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Cotton Textile Industry in India is perhaps the only industry with which the people of this country are closely connected from the points of investment, employment and as consumers.

Professor Thakker has made a thorough study of this important subject specially of war-time effects on it. Starting with a theoretical approach to the problem and tracing the growth of the Cotton Textile Industry in India he discusses fully the pros and cons of war economy and the place of India in war-time industrialisation. A brief history of the industry is given from 1854 to 1945. The effects of war on the financial structure of the industry, survey of the labour conditions during the two wars, scarcity of cloth and consequent controls, and the future of the industry are discussed.

In order to make the book useful to the students, in the second part the organisation of the industry is discussed in detail, specially the operation in a textile mill and problems connected with hand loom and power loom industry. The concluding chapter on recent trends discusses the economic repercussions of the partition to the industry--competition of new fibres--decreasing production & reintroduction of controls.

The volume will be of immense use to the industrialists as well as to students of cotton economics in particular.

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# THE INDIAN COTTON TEXTILE INDUSTRY



**THE  
INDIAN  
COTTON TEXTILE INDUSTRY  
DURING TWENTIETH CENTURY**

*(With Special Reference to War-periods)*

**BY**

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To  
*The Memory of My*  
*Loving Sister*  
*Kamala Devi*



## P R E F A C E

Never before in the history of India the problem of clothing her "teeming millions" assumed such serious proportion as it has today. In spite of her increased production "A cry for cloth" is heard from various parts of India. Coming as I am from a city which is one of the biggest centres of the Textile Industry of India and being a student of commerce as well, the problem could not but attract my attention. The scarcity of cloth, we were told, was one of the results of the war. Hence I decided to study the effects of wars on all aspects of this Industry. Later on I felt the necessity of studying the effects of the last war for a correct approach to the problem and this made me select the subject of the original thesis i.e. A Comparative Study of the Effects of Two Great Wars on the Cotton Textile Industry of India.

Before assessing the effects of the wars on our Cotton Textile Industry, I have given as a background of our study a brief history of the development of this major industry of India. On the eve of the last world war, India was dependent to a large extent on foreign countries for her clothing requirements. During this war not only has she become independent, but has made other countries to depend on her for their vital requirements of cloth. This war has seen the development of new markets like Palestine and Australia and the expansion of the existing ones.

The financial condition of the industry has undergone great changes, and it has emerged from these wars with immense financial strength.

Labour during the last war had to suffer much as allowances and bonuses granted were not sufficient to meet the increased cost of living. The real wages this time, though not increased have not gone down like the last war. This was due to strong labour organisation which could get an increase in their wages. In Ahmedabad

especially dearness allowances increased with the increase in the cost of living.

The Industry had to face certain problems like the supply of dyes and chemicals, machinery, coal, transport, labour and taxation, which though common to both the wars differed in their magnitude. The country experienced an acute shortage of cloth consequent to the cessation of imports and increase in exports. Production could not be sufficiently increased to fill the gap and meet increased demands due to increased purchasing power in the hands of some sections of the community. All this resulted in high prices. The Government tried to protect the consumers from this exploitation by a series of measures which aimed at controlling the prices and eradicating black markets. The control was comprehensive in scope and embraced all the aspects viz. production, trade and distribution.

It is shown that the control was not as effective as it should have been due to the absence of co-operation from public, which is most essential for its success.

In chapter ten the future of the industry is envisaged. The chances of the industry facing severe depression are remote in the near future. Yet, if India is to become independent of foreign countries and to retain her new markets, a systematic plan by the Government and the industry is necessary.

There are certain inherent difficulties in the way of such a study. And one of them is absence of reliable statistics which can be used for statistical comparison. In spite of this, I tried to collect statistics personally, but war time conditions have created a distrust in the minds of those who are in a position to supply them.

I have made an humble effort—the first of its kind so far as I know—to discuss the problem created by war. Whether I have succeeded fairly in the task or not is for the reader to judge.

To suit the requirements of the students reading for the degree of B.Com. I have incorporated in this book the curriculum prescribed by the University of Bombay for the third paper of cotton.

The second part of the book deals with organisation of the industry, important operations in a cotton mill; and the heated problem of Cotton Textile versus Handloom industry.

Certain technicalities of the original thesis are dropped, and others are considerably modified with a view to make the book readable by all who are interested in the subject.

