COTTON TEXTILE INDUSTRY
— PROBLEMS & SOLUTION

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"**People** must came to accept private enterprise not as a necessary evil, **but** as an affirmative good."

— Eugene Black

FOREWORD

The basic problem of the Indian cotton textile industry at present appears to be the shortage of raw cotton. This shortage can be relieved only by increased yield per acre as India has the unique distinction of having the largest acreage and at the same time the lowest yield per acre in the world. The story of Indian cotton however is not so gloomy. Immediately after the Partition, India was left with the bulk of the Indian cotton textile industry while it lost major cotton producing areas in West Punjab and Sind. The quantity of cotton production in 1947-48 was about 22 lakhs bales according to official estimates though trade estimate was nearer 30 lakhs bales. Through the efforts of the Indian Central Cotton (Tommittee, the Central and State Governments, the total production of cotton has been raised to about 55 lakhs bales in recent years. Although the target for the Third Plan was originally 70 lakhs bales, the actual production in 1965-66 was estimated by the trade at only 56 lakhs of bales. The increase in the total production of cotton over the 1947-48 figures was due to increased acreage, more cotton land coming under irrigation and a higher yield per acre, which rose from 78 lbs. lint in 1950-51 to 110 lbs. in 1963-64.

Even more remarkable is the improvement in the quality of Indian cotton, particularly the production of medium and long-staple varieties by cotton breeding, improved selection and other means. It was the Indian Central Cotton Committee which was responsible for the various improved varieties like Digvijay, American Co2, ISC. 67, Punjab varieties like H. 14 and 320F, Cambodia varieties going upto 1.1|8" in staple. If the improvement in the varieties of cotton over the last 20 years is taken into account, the farmer in India must have gained tens of crores of rupees and the Indian Central Cotton Committee paid itself over hundredfold. However, increased production has not been able to keep pace with the increased demand for cotton—a demand which is a reflection of increased population, a higher standard of living and the needs for exports to enable the country to secure the much needed foreign exchange to purchase among other things extra long-staple cotton needed to fill the cotton gap.

Unfortunately, Government policies, energies and administrative talents have been diverted to controlling the price of cotton as a commodity of "strategic importance". This has resulted in discouraging and diverting the talents of the country from producing more cotton by increased yield per acre, and wasting administrative abilities in controlling the price of cotton—an effort which has failed, as it is now realised by almost every interest except some advisers of the Government. The cotton growers, the cotton trade and the cotton mills are unanimous in their demand for the abolition of the ceiling prices of cotton. So far as I know, there is no other country in the world which has a ceiling price on cotton, while many countries have got a "floor" or "support" price on cotton.

As if to add insult to injury, the Government has thought it wise to abolish the Indian Central Cotton Committee which, with the combined efforts of the State Governments, Central Government, the Directors of Agriculture, trade and industry, some Members of Parliament and others was able to secure an improvement in the quality of cotton referred to above, and also bring about an increase in the total production. On the advice of two American experts, who never consulted the Indian Central Cotton Committee and whose report has not seen the light of day, the Government of India suddenly decided to abolish the Indian Central Cotton Committee. This is indeed a retrograde step which ought to be remedied. It is true that the Indian Cotton Development Council consisting of members from the industry, trade and others was constituted some time after the abolition of the Indian Central Cotton Committee about nine months ago, but it has neither met so far nor has any separate staff been provided for its efficient functioning. It is indeed strange that the Government of India, with its enormous preoccupation with the shortage of food, should have thought it advisable to concentrate on research on cotton in New Delhi and abolish the one body which gave a very good account of itself over the years. The energies of the Government should be directed to increase the yield per acre of cotton and the administrative genius which is wasted in trying to control its price should be used to some better purpose. In the early years after the Partition, the Indian Central Cotton Committee was successful in increasing—in fact doubling—the production of cotton, but it mainly concentrated on improving the quality of cotton, particularly its staple length. Now that it has succeeded admirably in producing many varieties of improved cotton, it is desirable that it should be revived so that it may concentrate on increasing the yield per acre of cotton without detriment to quality. It appears to me that some kind of technological break-through is required in further increasing the yield per acre of cotton, and this can only be brought about by bodies like the Indian Central Cotton Committee provided with sufficiently large funds, technical talent, qualified and experienced staff under proper guidance. Researches conducted under the auspices of the Indian Central Cotton Committee and the State Departments of Agriculture have indicated clearly that cotton yield can be raised by 50 to 100%, particularly in the irrigated areas, provided the requisite inputs are made available to the growers in adequate quantities and in time. On Departmental Farms, the maximum yields of the order of 2 to 2½ bales per acre for irrigated cotton have been achieved. In the face of such instances, all energies should be diverted to making the inputs available to the growers and experienced technical staff be provided in the required strength for the execution of the programmes for increasing the acre-yields. The Indian Central Cotton Committee should be revived in some form or other so that a body charped with the task of increasing the yield per acre may really go ahead to get the job done.

