

**FACTS ABOUT THE  
COTTON MILL INDUSTRY  
OF INDIA**

**MILLOWNERS' ASSOCIATION  
BOMBAY  
1953**

## FOREWORD

It gives me great pleasure to present to the public the second booklet on the Cotton Textile Mill Industry of India, prepared by the Millowners' Association of Bombay. I consider that the thinking section of the public in this country should obtain a better acquaintance with this industry which holds a position of very great importance in our national economy.

Indeed, as the booklet rightly points out, the industry touches the economic life of the community at many points. Millions of cotton-growers derive their sustenance from it by selling their produce to the mills. Nearly eight lakh persons are directly employed by the industry which also provides the means of livelihood to the large community of handloom weavers by supplying them all the yarn they require. Moreover, the number of persons engaged in the cotton, yarn and cloth trades is legion. The industry also gives direct or indirect employment to the producers and suppliers of textile auxiliaries. Then there are the great transport services, another important source of employment, which owe not a little of their prosperity to the cotton mill industry.

Apart from clothing the country's population, the industry exports its surplus output to many countries and is thus instrumental in earning valuable foreign exchange. It also contributes large sums of money annually to the national exchequer by way of taxes and levies which run into many crores of rupees.

I earnestly hope that this factual study of India's foremost organised industry will be found both interesting and instructive by the reading public.

Millowners' Association,  
Bombay,  
10th December, 1953.

NEVILLE N. WADIA,  
Chairman.

## INTRODUCTION

THE COTTON TEXTILE mill industry of India, which will complete one hundred years of its existence next year, has had a chequered career. Before the last war, it had few opportunities to consolidate its position. The impact of Japanese and British competition on the home market and the great depression of the 30's had undermined the stability of many mills. But the second world war greatly helped the industry to shake off its infirmities and to grow in strength and vigour. Caught in the vortex of a global conflict, India's powerful competitors were compelled to curtail their textile production and to suspend their export activities for the duration of the war.

India, which had so long leaned heavily on Britain and Japan for her cloth supplies, was thus forced to fall back upon her own resources both to clothe her own population and to fulfil her commitments to the Defence Services, besides providing cloth to countries that had traditionally depended upon Britain and Japan for their requirements. The mill industry proved its resourcefulness and resilience by discharging its obligations, which had grown to formidable proportions, to the utmost of its capacity.

### I. ECONOMIC CONSEQUENCES OF PARTITION

The war thus marked a turning-point in the history of the industry, but its progress was arrested by the partition of the country in 1947. India, which had hitherto enjoyed the advantage of self-sufficiency in cotton, save for small quantities of long staple varieties, and which generally used to export annually over 2½ million bales of cotton, was suddenly faced with a large deficit in this essential raw material. Nor was this all. The secession of areas, some of which had been the best home market for Indian cotton manufactures, deprived the industry of an assured outlet for its products amounting to 800 to 900 million yards annually.

## II. PREMIER INDUSTRY

Nevertheless, the industry has succeeded in surviving these economic upheavals and now holds a position of the greatest importance in the national economy. A sum of Rs. 104 crores has been invested in the industry, whose annual turnover amounts to Rs. 350-400 crores. After agriculture, it is the most important source of livelihood to the country's working population. 7,43,000 workers are engaged in its 453 mills. The annual disbursement of wages to labour by the Bombay city cotton mills alone, representing 30 per cent. of the country's cotton mill industry, amounts to Rs. 27.13 crores. In addition, the industry is the mainstay of the cotton grower, the handloom weaver, and the vast numbers engaged in the cotton, yarn and cloth trades and in the manufacture of textile auxiliaries. The transport services also do extensive business with the industry by carrying its raw materials and finished goods.

The place of the industry in the country's economy is best illustrated by the following facts :—

1. Capital invested      ...    ...    ...    ...    ...    ...    Rs. 104 crores.
2. Total labour force employed      ...    ...    ...    ...    7,43,000
3. The cotton mills of Bombay city alone engage about 2,08,000 workers whose basic wage and dearness allowance amounted to Rs. 27.13 crores in 1952. The total disbursements, including bonus, employers' contribution to the workers' provident fund and health insurance, leave with wages and paid festival holidays, amounted to Rs. 33.12 crores.
4. The industry utilises practically the entire cotton crop of India, except about 200,000 bales of short staple cotton which is exported, and in addition imports about one million bales of foreign cottons at an estimated cost of Rs. 100 crores.
5. It keeps millions of handloom weavers in occupation by supplying them nearly all the yarn they need.

6. It consumes large quantities of fuel, electricity, dyes and chemicals, mill stores, and sizing and packing materials valued at about Rs. 38 crores per annum.
7. The Government derives substantial revenues from the industry, which on an average contributed more than Rs. 10 crores per annum to the national exchequer in the period 1949-52 by way of income-tax and super-tax. It is estimated that during the same period the average annual contribution by the cotton mills of Bombay city was over Rs. 3 crores. In addition, the Government collects Rs. 20 crores from excise duty on mill cloth, of which a sum of Rs. 6 crores will be spent on the development of the handloom and khadi industry.
8. Besides these taxes and levies, the industry pays State and municipal taxes, which, in the case of the Bombay city cotton mills, on an average amount to more than Rs. 62 lakhs a year.

In fact, the industry touches the economic life of the community at so many points that it is impossible to assess the actual number of people that make their living from it directly or indirectly.

