through the Federation. Its increasing role suggests that it has emerged as an important regulatory body for the industry and if the member units--mills and associations--comply with its directions completely, the day is not far off when many regulations enforced through law may be substituted by voluntary regulations. Enforcing any regulation through law involves many formalities to be undergone and it retards the smooth functioning of the producing units. Nevertheless, the Federation's functions have created a growing tendency to regard professional business societies as having a personality that is obligated to contribute to social welfare. Thus, there is hardly any decision which the government implements without taking the Federation into confidence, e.g., regarding export promotion scheme, price control, accumulation of stocks, distribution of imported cotton, problems of rationalization and modernization, international agreements etc.

1 Ibid.

2 Marketing of Cotton Piece-goods in India, by M. P. Kaicker.

Yet the Federation does not ignore the individual problems of a mill. Mills have been trying to persuade it to initiate action in solving bottlenecks like the shipment of goods, matters of arbitration, losses incurred, inability to export cotton yarn, non-payment by local export buyers, reappointment of managing agents, waste of soft cotton, to ensure supplies of adequate and suitable types of cotton, to persuade banks to reduce the margin on advances and loans to mills etc. Some of them also complained about the procedural delay in government offices. Complaints have also been received about the lack of co-ordination and unity of approach in government departments. 1/

The Federation's influence in analysing industry's problems has been recognized practically by every committee and study group appointed by the government. Many committees have preferred not only regulatory measures to be implemented by the Federation but have also suggested that the Federation could also be instrumental in introducing newer ideas in the industry. While advocating better management in mills, a Committee feels that "no amount of preaching from outside will have much effect. In this aspect the various mill-owners associations and the Indian Cotton Mills Federation have an important role in educating their weaker members to improve themselves." 2/

As a central body of the industry it has the privilege of seeing things from an overall point of view--both in the technical and general field--and study groups and committees are inclined to burden these organizations with additional responsibility. There is no doubt that this organization has the potential to introduce a managerial, technical, and commercial revolution. Recently it has embarked on an absolutely new area--the experiment of growing cotton--illustrating that it can undertake new experiments and thus increase the productivity of the industry.

It came into being when the industry was passing through a real crisis. Since then it has been serving as a fair representative of the mill interests. It has a committee of 25 members--the weight has been given in a manner so that each association is fully represented. It has also attempted to see that no association is over-represented assuring thereby smooth functioning of the committee. The list of chairmen, deputy chairmen and vice-chairmen right from its inception indicates that there is no tendency on the part of any association to hold power and a voluntary system of a rotational nature prevails. The position of chairman has gone to Ahmedabad, Bombay, Delhi, Rajasthan, Southern and Ahmedabad respectively. Taking this trend into account one can predict that associations of lesser magnitude will also take the position of chairman, deputy chairman and vice-chairman in course of time.

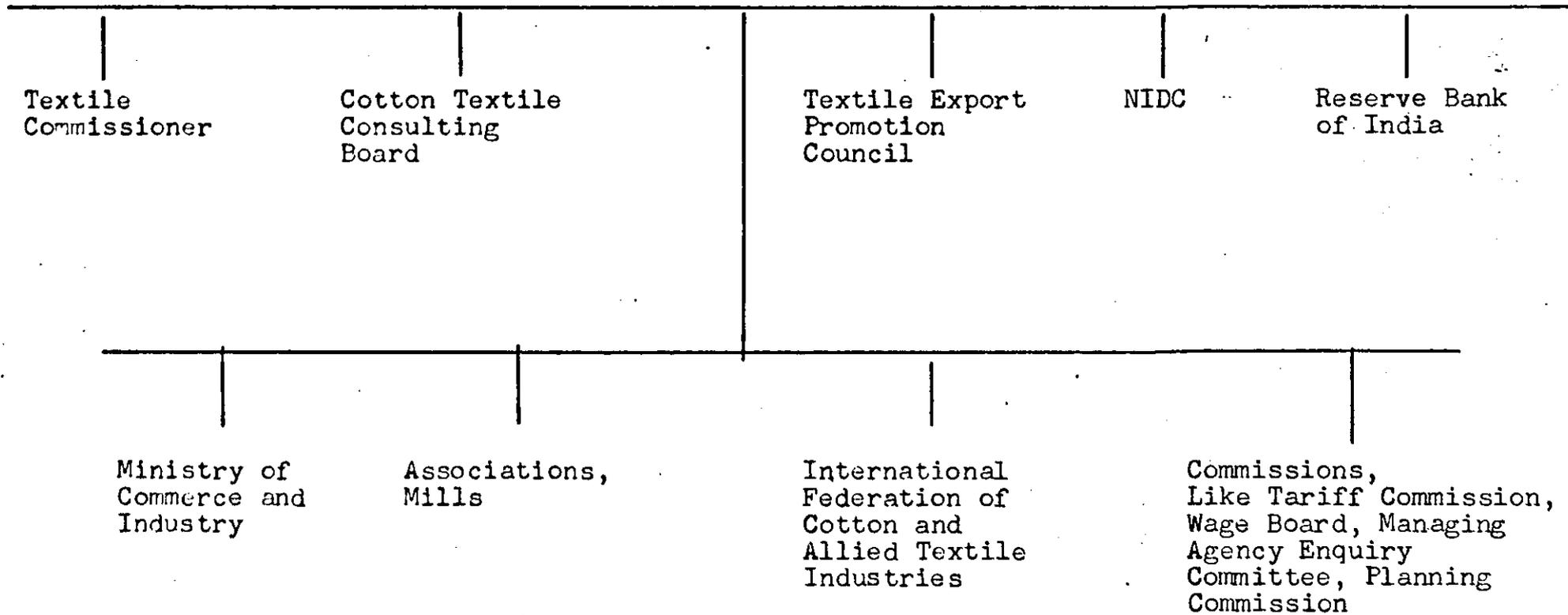
This central body has been working in active liaison with many government organizations associated directly or

1/ Records of the I.C.M.F. made available for this study.

2/ Report of the Working Group for the Cotton Textile Industry; 1960 (N.I.D.C.)

CHART I

FEDERATION'S LIAISON WITH IMPORTANT ORGANIZATIONS



indirectly with the industry. These organizations include Textile Commissioner's Office, Cotton Textile Consultative Board, Textile Export Promotion Council, National Industries Development Corporation, Reserve Bank of India, Planning Commission, Ministry of Commerce and Industry, and a number of commissions like Tariff Commission, Wage Board, Managing Agency Enquiry Committee, etc. (Chart I). Currently it has also suggested a change in the nature of one of the most important government organizations for the industry--the office of the Textile Commissioner. It has suggested that the "Existing functions of the textile Commissioner's office were of a regulatory nature. The Federation would like the Textile Commissioner's office to assist the industry in its aspirations for world leadership." 1/ It has also submitted that functions like utilization of foreign credits for machinery and spare parts, grant of essentiality certificates for import of machinery, allocation of imported cotton, inter-mill transfers of machinery entitlement, permission for expansion of loomage and spindleage, distribution of cement, iron and steel, can be delegated to the Federation instead of being handled by the Textile Commissioner." 2/

1/ Meeting with K.K. Shah Committee, November 10, 1965.

2/ Memorandum to the Study Team to go into the Question of the Working of the Textile Commissioner's Organization, November 16, 1965.

CHAPTER II

THE FEDERATION AND THE INDUSTRY'S PROBLEMS

A : Cotton Supply

Reviewing the position of cotton supply in the country, the Federation advocated the sanction of generous quotas for the import of cotton to maintain adequate supplies for the industry. During 1958-59 the production was 43 lakh bales as against 47 lakh bales for the previous season, leaving a short-fall of 4 lakh bales whereas the total consumption of cloth was expected to go up. The Federation negotiated with the Ministry of Commerce in October 1959, mentioning that it was absolutely essential to import a minimum of 10 lakh bales as against an assurance of importing 6 lakh bales, in the absence of which cotton prices will be high and there was every danger of losing the benefit of exports. In response to the Federation's request to tackle high prices of cotton in November 1959, the government decided to introduce quota system in respect of distribution of Indian cotton to mills. The quota was first to be issued to the extent of 50 per cent of previous year's consumption and was to be progressively increased as and when cotton arrived in the market and the size of the crop was more definitely known. The mills situated in the States of Punjab, Delhi, Uttar Pradesh, Bengal, Rajasthan and the areas of Vidarbha, Khandesh and Marathwada of Bombay, had a quota of 60 per cent of their consumption. The Textile Commissioner was of the view that discrimination could be attempted while allotting quotas to different mills; to which the Federation did not agree and felt that it would be detrimental to the interests of the industry as a whole. The Federation also took up the question of a sharp rise in the prices of foreign cotton and the inability of mills to bear any further premium on East African or American cotton and suggested the continuance of the relay system at least for the period of emergency. 1/

There was dislocation in the production programme of mills during 1959-60 due to the time-lag between the announcement of imports and actual arrivals. The Federation contended that the import quota system deprived the mills of the opportunity to bargain abroad and sometimes they had to pay as much as Rs.400/- per candy, resulting in a higher cost of production. However, the Federation welcomed the government's decision to requisition Indian cotton and distribute it to units desiring it.

The supply of cotton during 1960-61 was substantial and by June 1961, stocks of cotton began to accumulate with cotton growers of Gujarat. The Textile Commissioner suggested that the position needed to be changed, otherwise it would be a set-back for next year's crop. The Federation felt that this position was largely because of "unbusiness-like practices followed by the co-operative societies and high prices demanded by them." 1/ It agreed to the

1/ Report of the Federation for the year 1961.

suggestion of the Textile Commissioner to make purchases; but did so with the limited objective of helping the cotton growers to liquidate their stocks and to create a favourable climate in the market. The Federation also requested mills to assist the co-operative societies by stepping up purchases, which eased the position by July 1961. The Federation, therefore, suggested that the quota system might be continued at the start of the season and also suggested the suspension of compulsory survey. This survey was intended to prevent the mixing of inferior cotton. The government accepted both these recommendations.

The forecast for 1961-62 was on the high side taking into consideration unfavourable weather reports in November 1961. The Federation, therefore, agreed to the proposal of re-introducing compulsory survey system and to see that the price control was rendered effective. Shortage of cotton prompted the Federation to advocate higher imports to stop a rise in prices--a phenomenon of 1960--and the government gave the industry a sympathetic assurance.

In February 1962, the Indian Central Cotton Committee recommended to the government the removal of the ceiling on cotton prices as an encouragement to the farmer. The Federation felt that "such a course of action could not be considered unless all relevant facts relating to the costs incurred by the farmer were ascertained." 1/ It was pointed out that productivity was one of the lowest in the world and there was need to improve it. However, "inadequate supplies and rising demand led to an increase in the prices of cotton during the year 1961-62." 2/ Control measures were tightened and the Textile Commissioner restricted supplies to mills by means of quotas. The industry was keen to have a regular supply of cotton within the ceiling prices and a scheme was evolved in 1962 to supervise the distribution of cotton to mills. When in October 1962, prices of cotton went above the ceiling price, the Textile Commissioner requisitioned cotton in the affected areas. To regulate the distribution, the Federation purchased about 24,000 bales and allotted to mills on the basis of requirements registered with the Federation. This enabled the mills to get cotton within the ceiling prices. When the downward trend started and prices touched the ceiling, the purchase operations were stopped and the Federation advised the Textile Commissioner to defreeze the areas and remove restrictions on Khandesh cotton.

During 1962-63, the production of cotton was the highest (57 lakh bales) in the post-independence period of 1947-63. The government's announcement in May 1962, increased the ceiling price of the basic variety. Towards the end of January 1963, prices started touching the ceiling. Digvijay cotton even crossed the ceiling price and the Textile Commissioner asked mills to purchase 75 per cent of the consumption of Digvijay cotton only. A few thousand bales were requisitioned by the Textile Commissioner which were given to the Federation for distribution. In

1/ Report of the I.C.M.F. for the year 1962.

