

A Policy for Cotton Textiles

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- 1) The level of the capita consumption expected in 1960; and
- 2) Value judgements with reference to the decentralised sector and the relative emphasis on the goals of employment and price stability.

In a controversy of this nature' it is practically impossible to avoid bias but where the choice is between the treatment of a chronic malady and the prevention of an acute disease, the latter should have priority.

In short, price stability is more important under the. Second Plan with its inflationary potential than uncertain and costly remedies for diminishing rural under-employment.

THOUGH the Second Plan has been before the public for quite some time now, the Government as a whole still appears to have what may be described at best as an open mind in the matter of textile policy. The draft outline had stated in February that

"The output targets for mill yarn and mill cloth are at present under consideration and final conclusions have not yet been reached."

The final version of the Plan does not, go any further when I says that

"Overall targets for cloth and yarn production have been envisaged at 8,500 million yards and 1,050 million lbs respectively by 1960-61.

A firm allocation of this output as between the mills and the decentralised sector (powerlooms and handlooms for cloth and Ambar Charkha for yarn) has to be made,"

The Plan confirms, however, that "the spindleage already installed and licensed for installation is sufficient to produce 1950 million lbs of yarn."

In between and since, a number of conflicting statements have been made by different Ministers or the Central Government. This article is devoted to the rationalisation of these statements as well as other opinions expressed on this subject. One approaches this task with some hesitation since events and policies are moving rather rapidly these days and what is said here may be obsolete by the time it appears in print. The subject, however, is so important and the controversy on it so keen that it is difficult to resist the temptation of risking a plunge. The factual background of the present situation may be briefly recapitulated before we proceed to arguments.

Table I presents the relevant statistics about cloth production, exports and per capita availability since 1950, the first year of the Planning age.

If will be seen that per capita availability of cloth has gone up by nearly 60 per cent since 1950, a part of the improvement being attributable to the reduction in exports. Each of the three sectors of the cotton textile industry has contributed to this increase, though the present author has reasons to believe that handloom production is over-estimated in these statistics. As against a per capita availability of about 16 yards of cloth in 1955, the target for 1960-61 suggested by the Kanungo Report, the Khadi Board's programme and even the Second Plan (Draft Outline as well as the final version) is 18 yards. Together with an export target of 1,000 million yards, this would require a total cloth production of 8,500 million yards in 1960-61. To meet this expected increase in consumption of about 1,700 million yards, broadly speaking, three different lines of action have been proposed by various schools of thought, and one of these is explicitly of the view that the target of 18 yards per capita, is unduly low and that, therefore, the increase in production required would be of an order greater than 1,700 million yards.

Khadi Board Proposal

One line proposed by the Khadi Board, and one with which Shri Nanda, the Minister of Planning, is in complete sympathy, is to peg mill cloth production at 5,000 million yards and powerloom cloth production at 200 million yards (incidentally these figures are lower than those quoted in Table I, the discrepancy being particularly obvious in the case of the latter) and also to restrict the present supply of free mill yarn to handlooms at the existing (hypothetical) level of 350 million lbs. The yarn required to fulfil the additional production of cloth estimated at 908 million lbs should come from, the Ambar Charkha (improved hand operated spinning wheel) as per the Khadi Board's programme. The Government has not accepted these proposals so far at any rate, in spite of the promise of employment held forth by the Khadi Board. What the Second Plan describes as the "balance of public advantage" appears to have influenced the Government in assigning for the present only Rs 70 lakhs for the Ambar Charkha programme as against Rs 101 crores plus loan fact-

TABLE I
Cloth Production, Exports and Per Capita Availability

Year	Cloth production (in yds)			Exports (in yds)	Available for internal consumption (in yds) Per Capita	availability (in yds)
	Mill	Handloom	Powerloom			
1950	3,665	805	148	1,120	3,478	9.7
1951	4,076	850	157	823	4,238	11.7
1952	4,598	1,109	204	602	5,275	14.4
1953	4,878	1,200	221	716	5,566	15.0
1954	4,998	1,318	243	956	5,586	15.2
1955	5,094	1,480	273	873	5,951	15.8

Source: Indian Textile Industry's Statistical Bulletin Jan 1956 P 14.

* Includes a negligible quantity of imports and excludes cloth deliveries for "other purposes".

lities to the extent of Rs 632 crores demanded by the Khadi Board. An interesting news item in this connection is a Press release from New Delhi dated March 4, 1955 stating that "There has been a shift towards fine and superfine varieties in the production of handloom cloth during 1955." The Khadi Board's programme is confined to the count ranges 16s to 20s, with an average of 18s.

A second line of action proposed assigns only a minimal or negligible role to the Ambar Charkha but would like handlooms alone to produce all the extra cloth required, thereby allowing expansion only of spindles in the mill section. Within this school of thought, there is a deviation, led by the Kanungo Committee, favouring the conversion of handlooms into powerlooms. Most others, however, do not view powerlooms with any favour at all. In the controversy around the Ambar Charkha, this school of thought seems to have vanished from the limelight it enjoyed only a couple of years back, though adherence to it by handloom and spinning mill interests has tended to break up the supposed unity of the decentralised sector and thereby strengthened the case of the mill industry.