It is indeed a story of "Alice in Wonderland" that at a time when India is experiencing an acute shortage of cotton and when the Indian textile industry has been depending for its very existence on PL-480 cotton, the country should merrily go an increasing the number of spindles as a political weapon for gaining popularity or for increasing the supply of cloth to the people of India. The Government at the same time make it impossible for any old mill to close down as it takes over the management with a view to preventing unemployment. Even the Government of India cannot abolish economic laws, cannot produce cloth without cotton and cannot keep completely out-dated mills in working order. The correct policy would be to stop any increase in new spindleage in the country except to the extent to which it is required for replacing the machinery which is out of date, and concentrate on the production of more cotton in India by increasing the yield per acre and co-relate any increase in spindles which may be allowed hereafter with the actual increase in the production of cotton. The paper target for the production of cotton of 80 or 85 lakhs bales during the Fourth Plan cannot be spun into cloth.

It is only after the Indian cotton production has been improved both in quality and quantity that Indian cotton mills can be competitive in the export markets and earn the foreign exchange needed for the import of extra long staple cotton which cannot yet be produced in sufficient quantity in the country. It will be many decades before India can be self-sufficient in the matter of extra long staple cotton like that coming from UAR, Sudan and Peru, and many years before India can dispense with the use of Californian and Uganda cotton. It may not also be a wise policy to stop buying these cottons to the discomfiture of our friendly countries, as commerce is a two-way traffic; such imports can be paid for by the exports of cloth produced out of Indian cotton, and the first priority, therefore, should be given to the production of more and more Indian cotton by concentrating on provision of water, seeds, fertilisers, insecticides and pesticides which are needed and giving the cotton grower the protection of a "Floor" price to which he can look safely during seasons of temporary abundance. It may be recalled that during **1950-51** India exported over 1,000 millions yds. of cloth and was the leader in the field of exports, thanks to the fact that Indian cotton then was considerably below the world parity price of cotton.

The textile industry is always in the news. It has wore critics than friends. It had a good innings during the

Second World War, but now with present Government policies in regard to ceiling prices on cotton, labour laws, encouragement of handlooms and even powerlooms, the Indian cotton mill industry can be said to be more sinned against than sinning. It is desirable that the record should be set straight by such attempts as have been mentioned by Mr. B. G. Kakatkar so as to present before the public the case of the Indian cotton textile industry.

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By

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Food, clothing and shelter are always mentioned as the essential needs of a human being in that order of priority. I would like to suggest that, in the case of a civilised human being, clothing should have the first priority and food second! You can go without food for weeks, how far can you go without clothes? You can campaign for miss-a-meal-a-day but it is not possible to advocate miss-clothes-a-day!

The cotton mill industry, which is thus an industry of great importance, has had the dubious distinction of being in the headlines of newspapers continuously for 2 to 3 weeks in November-December **1966.** The difficulties arising out of cotton shortage, culminating in the decision to observe an extra weekly shut-down by mills, has served to focus public attention on the problems faced by the textile industry. Some of those who see nothing but evil intentions in everything that a millowner does, felt that the earlier decision of the Indian Cotton Mills' Federation to observe a block closure of mills for 15 days was a deep-laid plot of the millowners; they sought to deprive the consumer of his cloth, defraud the labour of his wages, mulct the cotton grower of his well-earned reward and thus swell their own profits!