2/ Ibid.

order to tackle the situation, the compulsory quality survey, the distribution of cotton to mills by the quota system, and the requisitioning supplies were kept in force during 1962-63 too. The Federation, however, felt that "an appreciable rise in the production of cotton still remains an unaccomplished task, thus postponing the prospect of self-sufficiency in this essential raw material." 1/

Cotton prices in November 1964, again started touching the ceiling prices. Higher consumption of cotton by the industry made the Federation plead for higher imports. 2/ Every time new ceiling prices were announced only to find that they were pierced through. The Federation, therefore, suggested abolishing ceiling prices and announcing supporting prices only. In November 1964, the government announced a larger amount of imports which had little effect on cotton prices. The Federation, therefore, suggested that purchases of cotton by mills should be made through the Federation. However, this decision was postponed and a scheme of 'self-discipline' was imposed in December 1964. Under this scheme, the mills were asked "not to buy any cotton above the ceiling prices; no mill in Bombay and Ahmedabad to hold more than two months' stock of Indian cotton and for four months' in other areas; each mill to declare its stock of cotton and kapas to the Federation and also declare its stocks with merchants as well as forward purchases; the Federation to give to each mill purchase/delivery certificate for a quantity and the mill should conform to the prescribed limit of stocks; if mills fail to get cotton within the ceiling, the Federation would help to procure cotton for these mills; the Federation assured that it would purchase cotton at 5 per cent below the appropriate ceiling." In order to enforce this scheme, a high powered committee was set up. Prices showed a downward trend initially but it was soon felt that the scheme would not succeed unless followed by requisitioning, sealing of zones, etc. However, the names of the mills which did not submit to the Federation the details of the stock etc. were communicated to the Textile Commissioner who was requested to withhold export incentives and other benefits from them and also to requisition their cotton in excess of specified limits.

With the increased supply of cotton in March 1965, mills in Bombay and Ahmedabad were allowed to hold three months' stocks and mills in other regions to hold five months' stocks. When the position further improved, the restrictions were lifted.

The Federation attempted to secure a modification of the order of the Textile Commissionermaking it obligatory to buy Cambodia cotton to the extent of 7.5 per cent of their consumption of Indian cotton in November 1964. This plea was not acceptable as it was felt that an assurance was necessary to the growers of Cambodia cotton. The Federation pressed the matter suggesting that the compulsion should be to the extent of 7.5 per cent of a mill's consumption or its average consumption whichever was less. The

1/ Report of the Federation for the year 1963.

2/ Report of the Federation for the year 1964-65.

Textile Commissioner, however, passed an order increasing the percentage from 7.5 to 10 but freeing those mills from this obligation which had consumed 50 or less than 50 bales per year on an average during the last three cotton seasons.

At the request of the Textile Commissioner, the Federation decided to import 7,200 bales of American cotton against the export of cotton textiles to Indonesia. Out of these, 6,588 bales were allotted to mills under actual user and retention quotas till the end of April 1965.

The period 1965-66 was a hard one for the cotton crop as conditions of drought prevailed, coupled with restricted imports and Pakistan's aggression. The ceiling prices for certain varieties of cotton were raised. ^{1/} With effect from September 1967, these are only support prices for the cotton.

The entire problem pertaining to cotton supply boils down to increasing productivity. The average level of production of 54-56 lakh bales every year is far below the target of 70 lakh bales at the end of the Third Five Year Plan or 85 lakh bales by the end of the Fourth Five Year Plan period. In this connection the Federation's programme, started in 1964, to increase productivity in the area of cotton production is very commendable. This scheme has been separately dealt with in the last section in Chapter III.

However, the controversy of stopping imports of cotton is not completely resolved. In a memorandum the Federation points out that banning imports of cotton would reduce the per capita availability of cloth from 16 yards to 12.5 yards; textile exports worth 71 crores of rupees would stop and would render 67,000 workers unemployed. ^{2/} It, however, feels that the present yield of 100 to 120 pounds per acre, which is the lowest in the world, can be increased to 200 lbs. per acre in the not distant future. ^{3/} If self-sufficiency in home grown cotton is attained, the industry can increase her exchange earnings from the present level of about Rs.71 crores to Rs.150 crores per year. One would advocate Federation working on a phased programme to recommend a gradual cut in the import of cotton, finally resulting in total stoppage, in, say, a duration of ten years.

It may not be out of place to mention that the study team ^{4/} has applauded the Federation's cotton development programme and has emphasized the need to increase the production of cotton within the country. The study team also has recommended that millowners' associations should participate in the cotton development programme and suggests that the Textile Commissioner's organization initiates this scheme.

^{1/} Report of the I.C.M.F. for 1965.

^{2/} A memorandum to the Committee on Import Rationalization and Import Substitution, November 18, 1965.

^{3/} Memorandum to the Study Team to go into the question of working of the Textile Commissioner's organization, November 16, 1965.

^{4/} Ibid.

The IIFT seminar on Indian Cotton Textile Industry ^{1/} came to the conclusion that it would be possible to attain self-sufficiency in cotton production in the near future. It recommended stopping diversion of acreage already under cotton, extension of the area under cotton, raising yield per acre, bringing greater area under irrigation, and emphasis to be laid on production of longer staple lengths. It suggested that imports of cotton may be continued to meet immediate requirements.

B : Cloth Prices

An attempt has been made by the Federation to hold that the issue of cloth prices has been exaggerated. It is emphasized that the item of cloth is, as a necessity, next only to food. The factor making for the increase in cloth prices on which attention should be focussed according to the Federation, is additional duties. It was illustrated that the additional excise duty in replacement of sales tax was Rs.5.2 crores during 1958-59, Rs.20.49 crores during 1959-60 and Rs.20.49 crores during 1960-61. ^{2/} Cloth began to pile up in September 1956. The magnitude of this problem can be further indicated by the fact that the value of two months' production in the pre-war years was Rs.10 crores, while it was Rs.35 crores in 1946 and in 1958-59 it was much more than Rs.60 crores. However, the bulk of the cloth is reported to be sold at fair prices and the upward trend was confined to certain varieties. ^{3/}

The factors responsible for the rise in prices are: (a) Uneasy cotton position which accounts for more than half the cost of production; (b) Due to the recommendations of the Wage Board, industry had to foot a bill of an additional Rs.14 crores in 1960 which was expected to increase to 16½ crores in 1962. (c) A rise in price index particularly for food meant more dearness allowance to be paid to the worker which is heavier by about Rs.8.76 per annum since 1955.

A rise in cloth prices by 40 per cent has been assumed in general whereas the Federation in its press note dated 11th August 1960, has pointed out that not more than 5 per cent of the total cloth produced by mills would be selling at this rate, where as in all other varieties the rise has been much less.

An analysis of industrial profits indicates that profits in the cotton textiles are in no way higher compared to the other industrial sectors. In fact low profitability is one of the reasons that new capital cannot be attracted in this industry.

^{1/} Indian Cotton Textile Industry - Seminar and Conclusions : Indian Institute of Foreign Trade, June 1967.

^{2/} Facts relating to Cloth Prices - The Indian Cotton Mills' Federation, 1961.

^{3/} Ibid.

Yet the Federation has not been indifferent to the problem of price increase and in September 1960 took the following measures:

- (i) All cloth to be stamped with ex-mill price, retail price and excise duty;
- (ii) Assurance from the mills to sell cloth at agreed prices;
- (iii) Opening of retail shops to sell cloth at reduced prices;
- (iv) Mills to sell yarn directly to Handloom Co-operative societies at the revised prices;
- (v) Mills to submit to their respective associations price returns to ensure sale of cloth at fixed prices;
- (vi) Appointment of Supervisory Committees to see that the scheme was effectively carried out.

The Federation, however, has been pointing out that all these are short-term measures and a lasting answer to the problem is to step-up production.

Apart from the prices of cotton, increase in the wage bill, higher dearness allowance to the workers, other reasons cited for higher cloth price were the unremunerative nature of most varieties of cloth during 1956-59 and larger exports during 1959 and 1960. The Federation has, in consultation with the government, urged mills to step up their production either by working the relay system or staggering of holidays and running additional shifts. 1/

There were complaints from the Regional Piece-goods Merchants' Association about the scheme. The Federation, therefore, issued a circular on 4th September 1961 to bring specific cases to the Federation's notice. In order to have a continuity of supply of popular varieties, the Federation requested mills to stick to varieties termed as "popular" 2/ and have no change for six months. Any change in popular varieties was to have the approval of the Regional Mill-owners' Associations and the Textile Commissioner.

The Federation also suggested pooling of the demand of co-operative Handloom Societies and allocate among member mills of the Associations on the basis of their known pattern of production of different counts. 3/

In July 1962, the Textile Commissioner, in consultation with the Federation, fixed prices of yarn of counts of 405 and above and also evolved a scheme to distribute a minimum quantity amongst the handloom co-operatives. The

1/ Report of the Federation for the year 1959.

2/ Report of the Federation for the year 1961.

3/ Ibid.

Federation considered the position in September 1962 and suggested that there should be a restriction on the introduction of new sorts to avoid frequent change in the stamped prices. Mills were not supposed to produce more than one variety per month for every 200 looms installed. Another suggestion in November 1962 was to lend maximum co-operation to the Textile Commissioner's representatives in the Regional Price Fixation Committees to ensure the fixation of prices on the principles already agreed upon between the Federation and the government.

The Chairman, however, in his address, 1/ pointed out that owing to a rise in the ceiling prices of cotton and import duty, it was no longer possible to postpone a revision on prices to cover the progressive increase in the cost of production that has occurred since 1961. 2/ In addition to that, excise duties on a number of articles consumed by mills were revised upwards.

By the middle of 1962, the production of yarn at 1961 prices became unremunerative and many mills started incurring losses due to higher cost of production. During January 1961 and October 1962, prices of cotton alone had, on the average, risen by 19 per cent and the increase of the cloth price to meet this imbalance was estimated to be 12.5 per cent. 3/ And taking into consideration factors like transport, power, store articles, dearness allowance, etc. a rise to the tune of 15 per cent was considered necessary.

There were attempts on the part of the Federation to draw the attention of the government towards this position during October 1962 and January 30, 1963, and the revised schedule of yarn prices was approved by the government and announced on February 6, 1963.

Prices were also adjusted in October 1963 on account of the introduction of metric system.

When the prices of staple fibre rose from 75 P. to Re.1 per Kg. on account of the budget proposals during 1962-63, the Federation suggested an upward revision of the prices by adding Rs.1.20 per bundle of 10 lbs. which was accepted by the Textile Commissioner and the new prices were announced on June 7, 1962.

The budget proposals for 1963-64 resulted in a surcharge of 33 1/3 per cent on the excise duty on staple fibre. The Federation took up the matter with the Textile Commissioner and suggested an increase of Rs.1.60 per bundle of 10 lbs. to compensate for the surcharge and to keep a margin of 5 per cent waste and weight shortage. The proposal was not acceptable to the Textile Commissioner as it was pointed out that the staple yarn prices were below the ceiling prices.

1/ Lala Bharat Ram's Speech, May 1963.

2/ Ibid.

3/ Report of the Federation for the year 1963.

When the position of staple fibre eased, the Federation suggested the removal of the quota system. It also suggested the removal of price control. Subsequently, the Federation also suggested doing away with price controls on staple fibre yarn or, alternately, that prices should be revised to cover the increase in excise duty. This suggestion was accepted and a revised list of prices was announced on November 22, 1963.