I have to express my gratitude to Prof. D. S. Savkar and Prof. M. L. Dantwala under whom I was working before they left H. L. Commerce College, and to Principal S. V. Desai and Prof. S. G. Patwardhan who in spite of their preoccupation with heavy work in the college came to my rescue at the eleventh hour and helped me to complete the work in proper time.

Ahmedabad,  
24th November, 1947

**N. H. THAKKAR**



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## CHAPTER I

### INTRODUCTION

Wars are destructive in operation but to achieve the ends of such destruction they have to be constructive in directing those operations. Modern wars are wars of resources and therefore bring about economic upheavels demonstrating extraordinary swift powers of regeneration inherent in our economic system provided its inner driving force and external trappings are kept in tact.

All the countries of the world being economically interdependent, economic phenomena are universal in their effects. Political and economic changes, therefore, taking place in far distant corner of Russia or America definitely have their economic repercussions on India. In these circumstances, India cannot escape the effects of a world catastrophe, like the present war. To understand the effects of the present war on India it may therefore be necessary to describe briefly the all-pervading character of a modern war-economy.

The essence of war economy is the sacrifice of immediate economic welfare to the urgent needs of war. That results into a fundamental change in the economy of a country. In a non-collectivist state the peace economy is based on the successful anticipation of the future wants of the population, but different is the case in war-economy. Demands are then determined more or less by government and made known before the productive process begins. The national productivity and ability of a government to borrow abroad existing claims to wealth are the factors governing the power of the government to acquire the goods and services. Therefore the problem of war economy for all governments is how best to harness and activate the various resources for use in the conduct of the war. War demands will differ from normal demands not only as regards the physical objects it causes to be produced, but in that it will be exercised mainly by the state and not by the whole mass of the population as is the case in normal time. In war time the state at once purchases itself a major portion of the total national production and as regards the rest determines to a very large extent what shall be produced and what prohibited; in short it substitutes its own preference schedule for the aggregate preference schedule of the various

income groups of the population. This type of shift might be introduced either by the monetary mechanism or directly on the goods that the individual consumer may wish to buy through the measures of restraints like rationing, controls, etc. The result of these types of restrictions is that they work as buffer against the repercussions consequent on change in economy—while transition from peace to war economy or vice versa is going on—by the application of the principle of equality of sacrifice.

During the present war, therefore, the object of most of the belligerent states has been to achieve a maximum output of goods and services needed for war. This has involved drastic changes not only in economic activity but also in economic structure and organization as well as in the availability and ownership of the resources. All unutilised productive resources have been made use of by governments, existing resources which were actively employed in producing other goods and services have been directed to their own needs, and part of the national capital reserves have been expended either by not making good the wear and tear of the machinery, buildings, etc., or by selling their foreign investments; with an intention to maximise production of the desired type. The employment of unutilised resources has naturally created during the war, conditions of full employment, not necessarily of all equipment, but in nearly all cases of all labour available after of course the claims of the fighting services and of all the equipment suitable for war purposes have been met. A considerable amount of equipment not suitable for war purposes is left idle.

At this stage it is obvious that actively employed resources have been diverted to the war-effort by restricting civilian consumption and investment to meet civilian needs. The necessary curtailment of civilian demand has been effected by taxation and restrictions on increases in income and on consumer's credit, which together have limited the amount of funds available for private expenditure. Amongst such measures some of them are the rationing of the consumers' goods, stopping the production or import of certain classes of goods and schemes to promote voluntary or enforce compulsory savings.

#### **Pros and cons of war economy:**

Growth of the engineering and machine tool industries in various parts of the world, the acceleration of the industrialisation of certain agricultural areas, shift

in population, the new distribution of the holdings of foreign assets, the universal and quasi-universal imposition of exchange control, the freezing of foreign assets by certain governments, all these are facts affecting the future of society. The present war, as discussed above, has given rise to far-reaching changes not only in economic structure, but also in ideas concerning the objectives of economic policy and the means by which these objectives should be realised. This is amply seen by a number of post-war plans which have cropped up in all parts of the world including India.

