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The fall of the Textiles Industry in India before Democracy

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ABSTRACT: Indian textile industry has been considered one of the finest textile industries of the world from ancient times. It is believed that India became the “golden sparrow” in the past because of this textile industry. The Romans did business with India and apparently gave equal number of gold coins to Indians in exchange with the weight of Indian textiles. Even in the times of Mughals and British, the textile industries of Dhaka, Malwa and Banaras were considered as world class and exported throughout the world.

Earliest known reference to textile manufacturing is in the Rig Veda. There is a story about Sage Gritsamada in the Second Mandala of Rigveda which says – Sage Gritsamada first sowed cotton tree and received some cotton from it. He then made one spinner to make thread out of this cotton and eventually he made cloth using this cotton. This is how Sage Gritsamada gave this idea of making cloths via cotton during Vedic period. Historically India has made cloths of silk and cotton, and even gold and silver lining has been used. Eventually Indian textiles captured the world market and ancient Greek, Egypt and Arab world became our buyers.

The British generally wore clothes made up of either wool or leather even in summer. When Indian cotton clothes were introduced to them, they found it to be comfortable to wear in summer, it gained popularity among common people. Demand for Indian fabrics increased and this posed a threat to the traditional woolen industry. Due to this, an Act was passed in 1700 against the import of any of such fabric from India, Persia and China. All the goods seized in the process were to be confiscated, sold by auction or re-exported. But the consumers were not ready to give up use of imported cotton materials. Many pamphlets were published by representative of woolen industry to prevent consumers from buying those cotton goods. People wearing cotton clothes were attacked and even the houses with any of such cotton materials found were damaged. However this violence could not hold back the need of people to be clothed in something other than wool or leather. This tremendous violence and protest had to be addressed with new Act of prohibition. However this Act did not impose any ban on trading of cotton fabrics but they had to be kept in the warehouses and re-exported to other parts of the Europe. When the imports from India were restricted, imitators found a golden opportunity to make profit out of depressed demand of consumers. They started making low quality cloths in Britain itself and started selling these cloths in Britain.[1]

Even then the British business houses were not satisfied. Therefore in 1721, British parliament passed much more comprehensive Act than the older one, according to which anybody found in possession of these fabrics had to bear penalty. After this British business houses had started thinking about making machines for this industry. The innovation of spinning mill took more than three decades i.e. In between 1733 to 1765 they actually created first weaving machine to use steel comb replacing the early wooden combs. Then eventually they created a lot of these machines with some or the other means of improvisation, and at the same time they imposed several taxes on Indian weavers to destroy indigenous textile businesses of India. Not only this, they restricted Indian textiles to enter into the European markets. This effectively destroyed the Indian textile industries and increased the revenue of British industries.

Imposition of taxes, banning of Indian textiles in other markets and physically abuse of Indian weavers by British caused the death of Indian small scale textile industries. As Indian industries declined, British started selling their textiles in Indian markets too. American civil war (1861-1865) caused cotton prices to rise and led Indian farmers to turn towards cultivation of raw cotton. It helped Indian businesses to a certain degree but it couldn't reach up to that level which it acquired in the past.

After independence, India has continuously followed the same taxation model of Britain which causes more damage to small scale industries and local indigenous weavers. Due to partition, a big chunk of Indian textiles went to East Pakistan (now Bangladesh). Moreover the Nehruvian establishment followed the same British and Russian model of industrialization and because of this a lot of textile mills were established and they had started making textiles in India. It actually increased our GDP as per Nehru expected but it failed the Mahatma Gandhi's model of decentralization which says – We should follow 'Production by masses' instead of 'Mass production'. British made



machines because their need exceeded their population, but India should have followed the model of 'Production by masses' because our population was always more and needs was much lesser. But due to mass production by machines, thousands of people became unemployed. Most of the talented artisans and castes committed suicides or become labourers in other industries.[2]

It is the need of the hour that we understand the talent of these skilled castes & skilled artisans and remove unnecessary taxes that were imposed on them at the time of British Raj. If the government understands the talent and skills of these people and provides necessary support, we can again create a billion dollar opportunity without huge investments. These people are already talented and simply need support from the government. But if we continue to teach everyone English and computers in the name of skill development, then we will only produce more salesmen and gatekeepers of shopping malls.