With the decontrol of 16 commodities, the Textile Commissioner informed that the control on the prices of rayon yarn and staple fibre yarn would cease with effect from January 1, 1964. Consequently the Federation announced that the ex-mill prices of staple fibre yarn revised and published on November 22, 1963 would cease to operate from January 1, 1964, and mills manufacturing staple fibre would no longer be required to stamp any price on yarn bundles. 1/

A joint meeting of the representatives of the Textile Commissioner, Federation's representatives and mills' associations considered the problem arising out of the production of new varieties - particularly in relation to the introduction of high seed pick cloth by mills. Introduction of high seed pick cloth was objected to by the government as it was supposed to consume more yarn, thereby dislocating total supplies. This argument did not find favour with the Federation which advocated its production owing to consumers' demand. Mills were, therefore, granted permission to introduce such varieties. However, while introducing new varieties, mills were asked to link their varieties with their running sorts or with similar qualities produced in that area. A combing allowance was to be granted if the loss was at least 11 per cent in the case of Indian cotton and 14 per cent in the case of imported cotton. Mercerising allowance was to be granted on the production of a certificate from the Research Institute of the region, in case of doubts.

Because of the increase in the cost of production, the Federation suggested a rise of 14 per cent in cloth prices over the level of the Voluntary Price Regulation Scheme, 1960. The Minister of Commerce in July 1963 suggested the following possibilities: (1) A minimum rise in the prices of all varieties. (2) Complete decontrol of 50 per cent of the total varieties. (3) Increase in the prices of about 50 per cent of the total varieties to compensate for the loss suffered on popular and basic varieties within the ceilings. 2/

The Federation felt that the voluntary price scheme was not in conformity with the changing conditions and in March 1964, suggested its replacement by either full statutory control, full decontrol or partial control. The government, however, brought under control the entire production and prices of four categories of cloth, namely dhotis, sarees, long cloth and shirting and subsequently drill. This came into force on October 20, 1964 and brought about 45 per cent of the total production of cloth under control in 1963. It was necessary to stamp "controlled

1/ Report of the Federation for the year 1963.

2/ Report of the Federation for the year 1964-65.

cloth" on cloth besides stamping the retail price, the excise duty, the category and description of cloth and the Tex-Mark. A rebate of 20 per cent of mills' export and defence deliveries of cloth was allowed to be deducted from a Mill's total obligation of 45 per cent of civil packings. While calculating the retail price of cloth, a margin of 18 per cent over the ex-mill (excluding excise duty) was allowed to the trade. 1/

Due to a rise in cotton prices and labour costs, the multipliers were revised with effect from March 1965 and controlled quota of mills has been fixed at 50 per cent of each mill's production in 1964, for which a rebate is given for defence and export requirements.

Towards the later part of 1965, mills were confronted with the problems of accumulated stocks of cloth. This made it necessary for the Government to lift varietywise the obligation to produce controlled cloth. This relaxation was reimposed in April 1966 in respect of dhotis and sarees owing to their shortage. The overall gross obligation for production of controlled cloth was increased from 45 per cent to 50 per cent with effect from 1st April, 1966. Representation from the trade also prompted the government to raise the trade margin from 18 per cent to 20 per cent, with effect from 1st April, 1966, making it obligatory to share with a retailer, ten per cent of the margin.

C : Rationalization, Rehabilitation and Modernization

The Federation drew the attention of the Working Group (1960) to the financial implications of working on old and new machines. Comparing the disparity between the Indian Cotton Textiles Industry and other countries, it quoted the following figures for various countries: 2/

Table 2.1 : Number of Looms, Ordinary and Automatic (in Selected Countries)

Country	Number of Ordinary Looms	Number of Automatic Looms
U.S.A.	-	3,26,387
Canada	60	22,732
U. K.	2,05,000	45,000
Russia	1,26,000	93,000
India	1,87,811	16,000
Pakistan	11,000	17,000

Thus India stands lowest in spite of the fact that India holds the first rank in the textile production of the world.

1/ Report of the Federation for 1964-65.

2/ Report of the Federation for 1960.

One of the important questions linked up is the attitude of labour which is likely to be declared as surplus with the introduction of a programme of rationalization. It is true that "Labour's opposition to rationalization is based on an unwillingness to see what rapid strides have been taken in that direction by other textile manufacturing countries." 1/ The Working Group has, therefore, rightly cautioned that "Modernization will bring no relief unless labour wholeheartedly co-operates in a smooth transition to lower labour complements required with the new machines." 2/ It has, however, suggested that where labour complements are high, Industry can be sanctioned additional capacity. It has appreciated the steps taken in Ahmedabad centre where additional labour was partly employed in new jobs. The Working Group felt that "a part of this excess labour force might have been necessitated by poor working conditions in those mills, there are probably some excess workers recruited in time of prosperity without due regard to efficiency." While attempting to assess the surplus labour, the Federation estimated that 3 per cent workers are rendered surplus annually in Bombay and surplus labour amounted to 1.95 lakhs. 3/ One of the possible solutions advanced was to have three shifts working on a regular basis as any temporary measure would not provide relief to the labour.

The finances involved in modernizing the industry are enormous. One estimate indicated that Bombay Cotton Mills alone would require Rs.62 crores for modernizing its machinery, and Rs.217 crores would be required for industry as a whole. 4/ The Working Group has estimated that the industry would require Rs.180 crores for the period ending on 31st March 1966. 5/ It expects the industry to find about Rs.80 crores from their own resources and has suggested the balance to be met by the National Industrial Development Corporation. The industry has been spending about Rs.40 crores a year on rehabilitation and during the Fourth Plan period will have to spend Rs.540 crores. Analysing the problems of modernization, the Federation made the observation that the total estimate of Rs.800 crores made by the Working Group will reach the figure of Rs.1,000 crores as a result of rise in prices. 6/

Large sums of money are required for Rehabilitation as the "weaving capacity since 1939 has remained more or less static compared to spinning capacity." 7/ During 1955-59, the industry had to invest Rs.107.3 crores in gross

1/ Rationalization of the Indian Cotton Mill Industry, The Millowners' Association, Bombay, 1954.

2/ Report of the Working Group for the Cotton Textile Industry, N.I.D.C., 1960.

3/ Report of the Working Group for the Cotton Textile Industry, N.I.D.C., 1960.

4/ Report of the Bombay Cotton Textile Industry (Rehabilitation) Inquiry Committee, 1959.

5/ Report of the Working Group for the Cotton Textile Industry, 1960.

6/ Chairman's Speech, published in Economic Times, 15-11-1965.

7/ Report of the Federation for 1962.

fixed assets. Again in certain cases, particularly a carding engine, prices have increased manifold compared to 1939. The cost of replacing spindles and looms works out to Rs.378 and Rs.168 crores respectively.

In order to get loans for the industry, the Federation negotiated in June 1963, with the National Industrial Development Corporation, the restoration of the scheme of grant of loans to the industry. The Government notified in September 1964 that the Industrial Development Bank would consider requests of loans from the Cotton Textiles Industry. The Bank, after consulting the Federation, announced deferred payment arrangements in March 1965, for a period of 6 months to 5 years. The problem, however, has been that the banks' capacity to assist the industry as a whole is limited - 50 crores which can be increased to Rs.100 crores. "This being the position, only a few units can expect to be its beneficiaries." 1/

The Federation has been urging the Government (with effect from November 1964) to declare the cotton textile industry as an industry of national importance and give it rebate in income-tax and super-tax. Profitability being low, the industry will have to rely on borrowings but loans are also becoming difficult to get. Even with the rebate on taxes, the Federation does not expect a relief of more than Rs. 4 crores a year. 2/

While describing Japan's Cotton Textile Industry, the delegation has admitted that the "productivity of Japan's textile industry depends not only on technology, but also on a number of practices and traditions of Government, managements and labour. Recommendations with reference to these are difficult to make because they depend on attitudes, relationships and a sense of value. ..." Again the delegation reports "Especially during the last 5 years, the annual rate of growth has been of the order of 15 per cent, a rate rarely to be found in the world." As the delegation holds in high regard Japan Spinners' Association for "developments in technology and textile research," it is probable that the Federation may derive inspiration from Japan Spinners' Association and initiate a phased programme of Rationalization and modernization in different regions. The Federation is the most suitable platform for implementing the delegation's recommendation: "We would recommend that there should be greater understanding and technical collaboration between the manufacturers of textile machinery and mills in India."

D : Exports

When cloth and yarn exports fell in 1958, the Federation worked out an export incentive scheme which was acceptable to the Government and came into force with effect from July 1958. However, it did not encourage exports and

1/ Chairman's Speech, published in Economic Times, 15-11-1965.

2/ Report of the Federation for the year 1964-65.

the Federation suggested in 1959 to link exports of cloth and yarn with the imports of cotton. This was approved by the Cotton Textiles Consultative Board and was implemented in February 1959. It was subsequently agreed to link the exports of cloth and yarn to the imports of textile machinery for modernizing and rehabilitating the industry. Again imports of 3,000 automatic looms were subject to the condition that exporting mills will give an undertaking that the entire production of cloth from the automatic looms imported shall be exported in addition to at least 50 per cent of the normal exports made by them during 1954, 1955 and 1956.

The Federation also contended that as 95 per cent of the industry's exports are in coarse and medium categories, which is largely because of the monopolistic situation enjoyed by India, increasing difficulties were faced as consumers' preferences were changing to synthetic, mixed and high quality fabrics. 1/

The export incentive scheme, at the instance of the Federation was extended to December 1962. However, there was a general setback in 1961 due to tough competition from Japan, China and Pakistan. Installation of cotton textile mills in some of the Asian and African countries was another reason. These countries have been the traditional markets for India.

In order to promote exports, the Federation considered the obligatory export scheme formed by the Cotton Textile Consultative Board on 15th May 1962 and felt that it was necessary for the industry to earn foreign exchange to the tune of Rs. 60 to 65 crores. It called upon the mills to contribute and fixed the export obligation of every mill at 12½ per cent of its turnover of cotton cloth and 3 per cent of its turnover of cotton yarn and staple fibre yarn. For the period July-December 1962, the export obligations were fixed at half of the above rates. The Federation could withhold cotton quotas if mills did not fulfil their obligations. Where mills already had export obligations owing to the installation of automatic looms, export obligations under the Federation's scheme had to be over and above such export commitments. For the period July-December 1962, the Federation advised 355 mills about their export obligations which amounted to Rs. 31 crores. 2/ The Federation decided to continue the scheme for the year 1963.

In June 1964, the Federation suggested a revised scheme as follows:

1. 50 per cent of production for exports (i.e. 13,333 yards per loom per annum) in respect of imported auto-looms for 5 years.
2. 33 1/3 per cent of production for exports (i.e. 8,888 yards per loom per annum) in respect of indigenous auto-looms for 5 years.
3. In addition, these mills will as usual maintain 50 per cent of past exports during the basic years (i.e., 1959, 1960, and 1961). 3/

1/ Report of the Federation for the year 1961.

2/ Report of the Federation for the year 1962.

3/ Records made available by the Federation.

With the devaluation in June 1966, the industry's exports suffered considerably. The Federation hitherto had created an Export Promotion Fund by introducing a levy on imported cotton which was dwindling due to reduction in imported cotton. There was a deficit in this fund and a loss of Rs. 5.20 crores was estimated. The Federation has plans to meet overall deficit of Rs. 13 crores. This was attempted by the Federation by collecting fees on foreign and Indian cotton which was enhanced in November 1966. Till this collection could be made, the Federation secured a loan of Rs. 5 crores to meet claims in respect of cloth manufactures exported. In addition, the Federation charged a licensing fee on exports to regions where devaluation caused a substantial increase in exports. 1/

As all export promotion schemes had been given up after devaluation, it resulted in a stagnant position for a couple of months. However, all overseas buyers eventually agreed to enhance the value of their pending contracts negotiated in Rupees by 57.5 per cent, the only exception being U.S.S.R. which, agreed to enhance its contract by 47.5 per cent only. 1/

Though the countries of E.E.C. import 700 million square yards of cotton textiles, India's share is negligible, largely because of India's low competitive strength, particularly in relation to Asian countries like Japan, Hongkong and Pakistan. With a view to promote exports in these areas, the Federation approved the idea of a consortium which from January 1964 has started covering E.E.C. countries, Australia and Switzerland. It now has fourteen members.

