

Problem of Cotton Textiles Industry and its Management System in India

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Abstract: The Cotton textile Industry is one of the oldest and firmly established major organized industries of India. In 1818, the first unit of cotton textile industry was established at Fort Gloster, situated near Kolkata. Later on, real base of this industry was established in 1854 with the establishment of another cotton textile mill at Mumbai. This Cotton-textile industry gives employment opportunity young youth and this is the earning source of majority of people in India. Small-scale cottage industries occupy a great portion of textile industry like powerlooms, handlooms, spinning mills etc. Those are the small mills where production and amount of money needed as business capital are also small. Even though this cotton textile industry helps Indian economy to make strong and develop, but now-a days this industries are facing a number of problems. For those reasons, a thousands of mills are closed down by their mills owners. As a result, thousands of employed people lose their jobs & become unemployed. So this paper tries to analyze the difficulties facing the cotton-textile industry and also shows the methods for solving the problems which destruct production.

Keywords: Cotton, textile industry, handloom, spinning mills, spindles, technology, raw materials, garments, decentralized power loom, excise duty, foreign market.

1. Introduction

Unemployed young youths try to establish their own separate business by setting up those small cotton mills. For this, government organized self-employment training to them and also give subsidy loan as business capital upto 30 lakh for starting and growing up their business, in those training centre, concept of business, idea of profit & loss, rules & regulations of business are given. Most of handlooms & power looms sectors are established in home side area where family members & neighborhood people works as labour. There is no need purchasing separate big land for setting up those small mills. In cotton textile Industry many house-wife women are working for sewing readymade garment cloth by thousands of sewing machine thus help their family. Even not that, they also works for hand designing shallower camiage, frocks and ladies saris etc. in their home or mills and sent them to big mills for marketing their products which are sailed at high price in ordinary cloth shops in market. Customers also like those items. For fulfilling customer demand, importance is given to those items. In cotton-textile industry huge number of labour are working earning money for running their family. Thus this industry removes a great portion of unemployment of India, makes strong

economic structure of our country and thus helps to maintain growth & development of India.

Textile Industry is the largest industry of modern India. It plays a pivotal role through its contribution to industrial output and employment generation and the export earning of the country. It contributes to eleven percent of manufacturing production, four percent of India's GDP and fifteen percent of the country's export earnings. It is one of the largest sources of employment generation in the country and gives employment directly to fifty million people. The first cotton mill was set up in Kolkata in 1818. However, the industry made a real begging in 1854 where a cotton mill was set up in Mumbai. In Indian Economy, cotton textile industry has important role for making the economy strong. The raw materials of textile industry depend on producing raw cotton which are largely produced in black soil area in south India like Maharashtra, Gujarat, Karnataka, Madhya Pradesh etc. which are famous for growing a large number of cotton textile mills. The Cotton textile industry is mainly located in Mumbai and Ahmadabad. Mumbai city had 33 percent of total number of mills and provided employment to 50 percent of total workers. So Mumbai city is called "Manchester of India", comparing with Manchester city of Japan because a large number of textile industries are situated in this city. Ahmadabad has also many mills and provides employment to many Indian workers. In Uttar Pradesh, Kanpur had some large mills. In the post-Independence period, important centers of this industry have been Mumbai, Sholapur, Kanpur, Kolkata, Indore and Coimbatore, Baroda etc. India's textile industry continues to be predominately cotton. The Indian textile industry is cotton based where a great percentage of the cloth production in the country is made by cotton. Production of raw cotton varies from year to year depending upon rainfall and weather conditions and price fluctuations in raw cotton affect the industry. Beside this, cotton industry faces many challenges which hamper its production. Recently this industry is suffering a lot of problems. Now, the government has been taken many strong measures for improving and protecting this industry. This research paper tries to point out the defects prevalent in cotton textile industry and find out the ways for solving the problem.

2. Objectives of the Study

The objectives of the study are,

- 1) To know about cotton textile industry and its existing problems.
- 2) To analyze the nature of demand, supply and price fluctuations of raw cotton which affect the production of textile industry?
- 3) To suggest the measures for solving the problem and to give a picture of total production process.
- 4) To put forward an ideal model for cotton textile industry and compare it with total textile production in India.
- 5) To put forward recommendations for developing the cotton textile industry in India.

3. Methodology of the Study

The data will be collected from primary and secondary source in Indian framework. The primary data will be collected with the help of interview method & survey method. The primary data will be collected from a sample survey among the raw cotton farmers, producer and owner of the factory, labours, retailer and whole seller in the market, consumer & market buyers. The information has been collected by observation and the conclusion has been made on the basis of this information. For evaluating the objectives of the study the secondary data will be collected from the various sources such as books, journals, reports, websites, university libraries, planning commission, govt. publications (central and state), state and district wise statistical office, raw cotton produce and cotton textile industry committees etc.