The millowner was painted as one playing the role of Dushasan, depriving Draupadi of her clothes. Actually, it was Dushasan in reverse; it was the millowner who was about to lose his last shirt, if he continued to way such fantastic prices for cotton! If profit-making was as simple as setting up a mill and then keeping it closed, all of us would have become millowners and millionaires.

The mills were paying for cotton prices as high as **14** to 50 per cent above the officially fixed ceilings for different qualities. I wonder if one would have tolerated a shop-keeper openly charging 14 to 50 per cent "on-money" for commodities which are controlled. One would have hauled him for charging black-market prices. If the Government came to know of it, it would have confiscated his goods. But the Government could take little or no action against the charging of such extorlionate prices for cotton, in spite of the fact that the cotton quotations were openly published in all papers.

These recent events have provided a right backdrop to highlight the industry's problem number one, namely, that of cotton.

The charge that the textile industry is century-old and still infirm is flung at it. One fails to understand what connection can exist between the age and the viability of an industry or an occupation. Agriculture, which is the oldest occupation, is having the maximum difficulties. The oldest countries of the world, including India, are not on top of the world.

Textile industries of western countries, older than that of India, are not free from difficulties. The textile industry is a problem industry all over the world and, if any proof were needed, it is provided by the well-known Long-term Arrangement which was arrived at in Geneva in **1962** under the auspices of GATT. It is an arrangement for placing restraints on international trade in cotton textiles — restraints which are in violation of the free-trade principles of GATT. These arrangements were initiated by President Kennedy on the urging of the American textile industry which pleaded that it was in danger of collapsing through foreign competition. The same is the grievance of the textile industries of all Western countries, which contend that they have been in depressed conditions for years. It is actually the younger textile industries such as those of Pakistan, Hong Kong, Japan and Taiwan which are on top.

The industry the world over is one of feasts and famines and should, therefore, be considered the problem industry

* This is based on a lecture delivered by Mr. Kakatkar, Serretary-General of the Indian Cotton Mills Federation, under the auspices of the Forum of Free Enterprise in Bombay on December 13, 1966.

of the world. Apart from sharing the problems of the world textile industry, the Indian industry has its special problems arising from the existence of three sectors, namely, mills, powerlooms and handlooms; as well as import restrictions and the scarcity of all things required by it.

It is most creditable that, in spite of such handicaps, the cotton mill industry of India pays the highest comparative wage among all the textile industries of the world. The International Labour Office (ILO) has published a study expressing the average textile wage of a country as a percentage of the average industrial wage of that country. The wages in the Indian textile industry are 105 per cent of the average industrial wage in India. The figure in the case of the textile industry of the U.K. is 82.5, the U.S.A. 70.7 and Japan 63.4. If the wage index of the Japanese textile industry was 105 as in India and if the Japanese industry had to face the special problems which the Indian industry has to face, one wonders whether the Japanese industry could have lasted 100 years or even 100 months!

The cotton mill industry of India provides direct employment to 9 lakh out of 45 Iakh industrial workers. The employment provided by handlooms and powerlooms is estimated variously between 3 and 6 million. The 20 million acres which are under cotton should be sustaining 5 to 6 million growers. If we throw in the employment provided by the textile machinery manufacturing industry, the mill-store manufacturing industry, the manufacture of textile chemicals and auxiliaries, the traders of cotton, cloth and yarn and a host of other people, King Cotton's subjects in India should easily be in excess of 20 million. Including their dependents, one can say over 50 million people depend for their livelihood on King Cotton.

There are 600 mills in India with an installed capacity of over 16 million spindles and 2,07,000 looms. The turnover of mills comprises Rs. 500 crores of cloth and Rs. 250 crores of yarn. The value of cotton consumed is Rs. 400 crores and the wage bill is in excess of Rs. 200 crores.

I consider that the cotton industry is to India what the automobiles industry is to the U.S.A. or the watch-making industry to Switzerland. It is pivotal to the economy

of the country.