I. INTRODUCTION

The Indian textile industry has gone through avoidable policy constraints in the past that have restricted the growth of this sector for decades. This distorted the structure of our industry to such an extent that most of the major industrialists who played an important role in the sector before and after Independence eventually migrated to various other sectors and textiles in general and apparel in particular became a small man's business.[3]

Foreign occupation for centuries and Industrial Revolution in Europe resulted in our losing the grip that we had on this industry for centuries, though production for domestic consumption somehow continued. Our textile exports almost needed a rebirth after Independence. World trade in apparel started in significant quantities from the 1950s. However, India's exports of apparel assumed significant levels only from the 1970s onwards. That was the peak of the 'License Raj' in India, with its strangle hold on industrial production.

During the initial decades after Independence, two major factors influenced Government policies in the textiles space: the lack of capital to invest and the need for uplifting rural economy. Global sourcing of inputs was also very difficult because of limited availability of foreign exchange. The Indian apparel industry had to develop initially within these constraints and that is the major reason why it developed in the SME sector and the product mix was constrained by fabrics domestically available. The tardy progress in the areas of innovation and product diversification in this sector is substantially attributable to this backdrop.[4]

Even now, the dominance of domestic inputs continues and ours is perhaps the most self-reliant textiles industry in the world. China which has the largest textiles industry is also the third-largest importer of textiles in the world. We have the second-largest textiles industry with imports at less than 10 per cent of domestic production and that is also mostly restricted to speciality products not available locally and those from global suppliers nominated by importers. The practice of exporting textile products from imported raw materials has not caught up with our industry. A strong urge to keep dealings with customs authorities to the minimum and delays involved in clearing imported fabrics and later proving that they have been fully used for export production, are elements that still influence decisions on sourcing of raw materials by the apparel industry. This is part of the reason why we have limited presence in high volume products like uniforms, industrial garments and regular wear. This has to change. There is immense scope for increasing apparel exports from imported fabrics.

In the case of Government levies, the textiles sector had a deadly combination of high excise duties and a large number of exemptions for a long period. The policies had a soft corner for the small entrepreneurs and several products were reserved for small and decentralised units in order to insulate them from competition with larger players. This made the textile manufacturers incapable of handling international competition, when we were forced to open up our markets. Most of the segment-specific excise exemptions and disparities in other policy areas were removed from 2004 onwards. The major disparities that still remain are the reservation of 11 items exclusively for production in the handloom sector where they cannot be produced competitively, the hank yarn obligation that forces spinning mills to pack huge quantities of yarn on hanks beyond the capacity of the handloom sector to consume, and the additional duty burden on manmade fibres. Most of these constraints affect the non-apparel segments. However, SSI reservation on apparel products which had been driving apparel industry to the unorganised sector was also removed only around the same time. Moreover, growth in the apparel segment is closely linked with availability of suitable fabrics at competitive prices.



Our craft and heritage could hold sway in global markets in the distant past. But today we need technology, productivity and cost competitiveness. There was a time when a major part of our apparel exports was from handloom fabrics. Today, handloom fabrics are rarely used by garment exporters. This is simply because demand trends in global markets have shifted away from handloom products. But our policies including the Foreign Trade Policy are still stuck with concerns for the handloom sector.[5]

Our domestic policies also try to promote handloom goods to the detriment of other textiles. And it is not as if this focus is making any dramatic improvement in the plight of the artisans. They continue to be under-paid and at the bottom of the pyramid and the number of handlooms in operation has been consistently declining for decades now. Our heritage and craftsmanship in the textiles space are invaluable. We were masters in these much before the western world learnt to produce textiles and they have admired these for centuries. But the question is, if they are not interested in them now, should we keep on labouring to bring them back to these products or try to produce what they want? In a situation where global consumers are looking for modern products and they have abundance of them coming from several countries, can we afford to spend our efforts and resources to push our heritage products to them? Retraining and redeploying workers engaged in unproductive sectors should be able to address their livelihood issues.