E : Trade Agreements

An agreement between the U.K. and the Federation took place which became effective from January 1960. The total imports in U.K. for retention were not to exceed 175 million sq.yards in any one year, imports meant for re-export were not included in this figure. In the case of shortfall during a year, it could be carried forward to the following year. Imports in U.K. should not exceed the ceiling figure by more than 10 per cent. Such an excess was to be deducted in the following year. Pakistan was a party to the agreement, her total exports to the U.K. not to exceed 38 million sq.yards in any one year. In December 1960, the Chairman of the Cotton Board, paid a visit to India and shared India's anxiety over U.K.'s increasing imports from the continent, particularly Spain. The Chairman of the Federation also stressed the need to transfer the licensing machinery to India from January 1962, this the U.K. authorities eventually agreed to do.

The U.K. representatives in July 1961 also showed an anxiety about India's yarn export to U.K. which was worrying Britain's spinning and yarn industry. The U.K.'s insistence was to put a ceiling on India's exports of yarn. The Federation's representatives met U.K. Cotton Board's representative in January 1962, and pointed out that such a

ceiling was difficult as India was already having an adverse balance of trade with Britain and it was urgent for India to increase her foreign exchange earnings through increased exports of cotton textiles and yarn. The talks were, therefore, adjourned to be resumed at a later date.

Further discussions took place in September 1963 and the U.K. Cotton Textile representatives insisted on introducing some measure of categorization of the Indian export quota of 195 million sq.yards of cloth and 11.5 million lbs. of yarn as unhealthy competition among exporters resulted in unemployment and closure of mills. The real problem, according to Indian representatives, was to improve the prices, for which a conference of all the exporters was necessary. India had initiated many measures which were fairly adequate. However, an agreement was reached to have a ceiling of 7.3 million lbs. for folded yarn out of a total quota of 11.5 million lbs., the rest being single yarn. For grey cloth, it was decided that India would maintain statistics from December 1963 of various varieties to act as a basis for further discussions. No agreement could be arrived at in regard to the quota of finished cloth. The Indian Government subsequently accepted a figure of 25 million sq.yards.^{1/} Further discussions were held in January 1964 and a significant decision was to increase the quota for the year 1965 to 32.5 million sq.yards.

U.K. imposed a 15 per cent charge on 26th October, 1964 to deal with its adverse balance of payments crisis. The Federation immediately reacted to it by issuing a press statement on October 30th, 1964, and pointed out that duty-free import of Indian cotton goods was a symbol of Commonwealth relations; its abolition now converts the relationship entirely into the area of commercial negotiations. The Federation also requested the Government to take up the matter. With the result, in October 1965 a five per cent cut was announced in the 15 per cent levy to be effective from 27th April, 1965.

An inter-industry agreement was made between the Federation and the parallel organization in Vienna in November 1961 which has been approved by the Governments of India and Austria. It provided for an export quota of 1.25 million yards (125 tons) of cloth for retention in Austrian markets.

The agreement was renewed between the Federation and Fachuerhand which provides for a quota of 150 tons for 1963, with an increase of 25 tons every year, making it 250 tons by 1967. The components of this quota are grey cloth, finished fabrics, cotton yarn, hosiery and towels.^{2/}

A team was sent in July 1961 by the U.K. to assess the views of India on her joining the E.C.M. The representatives of the Federation indicated the necessity of safeguarding the duty-free imports of Indian cloth textiles into the U.K. market, in the absence of which there should be a sufficiently long period of transition to enable the

^{1/} Report of the Federation for the year 1963.

^{2/} Ibid.

Indian textile industry to adjust itself. However, a ceiling of 11.5 million lbs. has been fixed for the export of yarn from India to the U.K. for the year 1963.

In order to know the fair market value of the Indian cotton textiles and rayon fabrics exported to Canada an enquiry was conducted by Canadian Customs authorities in the middle of 1963 and a formula was evolved in February 1964, for determining the fair market value under the Canadian Customs Law. The formula was communicated by the Federation to all mills.

A team visited India from Canada in early 1966 to ascertain the breakdown of costs of qualities exported to Canada and of similar sorts sold in India. Their report has gone against India. As a result, their findings have considerably slowed down the business with Canada. A delegation from India was sent to Canada to explain India's point of view.

Indo-U.S. Agreement

Discussions between the U.S. Government and a Textile delegation in January 1963, led to the fixation of a quota of 30 million yards for export. This came into force from January 17, 1963, for a period of 15 months with a quota of 37.5 million sq.yards. Another delegation in February 1964, insisted on a quota of 53 million sq.yards plus the growth formula. This suggestion was not acceptable to the United States.

F : The Federation and the International Scene

Though India was a major producer of cotton textiles, it was not until November 1962, that she thought of becoming a full member of I.F.C.A.T.I. In September 1963, the Indian delegate pointed out that the U.S. imposed curbs on Indian cotton textiles on the grounds of "market disruption." Considering justice and fairplay in trade; it was necessary to have some international arrangement under the control of some international agency where appeals could be preferred instead of allowing the importing country to have a complete say. The Indian delegate also pressed for lesser import duties on cotton textiles of underdeveloped countries where production takes place against the odds of high cost of capital equipment, and other goods imported from the developed countries. It was also mentioned in the conference that the Geneva long-term agreement was interpreted to the disadvantage of developing countries like India. In fact a suggestion from the British delegate that developed countries should import 10 to 20 per cent of their home consumption from underdeveloped countries, was very much welcome. Some erroneous concepts were corrected by Indian delegates - particularly the one that Indian textiles were low-wage cost products and they were being dumped on importers. The Federation finally became a member of the International Federation of Cotton and Allied Textile Industries in 1963.

In the International Cotton Textiles Conference held in May 1961, it was pointed out that India's exports

constituted only 10 per cent of the total production while 90 per cent went to domestic markets. India's exports, therefore, did not pose any threat to the U.S. Textile Industry. As India's development programmes needed import of machinery from countries like the U.K., U.S.A., she should be allowed to export the products so that her development plans were not obstructed.

The Indian delegation 1/ has been emphasising the need to expand membership in the underdeveloped regions of Asia, Africa and Latin America. Another significant stand was taken by the leader of the Indian delegation 2/ in regard to the under-developed countries. He held that as the gulf in the technologies of these two types of countries was great, due consideration should be given to the under-developed regions. A conducive division of international trade means that the developed countries exchange their sophisticated products with the simple products of under-developed regions. He strongly recommended the view that the developed countries should have a net intake of textile of not less than 10 per cent of their domestic production. On the contrary there was a strong fear that LTA and other agreements would not only go against underdeveloped regions but would also strengthen the competitive positions of textile industries of developed countries through large-scale investments in technological developments. Another delegate 3/ contended that countries not producing any cotton should manufacture textiles for domestic consumption only. Developing countries among exporting countries should have wider access to the world's textile market.

The pride of place went to the Federation when she played host to the IFCATI's conference held in November 1967 at New Delhi. The Indian delegation pointed out the undesirability of levying tariffs, fixing quotas and the distribution of import licences by developed countries. "It is in this specific sphere that I would urge my friends in the developed countries to open their door a little wider for the manufactures of the less developed countries."4/ The President of the Conference touched many crucial issues like the structural adjustment and redistribution of productive capacity, position of developed and developing countries in relation to the textile industry, hypersensitivity of the industry to price fluctuations, profitability, foreign trade, technical development and market research. 5/ One of the significant suggestions made was to enable the IFCATI to cover wider range of products by changing its name from IFCATI to IFTI (International Federation of Textile Industries). 6/

1/ Conference of the IFCATI, held in San Francisco (U.S.A.) October, 1965.

2/ Speech of Mr. Devarajulu, at IFCATI's Conference, the then Chairman of the ICMF, 1965.

3/ Speech of Shri B.G.Kakatkar, at IFCATI's Conference, Secretary General, ICMF, 1965.

4/ Address by Shri Madanmohan Mangaldas, Chairman of the IFCATI Congress, November 1967.

5/ Speech at the opening session of the President, Mr. Charles Uttenhove, November 1967.

6/ Keynote address by Mr. John B. Crosby, IFCATI's Chairman of the Committee of European Affairs, November 1967.

However, it is unlikely that developing countries would get a fair deal till they, as a group, are able to assert themselves. While the Federation's efforts in this direction are commendable, it is not clear how far developing countries as a socio-economic unit have their say. It is worthwhile for the Federation to consider that whereas there is a committee for European affairs, there is no platform within the structure of IFCATI where developing countries can have serious deliberations to arrive at an unanimous decision. If there can be a sub-committee for European affairs, can't the Federation persuade other members to form a sub-committee for developing regions? If this move materialises, the lone and/or feeble voice of the Federation can certainly gain strength.

The International Cotton Textile Conference was held in February 1962, and it discussed long-term agreement between the developed and the underdeveloped countries and also the countries (E.E.C.) which put severe restrictions on imports. India maintained that in the absence of any agreement, she had to face severe import restrictions from France and Germany. The Conference conceded the need of according preferential position to developing countries.

An exhibition was held in Moscow in July 1963, where Indian variety of cloth was displayed accompanied by a fashion parade. Agreements worth Rs.2.5 million were entered into with the Soviet Union. The Federation also participated in the New York Fair held during April-October 1964. About 800 exhibits were displayed and 44 Indian mills participated. Another exhibition was held in Nepal, in January 1965, in which 46 Indian mills participated and 900 exhibits were displayed.

G : Accumulation of Stocks

During 1962, about 5 lakh bales of stock were accumulated. This was less than the figure of 6.6 lakh bales of accumulated stocks in 1957 but in view of the increased price of cloth, it was more in worth than in 1962. During 1957-62, the industry has put in Rs. 150 crores in fixed assets, making the capacity of mills to hold stocks much lesser. 1/ A statement (Appendix III) shows that the position of cloth and yarn stocks has become much worse in April 1965, stating that as a result of the accumulation of stocks, over a dozen mills in different parts of the country were forced to have complete or partial closure. 2/ It felt that "if the inability of mills to hold the accumulating stocks led to a reduction in the output of cloth and yarn, it would be most unwelcome from the point of national economy as a whole." 3/ However, the accumulation of stocks "cannot be explained in terms of a fall in consumer buying due to the rising cost of living. It is mainly due to monetary reasons; because of the acute

1/ Report of the I.C.M.F. for the year 1962.

2/ The I.C.M.F.'s letter to the Textile Commissioner, June 19, 1965.

3/ Press Statement - P.Cot No. 53 - 28-5-1965.

financial stringency, trades at all levels are carrying smaller stocks than before." 1/ Moreover, there is hardly any incentive "to carry large stocks of controlled varieties." 2/

The Federation's significant suggestions to exhaust stocks were: (i) to increase the borrowing limit for each mill by its turnover of one month; (ii) reduction in margins against cloth and yarn by 5 or 10 per cent; (iii) loans to be guaranteed by State Governments where the banks were not willing to extend further credits; and (iv) relaxation of the production control on cloth and yarn. 3/

The Reserve Bank announced certain financial concessions in October 1965 to solve the problem of accumulation of stocks. Textile authorities also announced that within the overall control quota, the mills would be free to manufacture the controlled categories of cloth depending on market conditions.

However, it would be a fruitful study to find out whether the problem of accumulation of stocks occurs due to seasonal variations in demand or as is generally contended, due to a general rise in price level, or is it a case of general lowered demand for cloth.

H : Labour and Wages

Following the Wage Board's recommendations in 1959, the Government was keen in bringing about legislation. To further this purpose a bill was introduced in 1961. The Federation strongly objected to implementing these recommendations statutorily and pointed out that only smaller mills employing 1.25 per cent of the total labour force in the industry did not implement recommendations presumably because they were small and uneconomic units. The contention was that recommendations should be implemented voluntarily - a suggestion which the Government accepted. However, the award of this Board was valid till 1964 and the announcement of the second Wage Board took place in August 1964. 4/ The Federation submitted there was need to stabilize labour costs over a reasonably long period and it was imperative to take productivity into consideration while determining the dearness allowance. It was also necessary to take into consideration the controlled prices of cloth.