Reverting to our problem number one, namely, that of cotton, the mills require 65 lakh bales just to maintain a per capita availability of 15 to 16 yards of cotton cloth. In addition, 5 lakh bales of short-staple cotton are required for export and extra-factory consumption. The total requirement is thus 70 lakh bales which was also the target for the Third Plan. As against this target, the expected production even in the year 1966-67—the first year of Fourth Plan—is only 55 lakh bales.

It is, however, most gratifying to note that, although we are falling so short of the Third Plan target, the Second Plan target of cotton was fulfilled. The target was pruned from the original figure of 65 lakh bales to 54 lakh bales when it was found that the actual production in the last year of the Second Plan was likely to be of that order! Apparently, the Planning Commission has not thought fit to do a similar exercise this time so as to fulfil the Third Plan target!

India has the dubious distinction of having the world's largest acreage under cotton—20 million acres—with probably the lowest yield per acre—110 to 120 lbs. The world average is over 300 lbs. per acre. It is thus obvious that the increase of yield per acre is the solution to the problem faced by farmers, viz., that of low return and the problem faced by mills, viz., that of inadequate supplies and very high prices. That also is the solution to the problem of the drain of foreign exchange caused by imports of cotton.

It is, however, curious that one never hears of any agitation by farmers against Government for help to grow more cotton per acre. It is most convenient to the State Governments to divert the farmer's wrath from this real problem—which exposes the failure of the State Governments—to an agitation for higher prices. The millowner has always provided the most convenient whipping boy for all ills in the textile indust y. It is very easy to make the farmer believe that it is the millowners who are depriving him of his proper earnings by not paying a proper price for cotton. And this can be done in spite of the fact that cotton prices are seldom allowed to fall below the ceiling; and are actually above the ceiling for considerable periods in every season.

The ceiling price control on cotton has proved to be an exercise in futility. Every season the ceilings are pierced and then they are raised. The ceiling price, for instance, for *Moglai Jarilla* Fine cotton, was Rs. 820 in 1961-62, Rs. 947 in 1962-63, Rs. 1,022 in 1965-66 and Rs. 1,070 this year. Whenever the demnnd and suppiy ratio gets disturbed, the prices pierce the ceilings and the Government is either unwilling or unable to take action. In fact, the official ceiling prices provide a very convenient base for deciding the "on-money" to be charged: the seller can conveniently quote 5, 10 or X per cent above the ceiling! The farmers and the traders will be at a loss to know what price to quote, if this facility of the ceiling price was withdrawn.

It would be best if the ceiling price regulation, which apparently serves only this purpose, is abolished. Let me make it clear that abolition of the ceiling price regulation is no solution to the problem of supplies: but it will eradicate the many evils arising from attempts by all concerned to show that their transactions are within the ceiling price formula. Inferior cottons are mixed with superior cottons leading to deterioration in quality and bad effects on the next year's crop. The processing of such cotton of mixed staples creates no end of troubles for mills whose wastage and costs go up. It is very difficult, indeed, to set the machinery to process such strange mixtures. The records have to be manipuiated by many people, and in many ways. Purity of cotton and purity of behaviour have thus become the victims of the control on cotton and the earlier it is abolished, the better for all.

The small holdings and the irregular rainfall are no doubt responsible for low per-acre yields in India. But even in these conditions, it is possible to improve the yields by scientific methods of cultivation and the proper use of fertilisers and pesticides. There is a scheme for cotton development run by the Indian Cotton Mills Federation. The scheme which is in its third year has shown that, in irrigated lands, it is possible to improve the yield per acre

from 200 lbs. to 400 lbs. of lint, with an input, including fertilisers and pesticides, costing Rs. 200. This means that an input of Rs. 400 on two acres of irrigated land will yield an extra bale of cotton and will save foreign exchange worth about Rs. 1,200 to 1,500. The 32 lakh acres of irrigated land which are under cotton can thus yield 16 lakh additional bales, which is our shortfall. So far as the farmer is concerned, the input of one rupee brings him a return of Rs. 2 being the price of the extra pound of cotton and another 70 P. being the price of 2 extra pounds of cotton seed, that is a total of Rs. 2.70. His net gain is thus Rs. 1.70 His net gain per acre with an input of Rs. 200 will be Rs. 340.