All this has become feasible as there has been a steady increase in the installed capacity of the industry and consequent rise in its output.

The total number of spindles and looms installed and operating in India and in some of the leading textile manufacturing countries at the end of 1952 is tabulated below :—

Countries.	No. of Spindles		Number of Looms	
	Installed.	Operating (In millions)	Installed.	Operating (In thousands)
U. K. ... ..	27.23	21.10	350	230
Japan .. ...	7.46	6.87	290	156
U.S.A. ... ..	23.08	22.14*	399	329
Germany ... ..	7.16	N. A.	141	120
Italy ... ..	5.78	5.10	138	112
India (August 1952) ...	11.42	10.10	204	187

\* 1951

The following is the distribution of the productive machinery of the industry in different parts of the country :—

Where situated.	No. of Mills.	No. of Spindles.	No. of Looms.
Bombay City & Island ... ..	65	2,920,509	65,379
Ahmedabad ... ..	74	2,023,552	42,371
Saurashtra ... ..	12	157,368	3,253
Rest of Bombay State ... ..	61	1,261,022	24,248
Rajasthan, Ajmer & Pepsu ... ..	12	162,464	3,707
East Punjab & Delhi ... ..	11	209,900	5,038
Uttar Pradesh ... ..	29	807,406	13,068
Madhya Pradesh ... ..	11	369,538	7,179
Madhya Bharat & Bhopal ... ..	18	439,158	11,305
Bihar & Orissa ... ..	3	75,732	1,431
West Bengal ... ..	36	469,830	9,862
Hyderabad State ... ..	7	122,444	2,655
Madras State ... ..	90	1,968,590	8,520
Travancore & Cochin ... ..	10	133,265	726
Mysore ... ..	11	223,028	3,052
Pondicherry ... ..	3	83,228	1,992
<b>Total ... ..</b>	<b>453</b>	<b>11,427,034</b>	<b>203,786</b>

In the field of production also, the performance of the industry during the last decade and more has been notable.

**YARN**  
(In million lbs.)

Calendar Year.	Total Yarn Production.	Imports.	Total availability of Yarn.	Yarn used by mills for weaving cloth.	Yarn Exports.	Yarn available for handlooms and other consumers.
1942 ...	1,529	2	1,531	930	61	540
1943 ...	1,684	...	1,684	1,054	23	607
1944 ...	1,643	1	1,644	1,073	22	549
1945 ...	1,643	...	1,643	1,073	15	555
1946 ...	1,397	...	1,397	879	9	509
1947 ...	1,319	4	1,323	813	10	500
1948 ...	1,456	10	1,466	929	6	531
1949 ...	1,330	21	1,351	835	38	478
1950 ...	1,166	3	1,169	765	84	320
1951 ...	1,295	1	1,296	897	27	372
1952 ...	1,447	...	1,447	954	21	472
1953 (Jan.-June)	736	1	737	504	9	224

**CLOTH**  
(In million yds.)

Calendar Year.	Total Production.	Imports.	Total availability of cloth.	Exports.	Total quantity available for domestic consumption.
1942 ...	4,025	21	4,046	1,061	2,985
1943 ...	4,749	3	4,752	568	4,184
1944 ...	4,850	5	4,855	497	4,358
1945 ...	4,712	3	4,715	466	4,249
1946 ...	4,025	12	4,037	379	3,658
1947 ...	3,810	24	3,834	269	3,565
1948 ...	4,423	34	4,457	344	4,113
1949 ...	3,806	91	3,897	509	3,388
1950 ...	3,645	7	3,652	1,133	2,519
1951 ...	4,188	9	4,197	780	3,417
1952 ...	4,593	6	4,599	586	4,013
1953 (Jan.-June)	2,447	2	2,449	273	2,176

Mill production in 1953 is anticipated to approach 5,000 million yards, which is 300 million yards more than the target laid down in the Five-Year Plan for 1955-56.

**III. COTTON**

Since India's partition, cotton has become the Achilles' heel of the mill industry. On an average she has had to import annually one million bales of foreign cottons at a heavy cost, not only to make good the shortfall in domestic production, but also to enable the industry to manufacture finer varieties of yarn and cloth, as is illustrated by the following table :—

Fiscal Year April to March	Imports of Foreign Cotton	Value of Foreign Cotton
	(In thousand bales of 392 lbs.)	(In crores of rupees)
1942-43 ...	500	15
1943-44 ...	435	18
1944-45 ...	513	24
1945-46 ...	491	23
1946-47 ...	566	26
1947-48 ...	635	31
1948-49 ...	925	64
1949-50 ...	907	63
1950-51 ...	1,228	101
1951-52 ...	1,209	136
1952-53 ...	791	77
1953-54 (April-June)	248	19