4. Statement of the problem

The cotton textile industry in India is having its three distinct categories in the organized sector like Spinning mills, coarse and medium composite mills and fine & superfine composite mills respectively. Cloth production occur in three different sectors such as mills, power-looms and handloom. The mill sector played a dominant role in cotton textile industry at initial stage. But its importance was reduced with the growth of power looms and handloom. There are mainly four sectors in the textile industry-mill sector, power loom sector, handloom sector, and hosiery.

Within this industry, raw material is converted to highest value added products like read-made garments, other cloths and made-ups. The structure of the textile industry is complex, consisting two types of mill sectors. It has modern, sophisticated and highly mechanized mill sector in one side and the hand spinning and hand weaving (handloom) sector on the other side which falls the decentralized small scale power loom sector. There are about two thousand cotton mills in the country, where one thousand are spinning mills and three hundred are composite mills. The textile industry is one which India has an opportunity for success on a global scale, given the low cost of labor. Over the years the government has granted many concessions and incentives to the decentralized sector with the result that the share of this sector in total production has increased considerably. While the share of the mill sector

in total cloth production was declined from 1951 to 2018. The share of the decentralized sector rose from 1951 to 2018. Of the three sub-sectors- handlooms, power looms and hosiery- in the decentralized sector, it is the power looms sub-sector which has grown in large amount at a faster pace. As a result, its share in total cloth production in the country has risen nearly seventy percent. There are many reasons for the fast development of the power loom sub-sector. These are as follows,

- 1) Government's favorable policies on synthetic fabric industry.
- 2) Ability of this sub-sector to introduce flexibility in the product.
- 3) Low labour costs achieved indirectly through the flexible use of labour itself resulting in lower cost of production and providing an edge in the market.
- 4) Increase in exports from the power loom sub-sector.

The cotton-textile industry contributes a larger portion to the export earnings of India and thus plays a vital role in growth & development of Indian economy. Export of India earns larger amount of foreign money from this industry and by exchanging those foreign money, Indian foreign exchange reserve increases which helps developing the economy. The decentralized power loom sector plays a pivotal role in meeting the clothing needs of the country. The production of cloth as well as generation of employment has been rapidly increasing in power loom sector. It produces a wide variety of cloth with intricate designs. The handloom sector provides employment many people engaged in weaving and allied activities. The production of handloom fabrics has also increased and it contributes substantially to the export earnings. In case of the production of both of these mixed cloth and manmade fibers, the share of decentralized sector has increased considerably and constitutes the major portion of the output. The cotton and synthetic industry is occupying a very unique place in the world export market. In respect of total quantity of export India's position is second after Japan and meeting to the needs of more than twenty percent of world export. It is also the largest net foreign exchange earner as the import content in the textile goods is very low. During the last 50 years, the share of cotton cloth in total cloth production had declined. During the same period other fabrics have raised their share. The mill sector production of all fabrics has been declining over the years mainly because of heavy competition by the decentralized sector (power loom sector). Due to government encouragement the decentralized sector's production of all the three kinds of fabrics rose continuously. The mill's share in the total production of all fabrics has declined from 1985 to 2013. But the decentralized sector has raised its share in total production of fabrics. The organized textile industry consists of three categories, i) spinning mills, ii) coarse and medium composite mills and iii) fine and superfine composite mills. Spinning mills are generally small in size where small numbers of labours are working. Consequently, many of those mills became uneconomic units and fell into difficulties. At same time, Fine and superfine composite mills use foreign cotton, never kept stock restriction and they carry on stable production programmes in cotton textile industry.

5. The problems of the Cotton Textile Industry

In past, cotton mill industry suffered from incompetent and selfish managing agents and directors who were more interested in their own profits. They did not take sufficient interest in finance reserve or proper maintenance of machinery is modernized. The closure of many textile mills in the country was forced upon by short-sighted union leadership. The Bombay mill industry was suffered by one-year long strike organized by labour trade unions. Besides these the two most important factors which have spelt disaster to the industry in the three decades are government's textile policy and growth of power loom sector. The result was that one third of the mills became sick and was closed down. In this way, many mills were closed down.