To cover 32 lakhs acres of irrigated land with such a scheme is a tremendous task. We will have to ensure the supply of insecticides and fertilisers on the required scale; we shall have to have an army of trained people to educate the cultivators in scientific methods. This can and should be done over a period.

Instead of concentrating attention on this fruitful occupation, the Government proposes to set up in the Fourth Plan a number of spinning mills, and use its scanty resources of money and manpower for creating additional spindles to share the shortage of cotton! The existing mills are capable of doing all that the Government intends to do with the additional spindleage, and the Federation has pleaded with the Government to use its resources for increasing the yield of cotton, rather than waste them on such futile exercise of putting up new mills.

It would also be a good thing to delicence the textile industry. A person who gets a licence for setting up a mill is lured into putting up spindles and looms as he thinks that he has secured a privileged position. The mere fact of the Government having granted him a licence gives him a false sense of security and a guarantee of assured market. All this will disappea once the licensing system is abolished, and extra capacity will come into being only if and when the proposition really becomes economically sound.

In the recent episode resulting in extra, weekly closures, it would have suited the authorities to maintian a fictitious control on cotton and an effective control on prices of cloth. The grower would have been happy, as the control on cotton was not coming in his way of realising the prices that he demanded; and the consumer would have been happy that the prices of cloth had not gone up. With elections two to three months off, this would have been the best strategy for the authorities. However, the compulsion of events did not permit them to enjoy so blissful a state of affairs. A number of mills started closing sporadically for want of cotton. And it also became clear that if mills continued to pay such high prices for cotton but realised a low price for their products—all this coming on top of the uneconomic working of the industry for the last two years—it would have resulted in the winding up of many mills.

The public may well want to know why the industry has been going through depressed conditions for the last two years. Being an agro-industry in a predominantly agricultural economy, the working of the textile industry is cyclical by nature. It is an industry of feasts and famines.

When the crops fail, the cost of living shoots up and the consumer has to economise on his expenditure. In such conditions, the axe of economy first falls on textiles as the existing clothes can be made to last longer by repairs and mendings. The consumer thus postpones his purchases of cloth as long as possible, and when necessary, buys as little as possible. Unfortunately, when the consumer is unwilling and unable to spend on cloth, the mill costs also go up. Due to a smaller crop, the prices of cotton shoot up and the wage bill also goes up with a high rate of dearness allowance. The mills are thus squeezed between mounting costs and low realisation. On the other hand, in a year in which the crops are good, the consumer is in a position to spend more for his cloth and at the same time the mill costs are also comparatively lower. In such propitious times, the mills are not allowed to recoup the losses they had suffered in bad times. The mills are immediately charged with profiteering and bang comes the price control on textiles!

Let us leave aside, for a moment, the injustice to the textile industry in imposing price control on it in these conditions. It is impossible to devise an equitable price control for a commodity which has so many permutations and combinations. The same count of yarn can be produced from different types of cotton having different costs. Apart from the count, which is the measure of thickness of yarn, there are other factors of quality and strength, both tangible and intangible. Then there are so many types of weaves and of finishes and it is altogether wrong to imagine that two cloths of the same construction would have the same cost and should, therefore, fetch the same price. What is even more important in an article of consumption such as cloth, is the consumer appeal. The consumer may be willing and eager to pay two rupees per metre for a cloth, whose cost is only one rupee, but he may not be prepared to buy even for a rupee, some other material, which has cost the mill two rupees to produce! This should be obvious to all, and the normal pattern is for a mill to have certain specialities on which it makes higher profits, certain bread-and-butter varieties on which it may or may not make profits and to break even by averaging the realisations on the two. Price control which ignores this aspect of consumer appeal, and which is designed to enable "an average mill" to earn a fair profit—fair according to the ideas of the Tariff Commission—leads to very strange results. The bread-and-butter varieties do not become popular, or begin to fetch fair profits just because the prices are controlled, the specialities cease providing the cushion to average things out; and the two together slash the mill margins.