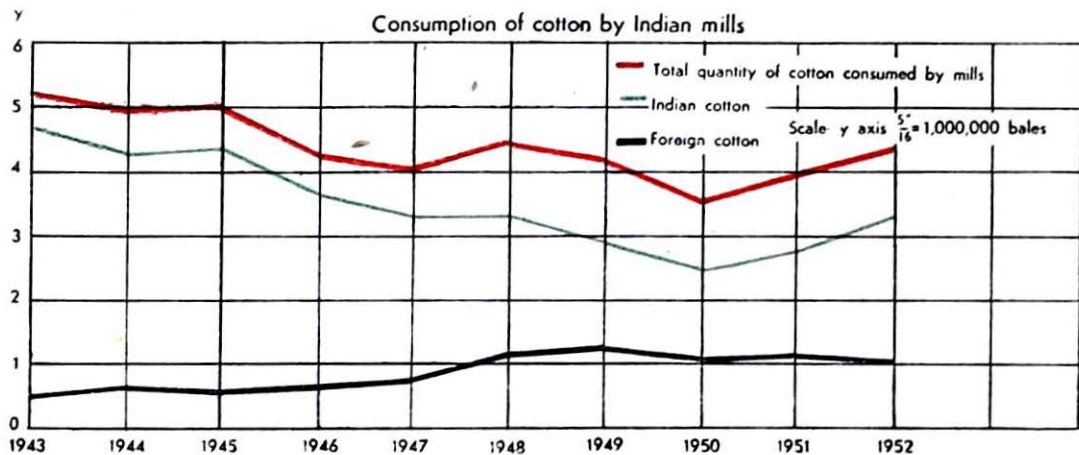
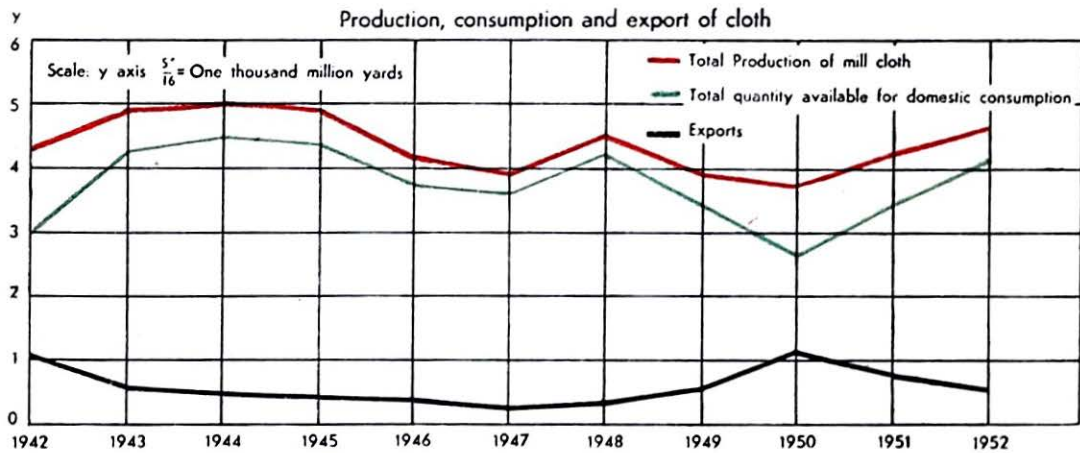
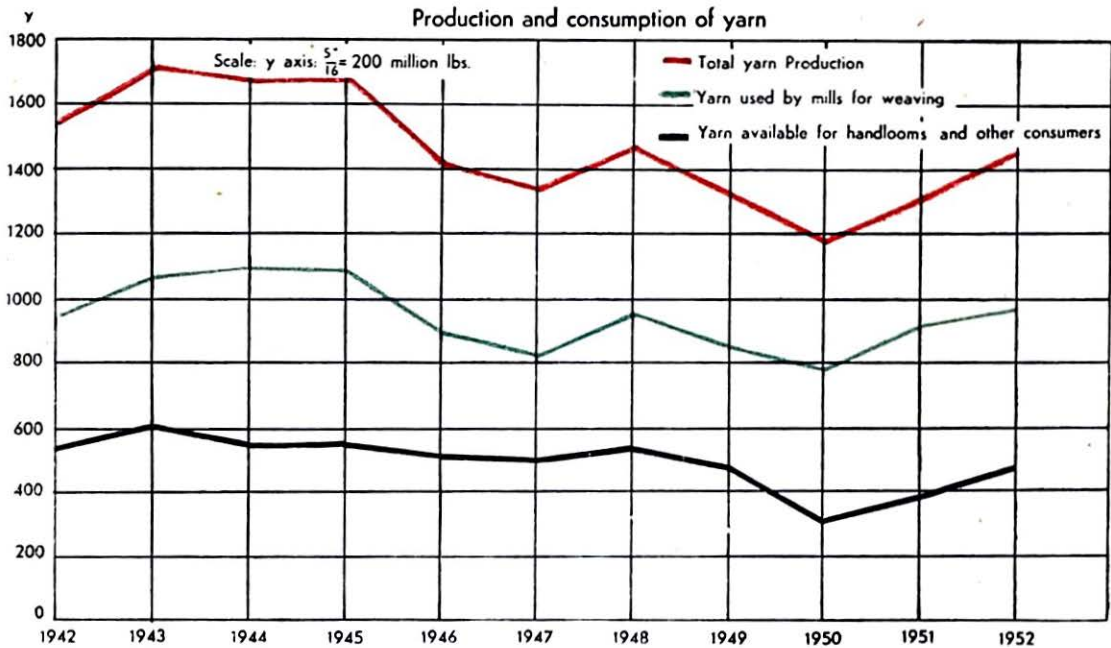
The following table shows the total quantities of Indian and foreign cottons consumed by mills:—

Calendar year	Indian Cotton	Foreign Cotton	Total
(In thousand bales of 392 lbs.)			
1942	...	N. A.	N. A.
1943	...	4,540	542
1944	...	4,160	684
1945	...	4,291	597
1946	...	3,545	635
1947	...	3,252	724
1948	...	3,283	1,105
1949	...	2,816	1,224
1950	...	2,421	1,071
1951	...	2,740	1,106
1952	...	3,234	1,025
1953 (Jan.-June)	1,779	415	2,194

It is of paramount importance that India should become self-supporting in her cotton requirements, not only to stop the heavy drain upon her resources, but also to liberate the cotton textile industry from dependence on capricious foreign markets. The Agricultural section of the Five-Year Plan envisages the production of 4.229 million bales of cotton in 1955-56. This target is by no means over-ambitious, since, with the completion of the great river valley projects, better irrigation facilities will become available to many of the cotton-growing areas in the country.