Comparing the average earnings of workers in cotton textile mills with that of all manufacturing industries, it was pointed out that whereas figures for 1951 were Rs.1,178 and Rs.1,036 respectively, the figures for 1962

1/ India - Targets Missed - Asian Survey - D.P. Sharma.

2/ Ibid.

3/ Report of the Federation for the year 1965.

4/ Report of the Federation for the year 1964-65.

rose to Rs.1,767 and Rs.1,459 respectively, indicating an increase of wages in cotton textile industry by 50 per cent for the period 1951-52 compared to 40.8 per cent in all other manufacturing industries. 1/

A study 2/ undertaken in spinning mills by the Federation for the period 1959-63 indicates that capital alone was responsible for the increase in productivity and labour productivity remained more or less static. The Federation has in reply to a question favoured assessment of work load by time and motion study. The Federation can probably fill this gap by not only setting up training centres for labour but by examining how productivity could be increased by time and motion studies.

I : Managing Agency System

The Government appointed a Committee in January 1965, to look into the question whether the Managing Agency System should continue in five industries, including cotton mill industry. The Federation in its reply had maintained that it would be detrimental to the interest of the industry to do away with this system. Cotton Mill Industry is an established industry and the first mill was started 114 years ago. The Federation further pointed out that the industry would need Rs. 90 crores annually for modernization and rehabilitation, making a total of Rs. 540 for next six years and this task can be better accomplished by retaining this system which provides a pool of knowledge, resources and talent. 3/ In a seminar, a former Chairman has pointed out that conditions in other countries could not be compared with India and there was no justification to eliminate this system from India merely because it did not exist in other countries. He maintained that "each country possesses political and economic institutions which are peculiar to its genius, which owe their genesis to its historical antecedents. ... It would be completely wide off the mark to believe that the managing agency system impedes, rather than promotes, the economic development of the country." 4/

In a Memorandum submitted to the Committee 5/ the Federation held that the provisions of Companies Act put sufficient limits on a managing agent. In the absence of a dearth of managerial talent and the problem of getting finances for the industry, this was the only system which provided a pool of services. The following figures indicate that the profits of managing agents are not on the high side.

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- 1/ Report of the Federation for the year 1964-65.
 - 2/ Memorandum of the I.C.M.F. to the Second Central Wage Board for the Cotton Textile Industry, 1965.
 - 3/ Journal of I.C.M.F., July 1965.
 - 4/ Sri R. A. Foddar, Seminar on the Managing Agency System, by FICCI, June 1965.
 - 5/ Memorandum to the Managing Agency Enquiry Committee, dated March 30, 1965.

Table 2.2 : Managing Agency Commission (Yearwise)

Year	Managing Agency Commission expressed as percentage of profits before tax	Managing Agency Commission (Rs. crores)
1957	41.3	1.84
1958	30.4	1.91
1959	12.2	2.60
1960	8.1	3.40
1961	7.2	3.44
1962	8.6	2.54

At this juncture when the industry has to find investment and "fight for working capital resources", the Federation regards it as premature to do away with this system.

The Managing Agency Enquiry Committee submitted its findings in March, 1966, and recommended the discontinuance of this system in the cotton textile industry on the ground that the economies of group management applied at best to only a handful of managed companies. Out of 720 textile mill companies as on 31st March, 1964, 250 were managed by managing agents. Out of 229 managing agents, 196 managed only one cotton textile mill. It was also found that the lion's share of the benefit accruing from group management goes to the managing agency firms rather than to the managed companies. In terms of profitability there was not much difference in managed and non-managed companies. The Government of India has decided to discontinue this system in a period of three years.

J : Powerlooms

The expansion of powerlooms in an uncontrolled manner has led to a confusing state and unregulated output which in turn has resulted in over-supply. In 1959 they were, therefore, asked to get themselves registered and the Federation attempted to find out the number of unauthorized powerlooms converted authorized ones; the total number of authorized powerlooms statewide; and the method of computing the production of cloth by handlooms and powerlooms. 1/ The Government estimated authorized and unauthorized powerlooms to be at 27,478 and 16,818 in 1960, respectively whereas the Federation felt that the number of authorized powerlooms might well be above 50,000. 2/

When the Ashok Mehta Committee was set up in January 1963, the Federation explained the position of powerlooms vis-a-vis mill industry. The concession enjoyed by them such as excise duty, labour legislation, etc. enables them

1/ Report of the Federation for the year 1959.

2/ Report of the Federation for the year 1960.

to compete to the disadvantage of mill industry. The amount of excise duty collected by them during 1961-62 works out to less than 0.5 paisa per yard resulting in a loss of 30 paisa per yard to the exchequer. It, therefore, suggested a complete revision of the manner of duties levied on powerloom sector and the mill industry. 1/

The report was out in 1964 and it recommended that all the additional increase in the cloth targeted for the Fourth Plan should come from the powerloom and handloom sectors. Disagreeing with the report, the Federation argued that it would mean payment by the entire population of a higher price for inferior cloth; loss to the Central Exchequer of about Rs. 39 crores, loss of export potential and a loss of Rs. 6 crores to the working population. 2/

The Government declared its decision in June 1966, in regard to the Ashoka Mehta Committee recommendations. In the Fourth Plan a target of 1500 million yards of additional production was assigned to the decentralized sector compared to 900 million yards allotted to the mill sector. The production of dhotis and, sarees by mills was pegged at the 1963 level. 3/

K : Bonus

A Bonus Commission was set up in December 1961, which included Federation's representatives. The Commission solicited information from mills in April 1962. Its recommendations were out in January 1964, and it recommended compulsory bonus irrespective of the fact whether a concern made a profit or not, and prescribed a minimum of 4 per cent of basic earnings and dearness allowance. The Federation pointed out that not considering the profitability of an organization meant a straight increase in wages. It also feared that linking dearness allowance with looms might result in frequent demands of higher dearness allowance with a view to raise bonus. However, the Supreme Court's decision in August, 1966, declaring some of the provisions of the Act as null and void has prompted the Government to appoint a bi-partite sub-committee to evolve a suitable formula.

L : The ICMF and the Textile Commissioner's Organization

Perhaps the most important Government body with which the Federation works with the greatest liaison is the office of the Textile Commissioner. The correspondence examined tends to suggest that due weightage is given to the views expressed by the Federation in relation to various voluntary schemes of the industry, and the statutory controls and regulatory measures introduced from time to time. In this connection it may not be out of

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- 1/ Report of the Federation for the year 1963.
 - 2/ Report of the Federation for the year 1964-65.
 - 3/ Report for the year 1966.

place to illustrate the growth process of these two important organizations. During World War II, an acute shortage of cloth was felt for defence purpose and this resulted in the setting up of a branch of the former Directorate General of Supplies at Bombay in 1941. When the Government assumed powers under the Cotton Cloth & Yarn (Control) Order, 1943, the office of the Textile Commissioner was set up to execute this control order. Since then as and when shortage occur, various controls are introduced to cover production, distribution and prices. These controls were imposed in a comprehensive manner under the Cotton Textiles (Control) Order, 1948.

When the country embarked on the programme of planned development in 1951, it was necessary to regulate the growth and development of the industry. Thus the office of the Textile Commissioner had to change its role from one of pure regulation to that of regulation and development. This involved an analysis of the industry from the financial as well as the technical point of view and the office of the Textile Commissioner had to be equipped accordingly. Among the major functions of the office of the Textile Commissioner regarding textile and certain allied industries are: to recommend targets of production; to analyse proposals for expansion or new installation; to control pattern of production and regulate the supply and distribution of textiles; to ensure supply of cotton to mills; to ensure adequate supplies of raw materials at reasonable prices; to formulate and administer export incentive schemes; to study and deal with proposals relating to foreign technical assistance either by way of collaboration or by provision of technical assistance; and to exercise various regulatory measures imposed according to various exigencies prevalent in the country. Speaking specifically for cotton textiles, the Office of the Textile Commissioner, has to have control on licensing of capacity, purchase and sale of textile machinery, over-production, prices of the finished product, marking on cloth and yarn and control on packing standards for cloth and yarn. 1/ Thus in all there are eight control orders which regulate and control various aspects of the industry. 2/ Again it is not only responsible for cotton and cotton textiles but is also responsible for the development of handloom, wool and art silk and textile machinery manufacturing industries.

The Federation on the other hand, is the outcome of the leading industrialists' efforts to create a forum where the problems of the industry can be dissected and possible solutions thought of. The welfare of producing units is looked after by the regional associations. As a result, the associations view a problem largely with a local or regional bias. The Federation, being the federating body of all associations, has to keep itself

1/ Study team on Textile Commissioner's Organization, K. K. Shah Committee, July, 1966.

2/ These controls are: (i) The Cotton Textiles (Control) Order, 1948; (ii) The Cotton Textiles (Export Control) Order, 1949; (iii) The Textiles (Production by Powerlooms) Control Order, 1956; (iv) The Cotton Textiles (Production by Handloom) Control Order, 1956; (v) The Cotton Control Order, 1955. (vi) The Cotton Textiles (Control of Development) Order, 1948; (vii) The Textile Machinery (Production & Distribution) Control Order, 1962; (viii) The Textile (Production by Knitting, Embroidery Lace Milling & Printing Machines) Control Order, 1963.

above regional issues and attempts to see problems which affect the industry as a whole. Its essential role, therefore, is to perpetuate the interests of the industry. This, however, does not mean that it has not undertaken regulatory measures to bring about an equilibrium in the units producing cotton textiles and allied products. All these measures have been on a voluntary basis and because of the character of the Federation, did not have any legal or statutory backing.

Regulations, which are required to be enforced by the Government in the larger interests of the economy, are enforced by the Textile Commissioner's organization (i.e. protecting the interests of consumers, cotton growers etc.). Although statutory controls are introduced to regulate and direct planned development in the country, their presence undoubtedly brings more rigidity in the system and their enforcement is equally cumbersome. If the Federation is, therefore, in a position to inculcate self-discipline in the industry, regulatory functions of the Textile Commissioner's Office can certainly be curtailed. As producing units get more and more enlightened, healthy trade practices would naturally warrant that statutory controls are replaced by voluntary measures. The advantage of voluntary measures is that it provides flexibility to the whole system. The Federation has been emphasizing this point to the associations and mills. It may not have met with success always - as in the question of trying to maintain ceiling prices of cotton - but its attempt to enforce measures within the industry is noteworthy.

It is in the light of this that the Federation has been contending that the role of the Textile Commissioner should be of a promotional nature rather than a regulatory one. In addition to this, the Federation has offered to the study team on the Textile Commissioner's Organization that they would like to undertake as many routine functions as possible. 1/

It is significant to point out that K. K. Shah Committee 2/ has partly corroborated the views expressed by the Federation. Thus it is in agreement with the Federation that it is feasible to increase the per acre yield of cotton by increased input of fertilizers, pesticides and by adoption of modern agricultural practices. The committee has applauded the Federation's experiment of Cotton Development 3/ and feels that the cost of intensive farming on a national scale would be off-set by stopping or reducing the import of cotton. It has recommended that millowners' associations should follow this scheme and the Textile Commissioner should take the lead in initiating these associations. It has also suggested that the Textile Commissioner's Office should have greater co-ordination

1/ Memorandum to the Study Team submitted by the Federation, dated 14th October 1965.

2/ Study Team on Textile Commissioner's Organization, K. K. Shah Committee, July, 1966.

3/ A separate section has been devoted to the Federation's Cotton Development Programme.

with the Ministry of Food and Agriculture in regard to cotton development programme to enable him to ensure feeding the producing units with the raw material.