There are many other distasteful features of this price control on textiles; a unique feature of our country. Costs of mills located even in the same region can differ from each other depending on the type and conditions of machinery, the state of labour rationalisation, etc. Costs differ even more widely from region to region, because of several additional factors like wage levels, power costs, transports of raw materials and finished goods, ready availability of technical advice as also of stores, spares, and so forth. With this bewildering multiplicity of the cost factor, how is it possible to arrive at the so-called average cost of an average unit, which will do justice to all the far flung units of the industry?

In any case, the controls can be effective only at the ex-mill stage. Once the goods leave the mills and become part of the general merchandise, who can distinguish between a mill cloth which is subject to control and powerloom cloth which is free from control? And the production of the de-centralised sector is almost equal to that of the mill sector. If a particular brand of controlled cloth is popular and can command a premium, all that the controls succeed in doing is to ensure that the premium goes to swell the pool of unaccounted money!

Having deprived the industry, at the good turn of the cycle, of the opportunity to provide a cushion for the bad times, does it not become the responsibility of the State to extend a helping hand to the industry when it faces difficult conditions as at present? Heavy excise duties are imposed in good times to mop up the so-called excess profits of the industry and when the mills seek reduction of excise duty in times like the present, the industry is ridiculed for its inability to stand on its own legs after 100 years of existence. No wonder then that in the textile circles a feeling is gaining ground that to keep the cotton mill industry perpetually in depressed conditions, is an article of State policy.

The millowner apparently can never do anything right. If he makes profits, he is dubbed a profiteer fattening at the cost of the poor consumer. If he does not, he is either inefficient and incompetent, or a cheat. If he modernises the machinery, he is anti-labour and if he does not do so, he is old fashioned, antiquated and anti-social.

The unequal treatment given to the three sectors of the industry: the handlooms, the powerlooms and the mills, is another cause for the ills of the mill industry. One can understand the protection given to the handloom sector which certainly provides employment opportunities on a very large scale in the rural areas. With a view to giving protection ta handlooms, the weaving capacity of mills was frozen to what it was in 1939. A number of qualities

were reserved for production by the handloom sector. Not only is the handloom sector free from excise duty but a handloom cess of 1.9 paise per metre is imposed on mill cloth to collect funds for assisting the handloom industry.

The actual result of this policy, however. has not been any protection to the handloom industry but the mushrooming of powerlooms. The powerlooms do not provide more employment than the mills but what is worse, the kind of employment provided in the powerloom sec'or, with long hours, unhygienic working conditions and low wages is a factor which is positively harmful from the employment angle. It is almost impossible to collect excise duty from the large number of powerlooms working clandestinely. But even where the duties are collected. the rates are one-hundredth of those charged to mills. The duty paid by a mill per loom per year for three-shift working is around Rs. 3,300 for non-controlled cloth of the higher medium categories, Rs. 7,700 for cloth of fine categories and Rs. 11,000 for cloth in the superfine categories. The duties payable by a powerloom per year for three-shift working range from Rs. 25 to Rs. 150 only! On top of this, the duties payable by mills on consumption of yarn and on processing of cloth are higher.

No wonder then that the powerloom cloth which pays half the wages and a hundredth of the excise duties sells cheaper than the mill cloth and offers unfair competition to the mill sector.

It is wrong to imagine that the powerlooms are providing a source of employment for the rural population. Most of the powerlooms are clustered in places like Bombay City, Malegaon, Bhivandi, Ichalkaranji and Burhanpur. The powerlooms have no export potential either.

The mill sector has no enmity for the powerlooms. Its only plea is that the competition between the two sectors should be on a fair basis! We are often told of the remarkable growth of the powerloom sector in Japan. It is obviously forgotten that there are no excise duties on cloth and hence no excise differentials in Japan. The only differential is that of wages and actually it is the Japanese millowners who have sponsored the development of the powerlooms to take advantage of this wage differential. Knowing the defects of powerloom p oduction, all exports of Japan come only from the mills and the powerlooms are utilised to feed the local population.

It is no use, therefore, quoting to us the example of Japan. The conditions of competition with the powerloom cloth have become so intolerable that several leading mill-owners are wanting to decentralise their weaving operations by dismantling the looms from mills and scattering them all over the place! In spite of the recent permission given to mills to expand their loomage by 10 per cent, very few mills are willing to increase their loomage.