The cotton textile industry in India has been suffering from the problems like:

1) Obsolete machineries, 2) Problems of modernization 3) Lack of raw materials 4) Non-utilization of production capacities 5) Lack of electricity power supply 6) Increasing government control and heavy excise duties 7) Higher unit cost of production 8) Inefficient & uneconomic firms of production 9) Increasing labour problems, strikes by trade union pressure on demanding high wage, leave & other facilities. 10) Shortage of Finance and 11) Growing sickness among the textile industrial units.

For these above reasons many private and non-small-scale industry textile mills have been closed. As a result, about two lakh workers has affected with the closure of weak silk and other textile mills. Among them Tamil Nadu has been the largest number mills being closed which is followed by Maharashtra, Gujarat and Andhra Pradesh respectively. Most of the mills are developed in south India in Maharashtra, Gujarat, Madhya Pradesh Andhra Pradesh etc. because those areas are black soil area which is very fertile, suitable and comfortable for producing raw cotton. Raw cotton is main raw materials of cotton-textile industry and huge amount of raw cotton is needed for producing textile cloths. Black soil has also high water resistant capacity, so it is very fertile for producing cotton which is supplied to textile industry for production. As a result, cost of production become low and there is availability of raw materials which increase profit percentage of industry owners and helpful for earning & saving more money. So if those industries are facing hindrances & are closed down, then a great economic hazard & destruction will happen in future which make wick the country's base & structure. To remove these problems, we have to know & understand the problems briefly which are discussed below.

The problems of the cotton-textile industry are,

1) *Problem of Raw materials:* The industry faces the problem of building up a regular supply of its raw material -cotton-in adequate quantities. Despite the important of the industry and the long period of its growth, the position of raw material has remained unstable. The most disappointing feature of cotton cultivation is that whereas India has the largest area under

cotton, even though among total world production of cotton the country produces only small percentage of the world output of cotton. Uncertainties in the raw material market and in particular, fluctuations in the prices of raw cotton are two major causes of sickness and consequently closure in the textile industry.

2) *Government controls and heavy excise duties:* The cotton textile industry has suffered badly due to wrong and often confused policies of the Government. At one time, prices of cloth were fixed by the Government far below cost. But after the cotton yarn distribution scheme of 1972, the Government made it obligatory on all mills to supply sixty percent of the production of yarn to be decentralized sector at reduced rates. The duty on imported cotton was very high and it not only made import of cotton quite expensive but exercised an upward pressure on the price of indigenous cotton. The excise duties on different varieties of cotton cloth were quite heavy and besides, they were discriminatory. A serious problem of the mill sector at one time related to production of controlled cloth. To ensure availability of coarse and medium varieties of cotton cloth, the government has raised, the total quantity of controlled cloth to be produced by mills. A contributory factor for the sickness of the cotton textile industry was the controlled cloth scheme under which the price of cotton alone was higher than the stamped price of cloth. In 1980, the government exempted the mills from the obligation to produce controlled cloth. But by that time cotton mill industry was ruined and many mills were forced to shut down.

3) *Obsolete Machinery and Need for Modernization:* Since the cotton textile industry is fairly old in India and a number of mills were set up long back, the machinery and equipment have grown old and outdated and need fast replacement. Production with the help of such outdated machinery results in higher costs and poor quality of product. India mill industry has to compete with countries like Taiwan, Hongkong, South Korea which are using sophisticated machinery. The government set up in 1986 the Textile Modernization Fund and requested the IDBI to operate it.

4) *Higher cost and competition in Foreign Markets:* The Indian cotton textile industry has been facing increasing competition in world markets. This is largely due to low productivity and high cost and consequently high prices of Indian textiles.

5) *Poor quality and low productivity of cotton:* Productivity of cotton in India is very low, around half of the world average. Cotton cultivation is done in India by small farmers with very small farms and with improper technology and methodology. Outdated farm practices and poor maintenance of the market causes the poor quality of cotton which creates difficulties for the spinning industry.

6) *Fiscal structure skewed against modern, integrated mills:* The fiscal structure in India has been biased against the modern, integrated mills with the result that the organized textile industry has not been able to attract much investment in

modernization in the last three decades. Both in weaving and processing, India has small and tiny units dominating the sector with outmoded technology. In the process of trying to protect marginal segments of an expanding industry where India traditionally has had competitive advantage, fiscal policy has been killing the industry itself. The net result is that India is left without domestic production of quality textiles needed by the largest and most lucrative segments of the garment trade.

7) *Interest burden and NPAs:* Today, the textile industry occupies a significant portion of the NPAs (non-performing assets) of the banking sector in the country. For a large number of technically viable mills, the pressure of unbearable interest burden has been the limiting factor to growth and even to survival.