In regard to the price of cotton, the study group concluded that it was not possible for the Textile Commissioner to enforce ceilings. It has suggested to fix realistic support prices for all varieties of cotton. The committee did not favour the discontinuance of the ceiling prices as that would not enable a consumer to have cloth at a fair price. It is true that floor prices have only an academic meaning as prices of cotton have ruled around the ceiling. Thus it is realised that the present floor prices do not provide adequate incentive to the farmer. Realistic support prices are the only answer as an incentive to the grower.

The procedure so far adopted in regard to the allocation of cotton has also been recommended for re-examination. The present procedure has been that the Textile Commissioner consults the Federation regarding the selection of a basic year whenever the basic year needs to be changed for allocation to mills belonging to the category of "actual users" and also about the quantum of cotton that should be reserved for allocation to retention quota holders. The Federation works out the entitlements to mills on their exports of cotton textiles. After setting off the cotton required by retention quota holders and making provision for defence requirements, the balance of quantity is allotted to actual user mills with reference to their consumption of foreign cotton or production of yarn of certain counts, as the case may be. The committee recommended that after a basic year for the allocation of cotton has been determined, the quantity of cotton used by each mill during that year should be intimated by the Textile Commissioner to the Federation in the form of an authorisation card and as and when cotton becomes available for release, the Federation should be advised of the percentage of cotton vis-a-vis consumption in the basic year that should be released to individual mills.

Again, the Federation is an agency which collects the premium and the licence for the import of cotton which is given by the Joint Chief Controller of imports and exports only on the production by the mill of the premium receipt issued by the Federation. The Federation may issue a letter along with the premium receipt, indicating the actual quantity of cotton that may be released to the mill, with a copy direct to the Joint Chief Controller of Imports and Exports. The procedure will eliminate the frequent issue of quota letters by the office of the Textile Commissioner.

Retention quota letters, in the case of global cotton, are initially prepared by the cotton branch and issued from the entitlement section of the Export Promotion Branch. The quota letters of basic consumers are issued by the cotton branch. The allocation letters in respect of retention quotas for P.L. 480 are, however, issued direct by the Cotton Branch in view of the accounting procedure involved. The retention quota letters are issued directly to the mills on the basis of figures received from the Federation without further scrutiny.

As the Joint Chief Controller of Imports and Exports issues licences with respect to machinery, dyes, etc. direct on the recommendations of the Federation, i.e., without waiting for further intimation from the Textile Commissioner, the allocation of cotton also against retention quotas may be done by the Federation and as a measure of safeguard, a statement of such allocation made may be sent to the Textile Commissioner.

It has also been recommended that the entire import under P.L. 480 can be channelised through a central agency like the ICMF. The advantages visualized in this arrangement are that the import of the entire quantity by the Federation in one instalment, thereby utilizing the full value of the purchase authorization: it would avoid maintenance of individual accounts and it would also avoid speculation in the market in view of early/late arrivals. Besides it would also save lot of clerical work involved in dealing with bank guarantees and their subsequent discharges.

In order to eliminate existing cumbersome procedure of allocation of coal, the study team no longer considered it necessary to burden the Textile Commissioner's office with this function. It has appreciated the useful role played by the Millowners' Associations of Ahmedabad and Indore in 'pooling' their supplies of coal in their respective areas. The system, it is suggested, can be extended to further areas and the Federation can bulk the demands of the various coal consuming units, and can also prepare unit-wise allocation, on the advice of the various millowner's allocations.

As regards the wagon allotment, it is suggested the targets can be framed by the Railway Board itself after taking into consideration previous movements, the details of which can be obtained for the different Railway Stations. If necessary, the Railway Board may consult the Federation and other business organizations.

The team was quite conscious of the fact that the functions to be performed by the Textile Commissioner may result in procedural delays, cumbersome maintenance of records etc. It is because of these factors that it came up with the controversial suggestion to dispense with the system of industrial licensing for installation of spinning capacity upto 25000 spindles or 500 looms or where expansion of existing units is undertaken.

It is true that there is a growing consciousness on the part of the mills to improve themselves. To quote the study team, "There is a growing awareness on the part of the mills about quality and standards in production. This is borne out by the high reputation which the products of some mills command in the market. These mills have quality control departments and maintain very high standards both in the matter of dry and wet processings." It might be correct to observe that mills are more enlightened in relation to quality and standards. This, however, may not always be true in relation to the regulatory or self-regulatory measures necessary for promoting healthy trade practices in the country. 1/ It was in regard to quality measures

1/ Study Team on Textile Commissioner's Organization, K. K. Shah Committee, July, 1966.

that the Federation pointed out that the standard construction of cloth did not serve any useful purpose. Leading textile technologists were also of the view that merely sticking to the geometrical specifications of the cloth did not ensure minimum durability - other more important factors are mixing of cotton tensile strength of yarn, the twist of the yarn, processing of cloth. The team, therefore, suggested doing away with qualitative controls and suggested that Textile Commissioner could promote the setting up of quality control department in various units.

In order to create a proper climate for the healthy development of the industry, it is important that there should not be too many fetters on its working. Further, today in the highly competitive international market for textiles, if our efforts to increase exports are to be crowned with a measure of success, it is desirable that the industry should not be bogged down with unnecessary and outdated controls.

The efforts to replace statutory controls in some matters by self-discipline should continue. It is true that it is a long drawn affair to enlighten individual producing units. Till this idea remains a utopian goal, statutory controls cannot be thought of as outdated. One cannot help advocating a phased programme on enlightening producing units to not only conform to quality and standards but also to maintain healthy trade practices. Till this is done the Federation may not be in a happy position to enforce voluntary measures in the industry. Self-discipline in the industry must precede voluntary measures. This alone would strengthen the Federation's stand. In the absence of self-discipline, there would be rivalry among various producing units and an atmosphere conducive to self-regulation would be missing. And till this goal is achieved, the role of the Textile Commissioner, even in matters which could be handled on a self-regulatory basis, would be more of regulation rather than of promotion.

M : Cotton Development Programme

One of the most important schemes of the Federation has been to enlighten a farmer and increase yield per acre. In a note submitted to the Planning Commission, the Federation has contended that it would not be difficult for the country to increase yield per acre from the present average of 100-120 lbs. per acre to 200 lbs. per acre. ^{1/} The most important step taken by the Federation has been to start a grow more cotton campaign in selected areas and also launch a similar programme in the areas attached to the selected areas by creating an awakening amongst farmers through various publicity measures. This scheme, started in 1964, has grown both in stature as well as in magnitude. During 1964-65, the scheme had a total average of 1000 acres spread over the three villages of Vellakinar, Kurudampalayam and Tudiyalur of Coimbatore District in Madras which are in the winter Cambodia tract where the sowings are made in September and the cotton harvested during the following March.

^{1/} Note submitted on 6th May, 1964 to the Planning Commission.

As a result of this scheme the per acre yield in the 1964-65 season increased to 6.16 quintals - an increase of 44 per cent. It was found that with an additional input of Rs.1, the farmer obtained an additional output of Rs.4.5. 1/ The results in each area were as follows. 2/

Table 2.3 : Yield Per Acre of Kapas, in Project and Non-project Areas

Village	Yield per acre of Kapas			
	Project Area Lb.	Non-project Area Lb.	Additional Yield Lb.	Percentage
Vellakkinar	1,355	997	358	36
Tudiyalur	900	282	618	219
Kurudampalayam	911	497	414	83

In areas selected for launching this cotton development schemes, the attempt was to make a farmer conscious of the use of fertilizers, pesticides and sparying. The facilities provided by the Federation included 25 per cent subsidy on chemical fertilizers, another 50 per cent subsidy on Plant protection chemicals, ten power sprayers and technical staff to guide the cotton growers on the spot. 3/ Analysis of the results of sparying illustrated that yield showed a corresponding increase with the increased number of sprayings. The maximum return was obtained where the crop was sprayed 8 to 11 times. With five to seven sprayings the yield per acre came to 5.73 quintals; with 8 to 10 sprayings the yield was 7.15 quintals and with 11 and more sprayings the yield was 7.88 quintals per acre. Thus the total additional quantity in these areas was 2,100 quintals valued at Rs.3.15 lakhs. The amount spent by the Federation in the form of subsidy was Rs.24,000/- whereas the amount spent by the cultivators on fertilizers and plant protection chemicals was Rs.39,000/-.

During 1965-66, the Federation introduced projects pertaining to cotton development as well as Mass campaign centres. These "Project Areas" are those areas where the Federation attempts to raise yield per acre by making available various facilities to the farmers like chemical fertilizers, plant protection chemicals, sprayers, whereas "non-project areas" are areas adjacent to project areas where farmers are attracted towards these experiments through various publicity measures. The Federation selected ten centres in seven States for cotton development projects and five centres in three States for Mass Campaigns. These centres have roughly a compact area of 1,000 acres each and where irrigational facilities are

1/ Press Statement of the ICMF, P Cot No.57, dated 22-6-65.

2/ "Prosperity Through Production," ICMF.

3/ Ibid.

available from wells, canals or tanks. The scheme, supervised by a Chief Cotton Development Officer, requires at each centre one Regional Cotton Officer, two Cotton Supervisors and six Field men. A centre is divided into two sectors--roughly of 500 acres each--and is headed by a Cotton Supervisor. Each sector of 500 acres is again divided into three blocks--each block headed by a fieldman. The number of cultivators in each centre would range from 250 to 350 and each fieldman would serve 40 to 60 cultivators. A fieldman advises growers of his area on problems like top dressings, weedings, irrigation and undertaking plant protection operations in accordance with the procedure laid down by the Regional Cotton Officer. The Federation has supplied seed of the improved variety under this scheme and a grant of 50 per cent subsidy on the cost of phosphatic and potassic fertilizers used as a basal dressing prior to the sowing of the crop. Normally cotton growers are not habituated to the application of phosphate and potash to cotton as a basal dressing. Another grant of 25 per cent subsidy is provided by the Federation on the cost of nitrogenous fertilizers. This step again is noteworthy as no subsidy is granted on the cost of fertilizers by either State or Central Government. With the result, a cultivator is either not aware of the utility of application of these fertilizers or does not get nitrogenous fertilizers or is still averse to these experiments. However a subsidy of 50 per cent is available by the State to the cultivators on the cost of plant protection chemicals. Yet the cultivators have been found not to avail of this facility, presumably because of ignorance. If subsidy of the State and Federation is taken together into account, a farmer is subsidised to the extent of 75 per cent on the cost of plant chemicals. This is proposed to be stopped after the first year as it is hoped that after the expiry of one year, the farmer would be fully conscious of plant protection measures. Where the state government has not been giving any subsidy, the Federation has been giving 50 per cent subsidy on chemicals. Sprayers are given either free or at a nominal hire charge to spray or dust the crop. Where the state government already gives 50 per cent subsidy on cost of plant protection equipment, an outright subsidy of 50 per cent is granted by the Federation.

The Federation resorts to various measures for publicising its schemes in the non-project areas. It holds "Field Days" in the fields of enlightened farmers once in a month. Besides, demonstrations of the techniques of fertilization and plant protection in the fields of the cultivators are held. Distribution of leaflets on these projects has also been a method of popularising these measures. Cultivators are also invited to project areas from other areas at the Federation's expense to see the impact of these development programmes. Screening of films, sending reports in the local vernacular papers, participation in exhibitions, having coloured panels with murals for exhibitions, award of prizes to cultivators producing highest yield are the measures adopted by the Federation in an endeavour to give maximum publicity to the methods of improving productivity. Another interesting step is the creation of "National Cotton Bale Club" of those farmers who produce one bale or more of lint per acre. The names of all such cultivators are given due publicity.