In 1951, the production of the decentralised sector was just about one-fifth of the total production. In 1965, it had grown to 40%. If only all that cloth was produced in mills, not only the consumer would have obtained better cloth but would have got it much cheaper, as the same excise revenue could be collected by almost halving the present burden. The labour would also have got better wages.

Every Committee and Commission which has studied the cotton mill industry of India has stressed the importance of rehabilitation. It will not be surprising if someone discovers the existence of some 100-year old machines in this 100-year old industry! The problem of rehabilitation became acute in the period after the Second World War. But, because of labour opposition, the Government, at that time, was not in favour of modernisation and in particular, installation of automatic looms. It was only recently that the Gove nment relaxed fetters on the installation of automatic looms.

The Government's preferential treatment to the decentralised sector also creates an enervating climate for mills. In a sheltered market like India, the level of prices and of quality is dictated by the less efficient producer who has been promised the necessary aids for marketing his product, in the shape of differential duties, subsidies, reservation of production etc. Any increase in the efficiency of the mill sector, one fears, will only invite further widening of this differential and more restrictions on mills! But these policies of the Government are only one of the many difficulties in the way of rehabilitation. New machinery has become very costly and the mills are hard put to find the necessary finance for buying new machines. In spite of low profitability and the enervating climate, it is very creditable to the industry that it has been spending on fixed assets an average of Rs. 50 crores per year for the last few years.

This it has done by borrowing. Now the industry has borrowed to the hilt. And the interest charges on these loans have made a further dent in the industry's low profits. The mills are no longer considered a good risk by the lenders, including the official financial institutions. Unless something is done to increase the creditworthiness of the industry, the progress of rehabilitation is likely to be halted.

Although an annual expenditure1 of some Rs. 50 crores on rehabilitation seems an imposing figure, it is nowhere near what needs to be done. The industry has fast changed its character from labour-intensive to capital-intensive, and industries of the advanced countries are spending huge sums in rebuilding the industry. The American industry which is 1¼ to 1½ times the size of the Indian industry, is spending over Rs. 500 crores per year on capital equipment. Canada, which is just about 1120th of our size, is spending Rs. 140 crores per year. Japanese industry, the size of which is just about equal to ours, is spending over Rs. 200 crores per year. This will show how the gap between our industry and the industries of the advanced countries is widening very fast.

Before I actually saw a cotton mill, my idea of a cotton mill was derived from that of a flour mill. I imaged that cotton was poured in a giant funnel at one end and that cloth poured out at the other end, having *a* control, the turn of which decided whether a dhoty came out or a saree or long cloth. Actually, cotton has to go through 12 to 13 different processes before getting converted into cloth. However, the modern trend is to combine operations and to drop some of these processes. In fact, I visualise it may not be long before a cotton mill actually resembles my original idea of pouring cotton at one end and drawing cloth at the other!

While the industry's internal resources of reserves have been completely eaten up by investment in fixed assets, its requirements of working capital have been going up by leaps and bounds. With steep rise in the cost of cotton, wages; power, stores, dyes and everything else, it requires more money now to produce a bale of cloth or a bale of yarn than it used to, a few years back. For instance, a bale of cloth which on an average cost Rs. **1,050** in **1956,** now costs Rs. **1,500.** The industry's debt. therefore, has mounted on the score of increase in the requirement of working capital as well. This has made the industry vulnerable to the slightest accumulation of stocks. That is why one hears of distress in the cotton mill industry when stocks of cloth and yarn go up with mills, although in older times, it could cope with even larger accumulation.

It is high time that the Government recognised the condition to which the industry has been reduced. The industry's profitability must be allowed to increase so that it can build not only its internal resources but also become more creditworthy. It should also become capable of attracting outside capital for investment. It is only then that the industry can be saved from going down the precipice. The taxation policy must also be reoriented both in regard to direct taxation and the excise duty on yam and cloth, and sales tax on cotton and yarn.

There was a time many many years ago, when mills did not require to keep any clocks on the premises. They worked from sunrise to sunset, so long as the natural light was enough, to carry on the operations. There was only one monthly holiday! Today's conditions are a far cry from those times.