The Mill Industry's Case

The third line, put forward by the mill industry, various economists, and also by Shri T T Krishnamachari, the Minister of Commerce and Industry, considers the target of 18 yards per capita in 1960-61 an underestimate and would like to revise the figures to 20 yards, if not 22 yards in view of the recent diversion of exports to the home market, declining mill stocks, full order books with mills, and rising prices particularly of dhoties and saris. (See The Economic Weekly, June 2, 1956 p 042.) The position about stocks is indicated in Table II. Data for the current year are not yet available but if the decline noticed till the end of last year has continued which is probable since the offtake from the market was reported to have slackened at last only a couple of weeks back the target of per capita consumption of 15 yards is well on its way to achievement.

Reconciling Employment and Consumption

This school of thought holds, firstly, that handlooms alone are not likely to fulfil even the target of 1700 mn yds (on the basis of 15 yards

Year	Yarn mn lbs	Piecegoods mn yds
1950	36	334
1951	59	423
1952	69	539
1953	49	727
1954	51	678
1955 Jan.	50	615
Aug	24	301
Dec*	7	286

Source: Monthly Abstract of Statistics, Jan 1956.

*Source: Directorate of Industrial Statistics.

per capita) due to the difficulty of organisation and high cost and that they cannot, therefore be relied upon to satisfy an additional demand created by higher consumption; secondly complete dependence on the Ambar Charkha for additional yarn supplies would endanger not only the handloom industry but the entire structure of cloth prices and even the budget and the Second Plan through Inflation; thirdly, pegging mill production of cloth or yarn or both at the present levels would curtail exports owing to higher home prices, and thereby impair foreign exchange earnings. It is suggested in broad terms, therefore, that the common production programme for the textile industry should be kept free from rigid ceilings. In this programme, the Ambar Charkha should be considered almost wholly as an employment agency in distress areas and not allowed to impinge to any significant extent on the expansion of mill spinning capacity. Further, to meet export and home demand as well as to create an emergency reserve, mills may be permitted to expand their loomage particularly by installing automatic looms to such an extent as to create sufficient capacity to produce another 500 million yards.

Total Spindles installed	1st Shift	2nd Shift	3rd Shift
11.96	10.13	9.46	3.59

Estimates of 'Reserve Capacity' (mn yds of cloth)

According to	1st Shift	2nd Shift	3rd Shift	Total
C. L. Nanda	625	1,139	2,139	2,108
T T Krishnamachari	Nil	Nil	230	230

The remainder may be allotted to handlooms and powerlooms, simultaneously making provisions for the conversion of the former into the latter. These measures, it is suggested, should meet the Plan objective of reconciling the conflicting goals of employment and consumption stated as follows on p 434 of the Plan:

"Within the limits set by the need to avoid shortage of goods on the one hand, and the extent to which production in small units can be organised effectively to take advantage of a larger market in any individual case, the balance of public advantage will determine whether and at what level the capacity of a large scale industry should be limited."

Reserve Capacity of Mills

To these arguments, the advocates of Ambar Charkha and handlooms reply that the existing mill spindles and looms could be worked more shifts and that the 2.1 million spindles, licenses for which have been granted already, should prove sufficient. In view of the conflicting statistics and expert opinions quoted by Shri Gulzarlall Nanda and Shri T T Krishnamachari, it would be interesting to reproduce some of their figures. In their calculation of spindle capacity, Shri Nanda allows only 2½ per cent of the total spindles in working mills to remain idle on account of repair and maintenance while Shri Krishnamachari considers 5 per cent to be a proper proportion and cuts down the effective capacity further by deducting 0.5 million dilapidated spindles in working mills. The net result is that effective capacity in Jan 1955 is 10.1 million spindles according to T T K and 10.9 million spindles according to Nanda, both of them relying on "expert opinion". Since the number of spindles working on the first shift in Jan 1955 was 10.1 million, T T K finds no reserve capacity, while Nanda discovers unutilized capacity for manufacturing 344 million yards of cloth.

The wide divergence between the reserve capacity estimates of the two Ministers is indicated in Table III. I think that TTK is correct so far as the first shift is concerned; on the second shift, TTK con-

aiders another 224 million yards 'possible' taking 4 ozs per spindle shift (which ratio errs on the lower side) but rules it out as improbable. About the third shift, he is definite that the attitudes of employers and employees and the condition of equipment do not justify the optimism of Nanda. One factor to which TTK does not draw attention is that in the case of most mills not equipped with the latest machinery a third shift is seldom economic except when prices go up high enough and labour, raw materials etc are available. An individual mill can produce more at a higher cost on the third shift only if it can market its products easily and at constant if not higher prices a facility which is normally enjoyed only by the well known mills.

Wide Divergence

Till the suspension of licensing, 2.1 million spindles had been sanctioned by TTK's Ministry. Shri Nanda thinks that together with existing idl capacity, these new spindles worked three shifts could produce more than double the additional requirement of 1700 million yards of cloth. TTK replies that past experience as well as commonsense suggests that some of these licenses will not be utilized, and spindles will take time to be delivered, installed and worked upto the third shift stage; the new apindleage may therefore be expected to give results only after the third year or so.

In weaving also, Shri Nanda again finds enough *reserve* capacity in the mills, through more extensive third shift working, in the event of a shortage, to produce another 500 million yards of cloth which, in his opinion, renders it unnecessary to allow the installation of additional looms in mills. TTK, on the other hand, would like the mills to have 20,000 more looms, preferably automatic.

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- 2) Value judgements with reference to the decentralised sector and the relative emphasis on the goals of employment and price stability.

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