There is no gainsaying that heritage and crafts should be preserved. The only issue is whether the marketplace is the best location for doing this, especially the global markets. The social objective of protecting the livelihood of our artisans and the economic imperative of achieving the maximum possible growth of our textiles sector are both important. And these are not mutually exclusive, if we guide and assist the handloom sector to produce what it can produce competitively and leave the other products to power looms and mills that can handle them better.

Once we shift the focus in Government's textile industry policies from the past to the future and create conditions where competitive production can be ensured in the whole textile value chain, this industry can grow immensely and play its legitimate role in developing the manufacturing sector and generating productive employment. There are a few things that need to be done immediately to set this process rolling. Some of them are explained below.

It is important to attract investments in large production facilities in order to ensure economies of scale in regular wear and industrial garments which have a huge demand in global markets and negligible presence from our industry at present. This would become viable only if the labour law regime is updated to the level of what is prevalent in our competing countries and in the importing countries.

Outdated policy stipulations like handloom reservation and hank yarn obligation should be withdrawn in order to unshackle the fabrics and spinning segments and allow them to produce more competitively. Efficiency, rather than vulnerability, should guide Government policies because markets, especially the global markets, are ruthless in competition. Our apparel industry can achieve its true potential only if the focus of Government policies for the entire textiles and apparel sector are revamped with this approach.[6]

II. DISCUSSION

The Indian textile industry, once the cornerstone of the country's economy, is facing the severest crisis in its long and profitable history. As little as two years ago, the textile industry was riding the crest of a gigantic wave, with increasing production figures, skyrocketing profits and an expanding market. Since then, the textile industry has experienced one of those inexplicable traumas that seem to besiege Indian industry with unwavering regularity.

Being essentially Indian in origin, cotton industry was started, financed, and managed by textile magnates who combined their traditional commercial activities with new industrial enterprise through a unique system of industrial management—the Managing Agency System (MAS).

Of course, this provided the constant inflow of the commercial capital in the industry through its 'commercial nexus' but, at the same time, the system had retarded the growth of the 'industrial specialists'.



The Indian cotton textile industry had to face stiff competition from Britain's most internationally aggressive cotton industry. And, in the process, British industry suffered a lot at the hands of the Indian industry. But some events of the 1920s eroded the competitiveness of the Indian industry. After the end of the World War I, Japanese exports of cloth to India acted as a big threat to the Indian industry though such Japanese exports were held in check in the 1920s. But it reappeared after 1930 despite a high tariff rate of 50 p.c.[7]

Most of the labourers of the cotton mills were unsophisticated in the sense that they were recruited from the small peasants and agricultural labourers. As a result, permanent textile labour force could not arise. Above all, they maintained 'village nexus' with their home village so as to return to their home land when the situation demanded. Textile machinery and technology used in this industry were imported before the World War I and it continued till the outbreak of the World War II. However, India could not procure modern equipment's from America and Japan because technology of the cotton textile industry was heavily Manchester-biased.

The prejudice in England against automatic looms acted against the use of such looms in India. During the War years (1914-18) favourable conditions for the expansion of the weaving section of the mill industry could not be capitalized because of excessive dependence on imports of machinery and mill stores.

Indian cotton textile industry could not become a leading industry as it lacked various linkage effects. For instance, textile machinery was unavailable in India—all of this machinery was heavily import-dependent. Further, Indian industrialists did not put much importance on having a skilled labour force.[8]

III. RESULTS

The two world War and the Swadeshi movement provided great stimulus to the Indian cotton textile industry. However, during the period 1922 to 1937 the industry was in doldrums and during this period a number of the Bombay mills changed hands. The second World War, during which textile import from Japan completely stopped, however, brought about an unprecedented growth of this industry. The number of mills increased from 178 with 4.05 lakh looms in 1901 to 249 mills with 13.35 lakh looms in 1921 and further to 396 mills with over 20 lakh looms in 1941. By 1945 there were 417 mills employing 5.10 lakh workers.