The minimum wages of a mill worker in Bombay today are Rs. 195 per month, apart from other benefits and bonuses. It is quite likely that many graduates do not get this much pay.

Although it is true that the wages of an Indian worker are less than the wages of, say, an American or West European worker, the labour cost per unit of production in India is actually higher because of low productivitv. The yarn production per worker per year in **India** is 2,864 kgs., whereas, in the U.S.A., it is **23,490** kgs., that is, over eight times, and in Japan and Western Europe it is **10,950** kgs. and **6,513** kgs. respectively. The low productivity is the combined result of the type of machinery we have and the reluctance of labour, even with the existing machinery to tend more units per head. It does not appear to have been sufficiently realised that with rationalisation of labour, apart from economising on costs, wages also go up and increase the standard of living of the employees.

This reminds me of an incident which occurred when steps for rationalisation were being taken in a mill, that resulted in workers going on a strike. **And** as it happens on such occasions, a big charter of demands was also drawn up. The wise old millowner called all the workers together and asked them what they wanted. They said they did not want any retrenchment; they wanted a pay rise of fifty rupees, a bonus of **6** months, more holidays with pay, less hours of work per day and so forth. The millowner went on conceding demand after demand and, when the workers had exhausted themselves and the list of demands and had nothing further to say, he told them that they were unimaginative fellows who did not even know what to aim at. The millowner said he was introducing rationalisation and modernisation towards that end when the workers would no longer be required to come and work in the mills. All that they would then have to do to earn their wages, would be to put their signatures on the money orders that they would receive from the mills every month! The achievement of this, the millowner explained, called for hard work and sacrifices now. He, therefore, asked the labour to go back and work harder than before, which they did!

India imported as much as **3,200** million yards of cloth in **1913-14** and the rate of import in **1939** was around **600** million yards per annum. The Second World War changed the picture completely and India became an exporter of textiles. The highest we achieved was in **1950,** when 1,100 million yards of cloth and **83** million lbs. of yarn were exported. Since then, however, due to increase in our costs on the one hand and growing competition for a fast shrinking international trade in cotton textiles on the other, our exports have gone down. In 1965, we exported only 558 million yards of cloth and 26 million lbs. of yarn. Exports of all cotton textiles, including cloth, yarn, garments and handloom products, fetched a foreign exchange of Rs. 72 crores in 1964-65.

This brings us to the controversy regarding the foreign exchange earning of the cotton textile industry. What would you think, if someone claimed that the rice mills were the cause for the import of rice into India and the flour mills for the import of wheat? While this statement looks absurd on the face of it, it is surprising that an equally absurd statement with regard to the cotton textile industry passes muster. Can cotton mills be held responsible for the import of cotton into India? If we do not import cotton, we would be importing cloth! It is as absurd to debit the cotton textile industry with the import of cotton as to give credit to it, if tomorrow we earn foreign exchange through export of cotton. It is such faulty logic which is responsible for the canard that the cotton textile industry is a net spender of foreign exchange. Neither the rice mill industry is a net spender of foreign exchange on account of import of rice, nor is the cotton textile industry, on account of import of cotton. The failure of agriculture to produce enough for the growing population is responsible for these imports.

If we grow more cotton and can obtain cotton at more reasonable prices, there is absolutely no doubt that our exports of cotton textiles will increase. In fact, among all the major exporters of cotton textiles, India is a country which is blessed with homegrown cotton. If only we could strengthen our capacity to grow enough cotton, we should become the world leaders in exports of cotton textiles, instead of Japan. Moreover, our textile machinery manufacturing industry can also aspire to become world leaders. With so big an assured market at home, that industry has tremendous potential to build itself into a formidable industry.

It is to be hoped that the Government will soon realise this tremendous potential of the cotton textile industry and refashion its policies towards it, so that it may become the world's number one industry, which is its destiny.

The views expressed in this booklet are not necessarily the views of the *Forum* of Free Enterprise.

"**Free** Enterprise was born **with man and** shall survive as long as man **survives.**"

— **A.** D. Shroff
(1899-1965)
Founder-President,
Forum of Free Enterprise.

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