8) *Labour problems:* In modern days, most of cotton textile products are produced by improved machinery which has higher capacity of production than an ordinary labour and naturally it replaces labour in production. So larger amount of labours are not needed. The cotton textile industry has been faced with frequent labour problems. Cotton textile mills have become the playground for personal rivalries and political groups. Protests from labour have also come in way of modernization of textile mills due to fear of displacement and unemployment. The problem arises due to stagnant demand conditions, there is little possibility of the displaced labour being employed elsewhere in the sector. For example, a single worker can manage fifty automatic looms in place of five non-automatic looms.

9) *Eroding cost competitiveness:* India suffers from competitive disadvantage. Indian salaries and wages are higher by thirty percent than China and Pakistan. Indian spinners pay hundred to none hundred fifty percent more than their competitors. Not only is that but also for their power making power cost thirteen percent of the production cost.

10) *Dismantling of MFA and India's dissatisfactory export prospects:* Since 1975 the textile and clothing industry came to be governed by MFA (multi-fiber arrangement). The MFA handed countrywide quotas for exports of textiles. India had bilateral arrangement under MFA with USA, Canada, Australia, countries of the European Union etc. However, the Agreement on textiles and Clothing (ATC, 1995 which is a part of WTO agreements), the MFA was dismantled with effect from January, 2005. This opened up the textile industry to free competition at the international level for the first time in last 40 years. China and India will gain from this but it faces a lot of difficulties. India and china with their investment capacity, cotton and synthetic fibers production units suffer diseconomies of scale which hamper the cotton-textile production. Within one year of MFA regime, Indian textiles face many ups and downs movements after that, initially due to appreciation of Indian Rupee in 2008-09 and subsequently for global meltdown. Moreover, the performance of India's textiles continues to lag substantially due to rate of growth of exports. There are hundreds of power loom units producing most of the fabrics in the country with the share of the organized mill industry being

negligible. China is moving towards modernization and up-gradation and investing in large sums of money in building up its textiles and clothing industry, but the Indian industry has shown complacency and lack of enterprise. Indian industry has cost disadvantage and does not have better infrastructure.

11) *Competition from the Decentralized Sector:* An important factor for the growing sickness of the mill sector is the growth of the decentralized sector, the government allowed excise concessions and other privileges, such as exemption from the production and controlled cloth. The level of wages in this sector was much lower than that in the mill sector. Often, the decentralized sector made use of the names of the well-known mills and outsold the latter. The share of mill sector declined from sixty to four percent between 1951 and 2018, but the share of decentralized sector has been rising rapidly over the last many years.

6. Recommendations and the government undertaken policy for solving the problem

Recently government of India has taken certain positive steps for the improvement of conditions of cotton textile industry in India. There are many remedial measures has been taken by the government for solving the problems of cotton textile industry. Those measures are as follows,

- 1) Increasing financial helping source for its modernization.
- 2) Reduction of import duties on the export of textile machineries, raw materials & others things necessary for production.
- 3) Reduction of excise duties on improved yarn.
- 4) Setting up National Textile Corporation to run the sick mills.
- 5) Introduction of new Textile Policy for the modernization and expansion of this industry.
- 6) Setting up Textile Modernization Fund in 1986.
- 7) Adopting new strategy for the sick mills which includes providing working capital finance to control the liquidity problems, capacity modernization and shedding of surplus labour through a voluntary retirement scheme which will be handled by recently established National Renewal Fund.
- 8) Technological upgradation of the handloom sector, encouraging power loom cooperative societies to upgrade capacities.
- 9) Liberalization policy have been undertaken to remove or reduce controls like high import & export tariff, cota etc. and bring greater transparency in this sector. For this Foreign businessmen are given opportunity to come & set up their business by investing money. They invest foreign money either in partnership business, as company shareholders or establish their business by setting up own textile mills or industry.
- 10) The current export entitlement distribution policy which known as quota policy has been taken to make the system of quotas more simple, transparent which help to bring greater export earning & to facilitate modernization of this industry. Much Agreement has been signed on textile & cloth

production as part of the Act of GATT.