Owing to the excellent monsoon and the increase in acreage, the commercial crop in 1953-54 is expected to be as large as 41 lakh bales. The use of fertilisers, new inter-cropping methods and efforts to raise cotton crop in paddy land of the South have no doubt contributed their share to this larger output. Efforts made since Partition to increase the growth of long staple cotton have greatly succeeded, in that several new varieties with staple length of 1" and slightly above are now grown on a commercial scale.





## IV. PRODUCTION COSTS

Criticism is frequently levelled against the industry that it has been charging inordinately high prices for cloth with a view to making large profits. In order that we may have a better appreciation of the position, let us examine the cost of production and see how it is made up. The main elements comprising production costs are : cotton, wages, fuel, electricity, mill stores and overheads.

**I. Cotton :** claims a little over eight annas in the rupee by way of manufacturing costs. The increase in the prices of some of the principal growths of Indian cottons is shown below :

Variety	Prices per candy in 1938-39	Index	Prices per candy in 1951-52	Index
Oomras ...	Rs. 146	100	Rs. 830	568
Broach (Vijay) ...	157	100	900	573

Foreign cottons today cost approximately five times pre-war and in addition an import duty of two annas per lb. is levied on them.

**II. Manufacturing Costs :** (i) *Wages:* After cotton, labour charges constitute the single biggest element in production costs. Compared to the pre-war period, there has been a four-fold increase in the industry's wage bill. To take the specific example of the cotton mills of Bombay city, the average monthly earning of a textile worker before the war was Rs. 32/8, while today it is Rs. 132/8, which amount includes basic wage, dearness allowance, bonus and employer's contribution to worker's provident fund, health insurance, paid festival holidays and leave with wages.

(ii) (a) *Coal :* The cotton mill industry consumes annually about 18 lakh tons of coal. The price of coal per ton in 1939 was between Rs. 15-22, while its current price is Rs. 55 per ton, representing

more than two-fold increase. This increase is partly due to a rise in the railway freight charges from Rs. 12-6-0 in 1939 to Rs. 22-3-0 per ton in 1953, which alone accounts for an increase of nearly Rs. 1.80 crores in cost. Excluding the railway freight, the price of coal has risen by more than three times.

(b) *Electricity* : In recent years many States have begun to levy a duty on electricity. Since 1949, the Government of Bombay has been collecting an electricity duty at the rate of 1.5 pies per unit. A sum of Rs. 38 lakhs per annum has thus been added to the electricity bill of the cotton mills of Bombay city.

(c) *Furnace Oil* : Many cotton mills use furnace oil to produce process steam. Those in Bombay city alone consume annually two lakh tons of this oil. In 1939, its price was Rs. 29 per ton, (inclusive of import duty), while the current price is Rs. 146-4-0 per ton, (inclusive of import duty). The import duty on furnace oil in 1939 was Rs. 4-8-0 per ton, while today it is Rs. 15-12-0. The Bombay city cotton mills thus pay Rs. 22½ lakhs more on account of the enhanced duty, the total realisations from this levy now amounting to Rs. 31½ lakhs per annum. Compared to pre-war, the price of furnace oil has increased more than five times.

(d) *Mill Stores* : The estimated annual consumption of mill stores (including power and fuel) by the industry is, according to available statistics, Rs. 38 crores. The prices of these stores have risen approximately four times those of pre-war years.

(e) *Overheads* : These account for about 3 per cent. of the total production costs.

A consolidated statement showing the increase in the manufacturing costs is given below :—

	Basic year 1939=100	
Cotton	...	571
Wages	...	408
Coal	...	341
Furnace oil	...	533
Mill Stores	...	400

III. **Tax on Production:** It would be instructive to examine what part taxes and levies play in the cost structure of the industry :

(a) **Cotton:** The following is an estimate of the amounts realised by the Government from import duty on foreign cotton :

Calendar Year		Imported cotton consumed by the industry	Import duty
		(In thousand bales of 392 lbs.)	(In crores of Rs.)
1948	...	1,105	5.41
1949	...	1,224	6.00
1950	...	1,071	5.25
1951	...	1,106	5.42
1952	...	1,025	5.02
			Average 5.42

Figures relating to the amounts realised by the various State Governments from sales tax on cotton are not available, but so far as the cotton mill industry of Bombay city is concerned, this tax is estimated to yield a revenue of Rs. 43 lakhs per annum to the State Government.

(b) **Mill Stores :** (i) **Import Duty :** Statistics relating to the Government's revenue from the industry on this account are not available.