Table 2.4 : Cotton Development Project in 1965-66 1/

Location of Project	Cotton variety grown.	Area covered (acres)	No. of cultivators	Budget 2/ grant (Rs.)
<u>Punjab</u>				
1. Kheowali Ferozepore distt.	L.S.S.	1,102	117	74,000
2. Mayar-Bugana Hissar distt.	H.14	898	302	68,000
<u>Rajasthan</u>				
3. Sriganganagar	320F	952	145	81,400
<u>Gujarat</u>				
4. Sikka Campo Sabarkanta distt.	Gujarat 67	994	60	94,200
5. Samni Olpad Broach & Surat distt.	Gujarat 67	1,000	170	97,300
<u>Maharashtra</u>				
6. Kavathe Mahankaj, Sangli distt.	Deviraj (170 co.2)	650	300	83,400
<u>Mysore</u>				
7. Gohak Belgaum distt.	Deviraj (170 co.2)	788	774	80,000
<u>Madras</u>				
8. Tudiyalur and Sarkarsamakulam Coimbatore distt.	M.C.U.1	2,120	454	237,000
9. Mamsapuram Ramanathapuram distt.	M.C.U.2	1,280	341	79,000
<u>Andhra Pradesh</u>				
10. Yemmiganur	Sea Island Andrews	450	78	90,800
<u>MASS CAMPAIGNS</u>				
<u>Punjab</u>				
1. Behman Diwana	320F	1,000	140	50,000
2. Kheowali	L.S.S.	-	-	-
<u>Maharashtra</u>				
3. Nanded distt.	G.46	2,765	573	550,000
<u>Mysore</u>				
4. Gadag Dharwar distt.	Laxmi	1,262	179	37,000
Total		15,261	3,633	1,122,100

1/ Cotton Development Project, Bulletin No. 3, ICMF, May 1966.

2/ Cotton Development Project, ICMF, "Prosperity Through Production".

The Federation has been taking the co-operation of the local co-operative organization in the issue of loan in kind, seed, fertilizers and plant protection chemicals to farmers. In addition to that, follow up action is also planned. Besides, there is a provision of an information bureau to enlighten a grower and provide whatever information is required to improve productivity. The Federation's centre works in close collaboration with the officials of the Department of Agriculture.

In all the Federation has covered during 1965-66 an area of over 15,000 acres involving over 3,600 cultivators. Benefiting from the experience of motivating farmers to increase productivity, the Federation has in view a phased programme to cover larger area in due course. It expects to have 62 centres by 1969-70 and campaigns to cover an area of 62,000 acres involving an expenditure of Rs.2.50 crores. It expects to have an additional yield of 31,000 bales of cotton of long staple cotton varieties in these areas.

It was decided by the Federation that as a farmer in these areas would become aware of these techniques in the first year, there would be no subsidy in subsequent years granted by the Federation in respect of fertilizers, plant protection chemicals and only two-thirds of the operational charges for spraying would be borne (Rs.2/- per day on the basis of Rs.30/- as labour charges per acre per day). Subsidy on plant protection equipment at either 50 per cent of the cost of the hand operated equipment or 50 per cent of balance of payment after considering the subsidy by the Government was decided to be continued.

During 1966-67, the Federation has undertaken 13 cotton development centres 1/ and two mass campaigns, covering a total area of 24,000 acres. The results of new centres have been as follows:

Table 2.5 : New Development Centres in 1966-67

State and Centre	Area in acres	Average yield per acres of Kapas (Quintals)		Percentage increase in project area over non-project area
		Project	Non-project	
<u>Haryana</u>				
Sikanderpur	939	5.51	3.31	89
<u>Rajasthan</u>				
Bhilwara	742	5.17	3.89	67
<u>Maharashtra</u>				
Pusad	400	4.00*	2.42*	65 *
		1.80**	0.91**	98**

* Pre-monsoon crop.

** Post-monsoon crop.

1/ Records made available by the Federation for this study.

The Federation has extended its programme for 1967-68 to cover 20 centres over an area of 23,500 acres which includes for the first time an area of 6,000 acres in rain-fed tract. In addition it proposes to cover about 10,000 acres in Andhra Pradesh and 5,000 acres in Gujarat. Thus the Federation's plans are to cover about 40,000 acres in the project and mass campaign centres involving an expenditure of Rs. 16 lakhs. 1/

1/ Press note of the ICMF, P. Cot No. 10, April 19, 1967.

CHAPTER III
LOOKING AHEAD

Having reviewed briefly the role of the Federation and its attempts to solve the problems of the textile industry, one is inclined to pose the question as to whether the Federation can think of exploring newer fields. Various committees and study groups have summed up their observations stating that there was every justification for the Federation to develop newer fields.

The Federation through its associations covers 80 to 85 per cent mills in the country. Yet no effective self-regulatory measure can be worked out unless mills and associations rise to a level from where they can view the problems of industry as a whole. It might be worthwhile trying to maintain an active liaison by deputing regular secretarial staff of the Federation to the offices of these associations. The function of this staff could be to enlighten the associations, make them feel more intensely the problems of the industry as a whole and rise above the regional outlook. In return the secretarial staff of these associations can be deputed to the Federation where they can be trained to view the problems in broader perspective and ultimately maintain a closer link between the associations and the Federation. This permanent machinery at secretariat level will go a long way in developing a mechanism which would ultimately go down to the mills' level to have a deeper understanding of the industry. The associations can in turn be requested to constantly feed back the administration of the mills making them realize as to how important it is to conform to various regulatory measures formulated by the highest policy-making body of their own units--the Federation.

It would probably also be significant to have the reactions of the mills in regard to the associations and the Federation. There is likely to be a feeling of neglect both at mills' level and at associations' level, though such feelings may not be supported by facts and quite often may be governed by psychological factors, yet any such feeling is bound to weaken this supreme organization, and its efforts in an endeavour to solve the problems. One of the possible ways of developing a sense of belonging is through consultation and attitude surveys which would enable the Federation to classify these feelings in concrete terms and suitably amend its structure accordingly. The advantage of this step would be that both mills and associations would be able to blow off steam and no grudge of lasting nature will be there to hamper the smooth relationship of mills versus associations versus Federation.

Though the present membership shows that the coverage is to the tune of 80 to 85 per cent yet it would be a worthwhile attempt to have cent per cent mills under these associations. A phased programme can be worked out through local associations in which non-member mills can be persuaded to join these associations. This is ultimately in the interest of these mills.

Certain procedural alternations may also help in making the smaller associations feel that they are as much a part of the Federation as any association bigger in size. The Federation has been holding its annual meetings always in Bombay. Probably it would be a worthwhile step, though initially it might create some inconvenience organizationally speaking, to hold annual meetings at different centres of various associations and a rotational programme probably could be evolved.

The Federation can also take into confidence these associations in actual programmes like the cotton development programme. The Federation has taken a bold lead by participating in cotton development schemes and if the same can be done by the associations, it would show the interest of the industry in an agricultural programme which vitally affects it. Like the Federation, the associations can also select centres for growing cotton. This would enable associations to know regional problems in relation to cotton development and they can press the planners to give their findings due weight. Apart from this, it would also enlighten the associations so far as larger problems of the industry are concerned.

Another significant step needed is in the sphere of the training of textile workers. The report on Cotton Textiles Export Promotion Council suggests that this field may better be tapped by the Federation. To quote it "We suggest that the I.C.M.F. could examine the feasibility of operating a programme of training for workers and granting financial assistance to mills willing to set up training units. The training facilities should be organized in the various centres in India." 1/

By this training a textile worker would eventually be better equipped in increasing the productivity of the industry. The delegation of the I.C.M.F. to Japan states that: "Every employee who enters a Japanese Cotton Mill is trained" and "Management in Japan attach considerable importance to the selection and training of employees at various levels." 2/

The need for research in new fields can hardly be over-emphasized. Consciousness to introduce optimal techniques is still missing--particularly among weaker producing units. It is a common phenomenon to see that a mill may be a member of the Millowners' association but may not be a member of the research body. Investment in research is undoubtedly an asset and there is need not only to make a research body's membership compulsory but to integrate research in the textile industry. And a step of this kind can aptly be taken by a body representing industry as a whole--the ICMF. This would not only integrate research programmes but would enable the Federation to undertake research in various fields. Emphasizing the role of research it is pointed out that it should include "conducting studies, experiments and

1/ The Report on Cotton Textiles Export Promotion Council, Directorate of Commercial Publicity, Ministry of Commerce, New Delhi, 1965.

2/ A Visit to Japan's Cotton Textile Industry - I.C.M.F., 1965.

investigations designed to improve products or services of members; finding new products and new uses for old products; and finding ways to utilize by-products." 1/ It is worth mentioning the report of the Federation's delegation: "The Japan Spinners' Association has been responsible for sponsoring such organizations as the Japan Spinners' Inspecting Foundation, the Japan Cotton Technical Institute, the Osaka High School of Textile Technology and the Textile Colour Design Centre." 2/ Apart from it, "Under the technical committee of the association, teams of technicians visit various mills, make a detailed study of machines and processes, suggest improvements and compare the performances of different mills. This is perhaps one of the reasons for the uniformly high level of technical efficiency that is to be found in Japanese mills." 3/

Thus the research can be in technical fields, managerial and financial areas and in enlightening the members of the industry as a whole. It is rightly said that the outcome of research in industry is as follows: 4/

Increased financial welfare of owners + Social responsibilities + Ethical standards

Another important field to be tapped is that of marketing research. The Textiles Inquiry Committee (1958) felt that there was "a need for a more continuous and sustained study of this field which may be undertaken by the industry and the textile commissioner's organization. collection of marketing information of cloth prices at wholesalers, semi-wholesalers, and consumer's end in different important centres of the country, a correlated statistical information on the stocks from the producer to the consumer may also advisedly be undertaken on a sampling basis. At present there is no organization which can throw sufficient and reliable light on what is happening at the consumers' end in regard to the consumption of cloth and price trend. The Committee would, therefore, urge the government and industry to take steps as early as possible to devise a mechanism for this purpose, so that the important gap which exists in the statistical and economic analysis all the production vis-a-vis consumption is filled." With the appointment of the Textiles Committee in 1963 one can perhaps expect this gap to be filled but market research investigations and consumers surveys can be better tackled by an organization like the Federation. This is obviously because it would directly be concerned with the welfare of the industry and structurally speaking is suited for functions of this type. Changes in tastes and fashions occur fast in a society which is itself undergoing change. Obviously, the study of this aspect can better be tackled by an organization which provides flexibility to the system. In U.S.A., it was found that the population in the age group of 16-24 years comprises only 14 per cent of the total

1/ The Role of Trade Associations and Professional Business Societies in America: Joseph F. Bradley, 1965.

2/ A Visit to Japan's Cotton Textile Industry - ICMF, 1965.

3/ Ibid.

4/ The Role of Trade Associations and Professional Business Societies in America - Joseph F. Bradley.

population but it spends 40 per cent more than the average American on clothes. ^{1/} Such rapid strides in fashions and attempting to analyse the "Youthquake" can obviously be probed more dynamically by a research organization working under the Federation.

Research in law with a view to study various cotton textiles control orders will probably fill another important gap. This would equip the Federation to view any legal order not only from a legal point of view but also its implications and repercussions on the industry. A technical study of this type would enable the Federation to finally advise the government as to which laws have proved useful and which need to be scrapped. Reviewing the problems of the industry, the Textile Enquiry Committee (1958) reports: "Some of these causes are stated to be deep rooted requiring long-term and permanent remedial measures, while other causes are such that they can be remedied by executive actions such as by relaxing certain provisions of the Cotton Textiles (Control) Order." The Federation in its memorandum to the Tariff Commission has observed that "strict control over the size of the productive equipment of mills and the growing emphasis on the production of the decentralized sector have destroyed this elasticity with the result that the country has to suffer from alternating bouts of gluts and shortages, with considerable inconvenience to the consumer, the industry and the labour employed in mills." All this aggravates the necessity of studying these controls and regulations in greater detail and suggest changes. Thus this branch can act as an Expert Body, which will undoubtedly have its weight, throw light on those Cotton Textile Orders which become redundant and yet have made the functioning of the industry more cumbersome.