- 11) To improve in product quality & cost efficiency the government has proposed two major initiatives like Cotton Technology Mission & Technology Upgradation Fund for improving productivity and quality of cotton. Besides this, government also set up an expert group to review the existing textile policy and recommend changes in production of cotton-textile industry to tackle increasing international competition in international cloth market by improving quality of production. The government has also adopted the many flagship schemes namely the Technology Upgradation Fund Scheme and the scheme for Integrated Textile Parks, Integrated Skill Development Scheme etc. Moreover in different five-year planning period also, government has been adopted various active measures for improvement of cotton-textile industry and has increased budget outlay by increasing investment amount for developing infrastructure & quality of production of cotton textile industry. All these measures become beneficial and helpful to bring great success & achievement in cotton-textile industry production.
- Many cotton mills became sick and closed down. At one time nearly one third of the mills were closed down, throwing thousands of workers out of employment. The Government has set up the National Textile Corporation (NTC) to run these sick mills. At present, NTC has one hundred twenty mills under its management out of which sixty have been identified as unviable mills and fifty-five are viable mills. The Government of India has been regularly giving in money to rehabilitate and modernize these mills.
 - To modernize the textile sector, the government of India announced its Textile Policy in November, 2000 to make India a global market in textiles and readymade garments by raising the industry's exports. The Government has decided to dereserve the garment industry from the small-scale industry category to make the industry more competitive. Two more modifications were introduced. Foreign direct investment limit of 25 percent was removed and foreign companies could make hundred percent investments through Foreign Investments Promotion Board (FIPB) route. Secondly, a large amount export obligation on firms in which foreign equity was allowed was removed. The government did not agree to the recommendations of the Satyam Committee to abolish the Handloom Reservation Act and removal of hank yarn obligation due to social causes including the need to protect handloom weavers. The government would implement in a time bound manner the Technology Up-gradation Fund Scheme covering all manufacturing sectors of the textile industry. The main aim of the policy is to achieve an increase in cotton productivity by upgrading quality to global standards. For the spinning sector, the New Textile Policy would continue to modernize, liberalize and encourage export of cotton yarn and review the hank yarn obligation while encouraging adequate quantity of yarn to handloom weavers.

- Textile Industry had a long history for example, voluntary export restraints for cotton textiles in 1950s, the long Term Agreement in international trade in cotton textiles in the 1960s and 1970s and Multi –Fiber Agreement(MFA) between 1974 and 1994 which was replaced by WTO Agreement on Textiles and Clothing(ATC) in 1995 with specific quotas and finally ultimate removal of these quotas and full integration of the textile sector into two rules after a transition period of 10 years in 2006.
- The government has established Textile Export Promotion Council (TEXPROCIL) to strengthen and facilitate the export of textiles which is good foreign exchange earnings.
- Scheme for Integrated Textile Parks (SITP) was launched in 2005. Under this scheme, fifty integrated textile parks of international standards, covering weaving; knitting, processing and garmenting sectors have been sanctioned. Of the fifty sanctioned textile Parks, commercial production has commenced in twenty-five Parks giving employment to fifty thousand persons.
- A new scheme, Integrated Skill Development Scheme for the textiles and apparel sector including jute and handicraft was launched in 2010 with the objective of capacity building of institutions providing skill development and training for workers in the textiles sector.
- The Technology Up-gradation Fund Scheme was launched in 1999 to enable textile units to take up modernization projects, by providing an interest subsidy on borrowings. A restructured TUES was approved in 2011. The scheme is being continued in the twelfth plan.
- Another measure of significant importance has been the relicensing of the textile units to take up modernization projects by providing an interest subsidy on borrowings.
- For developing the four sector of the industry like mills, power looms, hosiery and handlooms in an integrated manner, the government announced a new Textile Policy in June 1985. The main objective of this policy was to enable the industry to increase production of cloth of good quality at reasonable prices for the vast population of the country as well as for export purposes. A Textile Modernization Fund was created in 1986 to meet the modernization requirements of the textile industry. A Textiles Workers Rehabilitation Fund was set up to provide interim relief to workers rendered unemployed for permanent closure of the textile units. Besides this, important measures have been adopted by the government in twelfth five-year plan for development of cotton textile industry.

7. Conclusion

The cotton textile industry is one of the oldest and most firmly established major industries in India. India is largest populated country and it occupies second position in the world. So the market of the cotton textile industry is larger in size and it has great demand. Within the industry various type of garments and cloths such as for ladies sari, frock, shallower

camiaage and for gents shirts, trousers etc. are produced. The textile industry depends on the production of raw cotton. Therefore, development of cotton textile industry is necessary which improve the economic condition of the country. Recently this industry is facing with various types of problems which hamper the industrial production. For this purpose, some important measurers should be taken such as availability of raw material, new machinery and modernization, new technology, regular power supply, improvement in factory's infrastructure & quality of raw cotton & cloth, removing labour problem etc. The government should also adopt various policies for solving this industry's problems. Emphasis should also give on increasing capital investment, number of factories and establishing economic fund or institutions for financial assistant.

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