(ii) **Sales Tax :** The value of mill stores, excluding coal and electricity, which have already been accounted for in the previous paragraphs, consumed by the industry is estimated at Rs. 32 crores. It is difficult to ascertain the sales tax levied on these items by various States. It is, however, estimated that the cotton mills of Bombay city consume stores worth Rs. 8 crores. Stores imported direct by mills are exempt from sales tax. Assuming that such direct imports are about 20 per cent., the balance bear sales tax. Assuming again that on an average, this tax amounts to six pies in the rupee, the cotton mills of Bombay city are estimated to pay Rs. 20 lakhs.

(c) *State and Local Taxes*: All-India figures relating to the incidence of State and local taxes on the industry are not available, but those regarding the cotton mills of Bombay city are given below:

	1939	1951
Municipal taxes including water tax ... ..	21.91 lakhs	51.18 lakhs
Urban Immovable Property Tax	4.76 „	11.19 „
	26.67 „	62.37 „

IV. *Tax on Sales*: (a) *Sales Tax* is on a multi-point basis in several States, but taking a flat rate of 6 pies in the rupee, the total realisation from mill cloth by the State Governments levying this tax is estimated at Rs. 11 crores per annum.

(b) *Excise Duty*: In the budget for 1953-54, the Government of India has provided for the collection of Rs. 21 crores from excise duty on mill cloth. The reduction in the excise duty on superfine cloth, announced in October 1953, is likely to reduce this amount by rupees one crore only.

An estimate of the revenue derived by the Central and State Governments from taxes on production and consumption is tabulated below:—

<b>Tax on Production :</b>		
		Rs.
(i) Cotton : Import duty ... ..		542.00 lakhs
	Sales tax (Bombay city mills only)	43.00 „
(ii) Coal : Increase in Railway Freight ...		180.00 „
(iii) Electricity Duty (Bombay city mills only)...		38.00 „
(iv) Import Duty on furnace oil (Bombay city mills only) ... ..		31.50 „
(v) Mill Stores : Sales tax (Bombay city mills only) ... ..		20.00 „
(vi) State and Municipal Taxes (Bombay city mills only) ... ..		62.37 „
<b>Tax on Consumption :</b>		
(vii) Sales tax ... ..		1100.00 „
(viii) Excise duty ... ..		2000.00 „
		4016.87 „

The above do not include import duty on mill stores.

The effect of these imposts on production costs is examined with reference to the cotton mill industry of Bombay city:

**Tax on Production :**

					Rs.	
1.	Cotton (import duty and sales tax)	...	...	...	229.00	lakhs
2.	Electricity duty	...	...	...	38.00	"
3.	Import duty on furnace oil	...	...	...	32.00	"
4.	Sales tax on mill stores	...	...	...	20.00	"
5.	State and Municipal taxes	...	...	...	62.00	"
				Total	...	381.00

These figures do not include import duty on mill stores, for which no precise data are available.

It will thus be seen that raw materials, wages, fuel and stores have all increased three to five times the pre-war prices. Taxes on production and consumption alone account for Rs. 40 crores—a very low estimate indeed, as most of the items enumerated above relate to Bombay city cotton mills only.

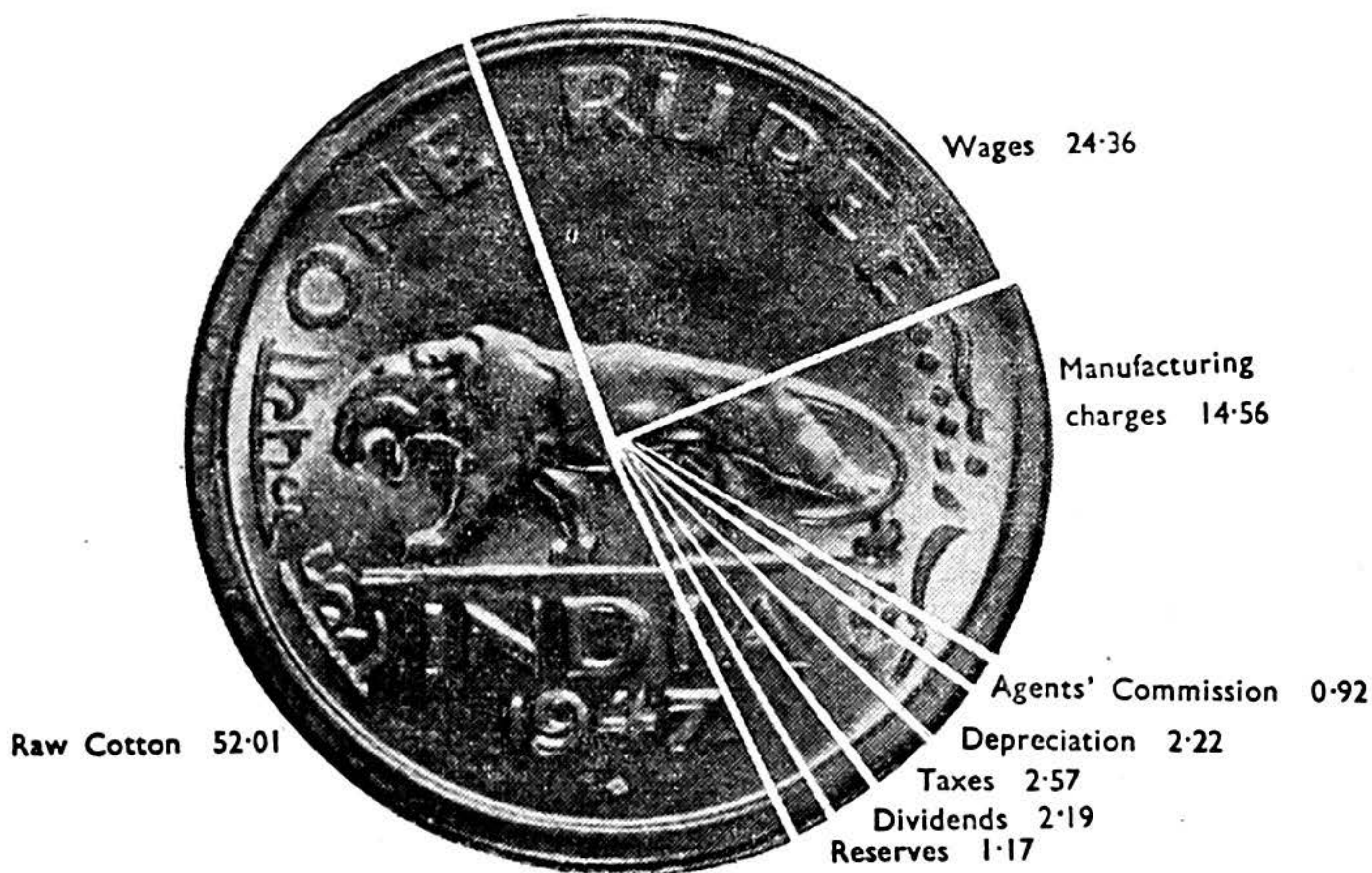
The effect of sales tax and excise duty on the prices of certain representative varieties of cloth is indicated below. These figures relate to Bombay State.