The field of management has again been emphasized by the Textile Inquiry Committee of 1958. Regarding the management of uneconomic mills it says that there is "No machinery in existence today which would ensure a timely survey of the operations of individual mills, particularly of mills which have been found to be operating on unsound or inefficient lines over a period of years so that one can get clear indications of a major worsening of the situation, corrective action could be recommended. Even when a closed mill has been re-started after investigation, there is no machinery to ensure that the mill does not get into bad ways again. We, however, do not feel that it would be advisable for government to either manage, or own and manage mills taken over under the act as a department of government." This opens a new field to review from time to time the functioning of mismanaged mills and suggest concrete steps to the government to evolve a suitable policy for such uneconomic units.

Improved management techniques would also result in the development of healthy labour-management relations. It is significant how cotton textile industry in Hong Kong responds to such problems. "The fact that the loss of work-hours in the cotton textile industry has always been

^{1/} Keynote address in IFCATI's Conference held in November, 1967 by Mr. John Crosby, Chairman of the Committee for European Affairs.

minimal is generally attributed to the readiness of management, specially in mills with a sizeable work force, to keep pace always a step ahead of other industries in adjusting the terms of employment in anticipation of reasonable aspirations of the operatives." 1/

The emergence of a productivity centre may fill a big gap. In this connection the report of an expert body is worth reproducing: "It is necessary to remember that our Cotton Textile Industry must remain competitive with the Textile Industry of the world and cannot continue to rely permanently upon incentives and assistance from the Government. The team recommends that by a process of work study, cost and budgetary control and by the study of techniques and materials, progressive targets be set for better productivity in Textile Industry. To achieve this end, the team recommends the setting up of a productivity centre similar to the one organized by the French Textile Industry, having original centres all over India where there is a concentration of Textile Industry." 2/

Structurally when there is a hierarchy--mills looking to associations and associations looking to the Federation--it would be in the fitness of things if the Federation could be in active liaison with the Federation of Indian Chambers of Commerce and Industry. It is true that the FICCI is concerned with the general economic policies and it is likely that it may not immediately benefit the Federation to be in touch with the FICCI and be its formal member. But there are a number of problems which are not only of interest to the FICCI but to the Federation too. Both the Federation and the FICCI can jointly place the point of view of the industry and for the economy as a whole. Any decision on either side would greatly influence the functioning of cotton textiles industry. The Federation then probably would be in a more advantageous position by not only asserting its views as a spokesman of the industry but also as an active member of the FICCI. Efforts of the Federation and the FICCI in a disunited manner may have little effect on the government. Another issue of common interest is the simplification of tax structure. Whereas the Federation can throw light on the tax structure and its problems connected with the industry, it cannot but help in joining hands with the FICCI when the question in the context of larger economy is concerned. The FICCI in a meeting has recommended to the Government a series of measures for the revival of cotton textile industry which include suggestions like: reduction in the excise duty on cloth and yarn, reduction in the sales tax on cotton, abolition of control on cloth prices, financial help in pushing up exports, steps to increase the output and improve the quality of indigenous cotton, provision of imported cotton on advantageous terms and financial help for rehabilitation and modernization. 3/ This resolution supports the view that the Federation's admission as a member of the FICCI would strengthen the

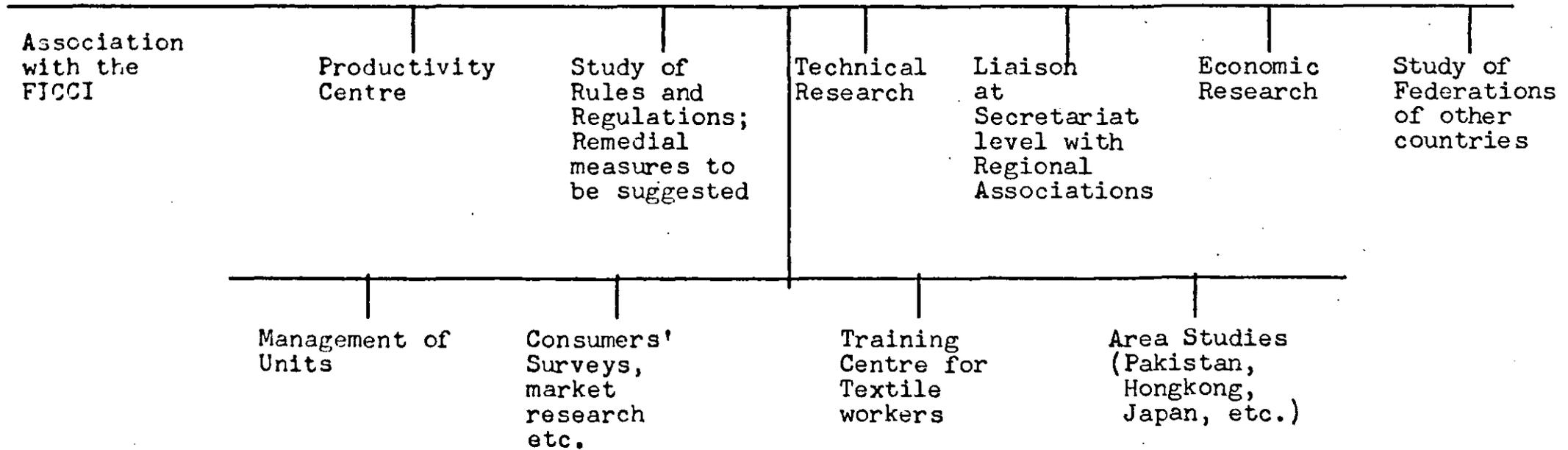
1/ A Sketch on Hongkong's Cotton Textile Industry, by T. K. Ann, read in IFCATI's Conference held in November 1967.

2/ Cotton Textile Industry in U.S.A., Japan, West Germany, France and Switzerland - National Productivity Council.

3/ Forty First Session of the FICCI, March 31, 1968.

CHART II

FEDERATION'S PROBABLE EXPANDED ROLE



cause of cotton textile industry. All this holds true, of course, if FICCI itself functions in an enlightened manner.

A review of cotton textile industry in various countries at IFCATI's Conference tends to suggest that India is facing tough competition from countries like Pakistan, Japan, Hong Kong etc. Though cotton textile industry in India is the second largest in terms of capacity and production, it is very poor in terms of productivity. Also in terms of costs and exports she is not faring well. The Federation might consider initiating "area studies" in which it can attempt to foresee the potential of this industry in new emerging centres of cotton textile industry. This would equip the Federation to classify its competitors and enable it to decide a future line of action for the industry as a whole.

One also wonders how far one can continue to think purely in terms of cotton textile only. It is time when the industry adopts an integrated approach towards all textile products and maintains proper co-ordination between all the products of textile industry. The possibility of converting Indian Cotton Mills' Federation into Indian Textile Federation (ITF) needs careful consideration.

The Federation has been taking an active part in participating in international exhibitions and has been attempting to promote exports. Its significant delegation was to Japan. This delegation has admitted that they were greatly benefited by this visit which not only gave them an opportunity to study the problems of the industry but also gave them a firsthand idea of their important textile organization, namely, Japanese Spinning Association. The Federation probably can treat it as a beginning in the study of cotton textiles problems in various countries and can set up a permanent unit to study the role of various cotton textile associations in different countries. The report of this delegation says: "Such a high level of productivity has been possible because of the constant attention that has been devoted, both by the individual managements as well as the Japan Spinners' Association, to developments in technology and textile research."^{1/} This may enable the Federation in the light of these studies, as to how it can take newer roles and make its functioning more effective.

It is undoubtedly not possible to analyse various roles of the Federation in this short study. The Federation is hardly a decade old and yet has assumed a gigantic role. The possible expansion of the Federation in various directions has been shown in Chart II. It can be compared to a child who has to share heavy burdens in a family from early childhood; and yet this is the beginning of more important roles to be played. As the Federation is the sole body representing the industry as a whole, it has to make efforts to solve a variety of problems threatening the future of this industry. Considering its multi-dimensional roles, I cannot but help wishing it "Quot Rami Tot Arbores" i.e., may the Federation, like the branches of a tree, grow more and more.

^{1/} A Visit to Japan's Cotton Textile Industry, I.C.M.F., 1965.

APPENDIX II

The Number of Seats on the Committee Allotted to Members

The Millowners' Association, Bombay	8
The Ahmedabad Millowners' Association, Ahmedabad	4
The Southern India Millowners' Association, Coimbatore	5
The Bengal Millowners' Association, Calcutta	1
The Employers' Association of Northern India, Kanpur	1
The Upper India Chamber of Commerce, Kanpur	1
The Madhya Pradesh Millowners' Association, Indore	1
The Federation of Gujarat Mills and Industries, Baroda	1
The Saurashtra Millowners' Association, Surendranagar	1
The Rajasthan Textile Mills' Association, Jaipur	1
The Delhi & Punjab Cotton Textile Millowners' Association, New Delhi	1
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Source: The Indian Cotton Mills' Federation, Bombay, 1963, Rules and Regulations, Schedule A, page 33.

APPENDIX IIITable A.1 : Statement giving cloth stocks in relation to cloth production

Unit	Average monthly rate of cloth production in that year		Total cloth stock (Unsold and Sold)		Ratio
	Col. 3	Col. 2			
	Mil. yds.	Lakh bales of 1500 yds.	Mil. yds.	Lakh bales of 1500 yds.	
(1)	(2)		(3)		(4)
April 1962	416	2.77	445.5	2.97	1.07
April 1963	403	2.69	468.9	3.13	1.16
April 1964	424	2.83	375.2	2.50	0.88
January 1965	427	2.85	498.2	3.32	1.17
February 1965	427	2.85	497.9	3.32	1.17
March 1965	427	2.85	567.1	3.78	1.33
April 1965	427	2.85	571.5	3.81	1.34

Table A.2 : Statement giving yarn stocks in relation to deliveries for civil consumption

Unit	Average monthly rate of yarn delivered for civil consumption in that year		Total yarn stocks (Unsold and Sold)		Ratio
	Col. 3	Col. 2			
	Mil. lbs.	Lakh bales of 400 lbs.	Mil. lbs.	Lakh bales of 400 lbs.	
(1)	(2)		(3)		(4)
April 1962	54.23	1.36	29.08	0.73	0.54
April 1963	58.21	1.46	29.52	0.74	0.51
April 1964	62.08	1.58	41.12	1.03	0.66
January 1965	66.56*	1.66	43.96	1.10	0.66
February 1965	66.56	1.66	41.52	1.04	0.63
March 1965	66.56	1.66	54.4	1.36	0.82
April 1965	66.56	1.66	59.74	1.49	0.90

(* Average delivery for January and February 1965.)

Source : Records from the Federation.

APPENDIX IV

Office-Bearers of Indian Cotton Mills Federation

1958 and 1959

1. Chairman : Sri Kasturbhai Lalbhai.
2. Vice-Chairman : Sri Krishnaraj M.D. Thackersey.

1960

1. Chairman : Sri Krishnaraj M. D. Thackersey.
2. Vice-Chairman : Lala Bharat Ram.

1961 and 1962

1. Chairman : Lala Bharat Ram.
2. Vice-Chairman : Sri Ramnath A. Podar.
3. Vice-Chairman : Sri G. K. Devarajulu.

1963 and 1964

1. Chairman : Sri Ramnath A. Podar.
2. Dy. Chairman : Sri G. K. Devarajulu.
3. Vice-Chairman : Sri Madanmohan Mangaldas.

1965 and 1966

1. Chairman : Sri G. K. Devarajulu.
2. Dy. Chairman : Sri Madanmohan Mangaldas.
3. Vice-Chairman : Sri Radhakrishna Ruia.

1967 and 1968

1. Chairman : Sri Madanmohan Mangaldas.
2. Dy. Chairman : Sri Radhakrishna Ruia.
3. Vice-Chairman : Sri Tej Kumar Sethi.

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