The cotton textile industry is rightly described as a Swadeshi industry because it was developed with indigenous entrepreneurship and capital and in the pre-independence era the Swadeshi movement stimulated demand for Indian textile in the country.

The partition of the country at the time of independence affected the cotton textile industry also. The Indian union got 409 out of the 423 textiles mills of the undivided India. 14 mills and 22 per cent of the land under cotton cultivation went to Pakistan. Some mills were closed down for some time. For a number of years since independence, Indian mills had to import cotton from Pakistan and other countries.[9]

After independence, the cotton textile industry made rapid strides under the Plans. Between 1951 and 1982 the total number of spindles doubled from 11 million to 22 million. It increased further to well over 26 million by 1989-90.

Towards the end of the 19th century, the cotton industry encountered a variety of problems. A series of crop failures between 1896 and 1902 reduced the off-take of cloth in domestic markets. Foreign demand for both yarn and cloth dropped remarkably in 1893.

Between 1894 and 1906, tariff agitation generated a great deal of uncertainty in the industry. Political disturbances in China adversely affected Indian exports to China. The year 1896 gave rise to a scarcity of labour and a rise in wages in Bombay industry following bubonic plague. In 1902, the American cotton boom resulted in a shrinkage of profits in the Indian industry.

In spite of protection offered to the industry, it experienced a prolonged phase of depression after 1923 because of:

- (i) The growing Japanese competition,
- (ii) Rise in the prices of cotton and imported mill stores, and



(iii) The fall in the purchasing power of the agriculturists after 1921-22.

IV. CONCLUSION

India has been well known for her textile goods since very ancient times. The traditional textile industry of India was virtually decayed during the colonial regime. However, the modern textile industry took birth in India in the early nineteenth century when the first textile mill in the country was established at fort gloster near Calcutta in 1818. The cotton textile industry, however, made its real beginning in Bombay, in 1850s. The first cotton textile mill of Bombay was established in 1854 by a Parsi cotton merchant then engaged in overseas and internal trade. Indeed, the vast majority of the early mills were the handiwork of Parsi merchants engaged in yarn and cloth trade at home and Chinese and African markets. The first cotton mill in Ahmedabad, which was eventually to emerge as a rival centre to Bombay, was established in 1861. The spread of the textile industry to Ahmedabad was largely due to the Gujarati trading class.[10]

The cotton textile industry made rapid progress in the second half of the nineteenth century and by the end of the century there were 178 cotton textile mills; but during the year 1900 the cotton textile industry was in bad state due to the great famine and a number of mills of Bombay and Ahmedabad were to be closed down for long periods.

However, The Indian textile industry is currently one of the largest and most important sector in the economy in terms of output foreign exchange earnings and employment in India. The Textile industry has the potential to scale new height in the globalized economy. The textile industry in India has gone through significant changes in anticipation of increased international competition. The industry is facing numerous problems and among them the most important ones are those of liquidity for many organized sector units, demand recession and insufficient price realization. The long-range problems include the need for sufficient modernisation and restructuring of the entire industry to cater more effectively to the demands of the domestic and foreign markets for textiles as per the needs of today and tomorrow.[11]

The future outlook for the industry looks promising, rising income levels in both urban and rural markets will ensure a rising market for the cotton fabrics considered a basic need in the realm of new economic reforms (NER) proper attention has been given to the development of the textiles industry in the Tenth plan. Total outlay on the development of textile industry as envisaged in the tenth plan is fixed at Rs.1980 crore. The production targets envisaged in the terminal year of the Tenth plan are 45,500 million sq metres of cloth 4,150 million kg of spun yarn and 1,450 million kg of man made filament yarn. The per capita availability of cloth would be 28.00 sq meters by 2006-2007 as compared to 23.19 sq meters in 2000-01 showing a growth of 3.19 percent. The export target of textiles and apparel is placed at \$32 billion by 2006-2007 and \$50 billion by 2010.[12]

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