Category of cloth	Ex-mill Price per yd.	Excise duty, including additional excise duty	Sales tax at six pies in the rupee	Total
Grey Drill (coarse)	0 11 0	0 0 6	0 0 4.13	0 0 10.13
Grey Long-cloth (medium) ...	0 7 4	0 0 6	0 0 2.75	0 0 8.75
Bleached Long-cloth (fine) ...	1 14 6	0 1 6	0 0 11.44	0 2 5.44
Bleached Mull (superfine) ...	0 14 10	0 2 3	0 0 5.56	0 2 8.56
Bleached Dhoties (medium) 9 yds. ...	7 0 0	0 4 6	0 3 6	0 8 0
Bleached Dhoties (superfine) 9 yds. ...	12 0 0	1 4 3	0 6 0	1 10 3

*Note* :—The incidence of sales tax will be much more if retail prices are taken into consideration. Under the Bombay Sales Tax Act, fine and superfine cloth attracts sales tax at all points of sale, which in most cases are more than two. The above calculations are based on the assumption that the goods change hands twice.



Readers will be interested to know how the earnings of the industry are spent. As we have seen, out of every rupee representing the income of a cotton mill company, raw cotton alone accounts for a little over 8 annas, while wages and salaries amount to about 4 annas. Manufacturing expenses, including payment for stores, power and fuel and establishment charges, leave a balance of only Re. 0-1-3, out of which the producer has to make provision for such varied items as depreciation, taxes, transfers for reserves and dividends. The following diagram of a rupee coin best illustrates in terms of percentages how each rupee of gross income is being expended:



It is evident from the foregoing that factors beyond the control of the industry are responsible for the increase in the cost of cloth. It is also noteworthy that the managing agents' commission amounts only to 0.92 per cent. and the dividends to shareholders 2.19 per cent. of the value of cloth and yarn sold.

## V. REHABILITATION

It is clear from the preceding paragraphs that an abnormal increase in the manufacturing costs largely accounts for the high

prices of cloth since the last war. The mill industry can, however, effect an appreciable reduction in its production costs by modernising its equipment, much of which is in urgent need of replacement. It is true that some mills have already undertaken the rehabilitation of their machinery or are in the process of doing so, but, on the whole, plant renovation still presents a serious problem to the industry.

The observations of the Industrial Finance Corporation on the subject, contained in its second annual report, are revealing. It says:

*“During the war years, the machinery and plant of the textile mills were put to intensive use, and renewals and replacements could not be carried out on an adequate scale, partly as a result of restrictions imposed on imports and the diversion of the productive capacity of the supplying countries to war purposes. Since the cessation of hostilities the supply of new machinery has not been adequate to meet the demand, and while the prices are approximately three times pre-war or higher, deliveries are extended over long periods. Generally speaking, very few textile mills have adequate reserves or resources to pay for new equipment at present prices to replace their old machinery.”*

The Planning Commission's recent publication, entitled “Programmes of Industrial Development, 1951-56”, says that there are 150 “uneconomic” units in the industry, which must be given financial and other assistance in order to make them viable. On a conservative estimate, cotton mills in Bombay city alone would need more than Rs. 100 crores to carry out their rehabilitation programme, but the funds at their disposal are insufficient for this purpose. Governmental assistance in the shape of depreciation allowance on the basis of original cost has been found to be inadequate in view of the inflated prices of new machinery. The Working Party for the Cotton Textile Industry recognises in its Report, released this year, that there has been a backlog in the modernisation of the mills and that “it is not possible at this stage to get new capital invested in the industry for the purpose of renovation or rehabilitation.”



In this connection, reference must be made to the Government's machinery import policy, which has tended to increase the industry's difficulties in proceeding with the modernisation of its equipment. It is readily conceded that the indigenous machinery manufacturers are entitled to every encouragement, but such protection should not be allowed to hamper the mills in obtaining the latest and most efficient machinery.

Rehabilitation is thus not a luxury but a pressing necessity. The basic idea behind it is to reduce production costs, to improve the quality of mill manufactures and thus to stimulate higher consumption. The manner in which most of the leading textile manufacturing countries have set about this task should serve as an object lesson to us in this country. In Japan more than 65 per cent. of the cotton mill equipment is new. Moreover, a large proportion of the looms installed in that country during the post-war period is automatic. As a result of this reform, it has become possible for the Japanese manufacturers to reduce production costs and to acquire the strongest possible competitive ability in foreign markets. Again, in the American textile mill industry as a whole, the average yearly expenditure since 1947 for new plant and equipment is estimated at more than 500 million dollars. Probably 40 per cent. of this enormous sum of money is spent by cotton mills alone, chiefly for rehabilitation rather than for additional plant. In other words, the cotton mill industry in America spends more than Rs. 95 crores annually for the sole purpose of rehabilitation! It is significant that, despite the fact that America leads the rest of the world in industrial progress, there does not appear to be any prohibition in that country on machinery imports.

Instances of such enlightened industrial policy can be multiplied. France and Italy, themselves important machinery-manufacturing countries of long standing, impose no ban on the import of textile equipment of a special nature. In Britain, another industrially advanced country, the Government is being pressed for the resumption of imports of machinery, duty free, which cannot be purchased in that country. It is pointed out that such duty-free imports would help the industry "to

keep its equipment up-to-date and keep machinery makers in England on the alert." The need for such a far-sighted import policy in India cannot be over-emphasised.

## VI. RATIONALISATION

As the recent General Report of the International Labour Organisation points out, there is a greater tendency all over the world towards automatisation of machinery than ever before. With the co-operation of the Government, the textile industry in India can also make progress in this direction. Since the last war, the level of employment in the cotton mill industry has remained high, as the following figures show:—

Year		Average daily number of workers employed.
1940	...	490,815
1941	...	595,695
1942	...	611,025
1943	...	650,793
1944	...	656,613
1945	...	657,774
1946	...	629,674
1947	...	633,415
1948	...	643,981
1949	...	734,602
1950	...	676,523
1951	...	714,479
1952	...	740,640
1953	January	732,248
	February	733,409
	March	730,253
	April	744,626
	May	742,997
	June	741,700

The burden on the industry, both in the shape of the wage bill and amenities to workers, as required by the Factories Act, has increased enormously. Apart from these statutory obligations, the Bombay city

mill industry alone spends about Rs. 35 lakhs a year on the welfare of its workers. But during all these years, productivity has remained virtually stationary. Thus, as against an average of four to six ordinary looms handled by one operative in Britain, 32 to 78 automatic looms in the United States, and a minimum workload of 48 automatic looms in Japan, the Indian worker handles on an average not more than two ordinary looms. Similarly, the maximum number of ring frame spindles handled by an Indian operative is 380 as compared to an average of 800 in Britain, 1,200 in the United States and 2,400 in Japan.

It is realised that in a country like India, where there is abundant man-power, rationalisation should be undertaken in stages to avoid any aggravation of unemployment. This has been conceded by the industry, but opposition to the very principle of rationalisation is short-sighted. The future of both labour and industry is bound up with attempts to increase the industry's productivity and thus to lower the prices of its manufactures. It is by such methods that higher consumption of cloth can be stimulated. The scope for employment will be widened when there is an increase in the *per capita* offtake. If labour is willing to take this long-range view, the problem of rationalisation will be rendered less difficult. Without rationalisation, there will ultimately be less operation of the industry and consequently less employment.

## VII. EXPORTS

Another problem that has been causing anxiety to the industry is the decline in the volume of cloth exports. Since the division of the country, exports have acquired great significance, as about 20 per cent. of the industry's pre-war output used to be absorbed by the areas now comprising Pakistan. For both political and economic reasons, India has lost this one-time vast and assured home market which has lately been captured by Japan. Moreover, Pakistan has been making rapid progress towards building up her own cotton mill industry in order to achieve self-sufficiency in cloth.

Partition has thus imposed upon the industry the necessity of finding alternative outlets for its exportable surplus, which is estimated

at 1,000 million yards a year. This figure was proposed by the Indian representatives at the Buxton Conference in September 1952 and was conceded by the delegates from the other textile exporting countries.

It is gratifying to note that the Government has also recognised the need for attaining this target. Tangible proofs of this awareness were given by it in January 1953 when the export duty on coarse and medium goods was reduced from 25 per cent. to 10 per cent. This was followed up in October 1953 when the export duty on medium goods was withdrawn. The cause of export promotion would be further strengthened if the export duty on coarse cloth could also be abolished. Exports of cotton piecegoods, together with their value, are tabulated below:—

Calendar Year	Exports (In million yds.)	Value (in crores of rupees)
1942 ...	1,061	39
1943 ...	568	37
1944 ...	497	36
1945 ...	466	29
1946 ...	379	24
1947 ...	269	21
1948 ...	344	35
1949 ...	509	41
1950 ...	1,133	89
1951 ...	780	72
1952 ...	586	55
1953 (Jan.-June)	273	21

Any attempt to stimulate India's cloth exports should take into account the fact that Japan has once again begun to "throw as big a weight of cloth into world markets as she did before the war" by drastically cutting down her production costs. India cannot possibly contend against the strong tide of Japanese exports so long as she lacks the advantages and opportunities which the Japanese Government offers to its

national industry. Moreover, the price advantage which Indian coarse and medium cloth had hitherto enjoyed in foreign markets has been neutralised by the general fall in the prices of cotton in world markets.

In these circumstances, it is necessary that India should adopt a liberal and long-term export policy capable of inspiring confidence in the minds of both the exporters and their overseas customers. Secondly, in order to give a greater competitive power to Indian coarse cloth in foreign markets, the question of abolishing the export duty on this variety should be seriously considered. Thirdly, as urged in an earlier chapter, the Government's machinery-import policy should be liberalised to enable the industry to modernise its equipment in the manner most conducive to the attainment of economy and efficiency of production, for, in a keenly competitive world market, price and quality are the only ultimate criteria. There is no reason why India should not attain the export target of 1,000 million yards per annum in the coming years, if the suggestions put forward in this Chapter are carried out.

## VIII. HANDLOOMS

Any appraisal of the place of the handloom industry in India's economy must be attempted with caution. It is essentially a cottage craft and grew considerably in the favourable climate of the last war. Production varies widely from year to year and, according to non-official estimates, it ranges between 1,200 and 1,500 million yards. It is believed that there are 2.8 million handlooms in the country, but it cannot be said with any certainty how many of them are actually in operation and for how many months in the year. In common with others, the industry is passing through difficult times and it is doubtful whether it is now in a position to provide sustenance to all the people who depended upon it during the boom period.

The Government is naturally anxious to help this industry and is impelled to do so both out of consideration for its antiquity and the necessity of preventing the unemployment situation in the country from becoming worse. The mill industry is also interested in rehabilitating the handlooms, because they offer an assured outlet for its surplus yarn.

The point for consideration, therefore, is not whether the handlooms should continue to exist and prosper, as indeed they must, but whether proper conditions cannot be created for the co-existence of these two sectors of the cotton textile industry. The present policy of the Government does not, however, appear to offer an opportunity for the attainment of this object. Reservation of certain varieties for production by handlooms, as in the case of dhoties, is not likely to succeed because it ignores the buying power of the consumer and the inherent incapacity of the handlooms to adjust themselves to mass production. The enforcement, since December last, of a 40 per cent. cut on the production of dhoties by mills has brought no tangible relief to the weaver. It has, instead, created an artificial scarcity of mill dhoties which are being sold at a premium, causing undeserved hardship to the consumer.

The decisive importance of the price factor has been recognised by no less a person than the Union Minister for Commerce and Industry, who declared last year :

*“It seems that consumers all over India want mill cloth which is cheaper. We cannot ignore the consumer’s interest, which is the primary one with which we are concerned. We cannot ignore it, particularly at a time when he wants more cloth, and we cannot reject this aspect of the question and accept a narrower view.”*

It is impossible to improve upon this realistic appreciation of the position.

Views about the manner in which the handloom industry should be rehabilitated have been expressed so often that they need not be repeated here. It is proposed to spend about Rs. 6 crores for putting it on its feet. It is for serious consideration whether this can be achieved so long as the handlooms continue to operate in fields of production where the mills are in an indisputably stronger position. On the other hand, the handloom weaver, whose inherited skill has a supreme advantage over mechanised production, can and does score over mills in

manufacturing specialised goods for which there is a good demand among a section of the population.

There will be no dearth of markets, home and foreign, for decorative and artistic handloom products, provided the handloom weavers can be persuaded to maintain certain standards and uniformity in their production. A sizable export trade can be developed for them through careful propaganda and vigorous sales-promotion. The recent decision of the Union Government to establish emporia in foreign lands for handloom products should, therefore, be hailed as a step in the right direction. The novelty of the handloom goods may well stimulate demand for them, especially in Western countries and in America.

## IX. CONCLUSION

After one decade of controlled existence, the cotton mill industry has again stepped into the era of free markets. Relief and exhilaration are natural reactions to freedom from duress, but this joy is tempered by the knowledge that the industry faces the future with many unsolved problems. While production has already exceeded the Five-Year Plan target, there has unfortunately been no corresponding increase in the volume of consumption. Reduction of cloth prices, as a means of stimulating a higher rate of consumption, has thus acquired a good deal of importance, and in this task, rendered extremely difficult by the existence of cost inflation, the industry seeks the co-operation of the Government through a suitable revision of the various levies and imposts which, as we have already seen, contribute in no small measure to making cloth expensive to the consumer. The recent reduction in the excise duty on superfine cloth and the withdrawal of the export duty on medium goods are steps in the right direction. The grant of a drawback of import duty on commodities going into the manufacture of articles for export is equally welcome.

Similarly, the importance of rehabilitation and rationalisation should be appreciated in the light of the over-riding necessity of securing

efficiency and economy of production. It is equally necessary that the Government's policy *vis-a-vis* the handlooms and the mill industry should be reconsidered, as reservation of certain fields of production, howsoever seemingly beneficial to the former, does not in fact bring any tangible relief to the handloom weaver and is certainly not in the consumer's best interests which, after all, are paramount.

To sum up, what the industry needs is a more realistic appreciation of its problems, bearing in mind the fact that, both in the private sector and in the national economy, it holds a pre-eminent position. If this is done, there is no doubt that it will play its role even more effectively than before in promoting the country's prosperity.