Referring to the intensity of the problem of such a transition from war to peace time economy, report of the Delegation on Economic Depression states "The war is creating economic changes and upheavels that will greatly intensify the forces leading to instability on the post-war world and it is necessary to devise policies in advance if the risk of depression and unemployment is to be mitigated. If the economic and social objectives of United Nations are to be fulfilled, means must be devised maintaining in time of peace, the high levels of production and employment achieved in war time."\* After the publication of the report the United Nations tried to arrive at some international currency plans and plans dealing with other economic problems apparently with no substantial result.

Another difficulty created by the war is apparent full employment of resources. We should not forget that this apparent full employment of the resources is distinct from full employment which is considered to be a fundamental object of social policy after the war. Firstly, a large proportion of the working population is engaged in the armed forces or in industries connected with them and not in economic pursuit as such, which wholly or partially will be required to be reabsorbed in civilian pursuits. This will be the fate of all munitions and armament industries whether in India or in any part of the world.

In all countries a considerable amount of equipment which cannot be converted to war use stands idle.

There has been enormous extension of plant, the manufacture of which directly or indirectly could help the prosecution of war. A number of mines which could not work profitably have been opened up, a number of cotton textile mills which were on death point at the commencement of the world struggle are given a stimulating doze, those already in good position have made huge profits and

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\* Report of The Delegation on Economic Depression, Part I, p. 7.

are financially strengthened, substitute materials are being produced on a vast scale that will have to meet competition of scientific products as soon as the normal channels of trade are reopened and the destructed and devastated countries have rebuilt their economic and industrial structure. Some of the industries engaged in the production of materials which are especially new are likely to survive even in peace time economy (as well those of strategic importance). But the future of others is very doubtful. Much of plant and equipment and many skills acquired during the war will prove redundant, and many centres of industry will decline. It should also be noted that a considerable change in fashion is introduced by every war. Mr. Vellodi, the then Textile Commissioner of India, in his statement pointed out "Every war brings a change of tests, the persons who never aspired to buy fine cloth before the war, have been given the means to buy it, even at the inflated prices of such cloth to-day."\*

The intensity of war economy and considerable shift of the factors of production are well marked from the following illustration.† "In the last pre-war year the United States manufactured somewhat under 6,000 aeroplanes of all types and employed about 49,000 workers in the industry. According to plans formulated at the end of 1942 production is to be raised by the end of 1943 to an annual rate of 1,25,000 planes with 12,00,000 employees." Throughout the globe similar, if less or more violent, distortions took place. Illustrations of India are given after a few pages little in detail. But it should once more be stressed that excess plant, whether due to expansion to meet military needs or civilian needs, in areas cut off from their former sources of supply, constituted one of the greatest causes of economic instability after the last war; and it will no doubt create a great difficulty after a few years after the war is over. Nevertheless the expansion of basic industries indirectly contributing to war efforts like metal, engineering and above all the machine tool industries during the war should in general prove an asset rather than a liability. The whole modern industrial structure of a country can be based on the basic industries.

The necessary factors of war economy are measures to curtail general consumption by restriction on spending, and by depletion of stocks of raw materials and goods in the hands of the consumers. These factors will have a

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\* Quoted by Mr. M. P. Gandhi, *Cotton Textile Annual*, 1944, p. 5.

† Report of the Delegation on Economic Depression, p. 7.

countervailing effect to the resultant excess capacity of the war period, because the restrictions will be withdrawn and hence demand will be increased. The deficiencies stated above, together with dilapidated houses and lack of houses, are all the natural results of the diversion of resources from civilian to war needs.

We have noted above the pros and cons of the war economy. Here it is necessary to point out the difference of the effect of the two wars on the industries. The industrial development that has taken place during the present war is in striking contrast to the development during the World War First. Between 1914-1918 there was a rapid expansion of consumers' goods industries in countries which could not depend upon the essential supplies. But during the World War Second, countries in this position, though they found it difficult to obtain the necessary machinery, developed their engineering and basic industries. This process in the end will stimulate all round industrial development. The industrialisation of undeveloped area in this way tends to increase trade by increasing wealth; but this will affect already industrialised areas which should be prepared to absorb the shocks.

A natural and necessary consequence of war time economy necessitates concerted and co-ordinated actions on international scale. During the war, therefore, a number of Anglo-American agencies that sprung up exercised important administrative functions. To mention a few..... The Combined Food Board; The Combined Raw-material Board; Combined Production and Recovery Board; Committee On Post-war Requirements, Munitions Assignment Board; Combined Shipping Adjustment Board; United Nations Reconstruction and Rehabilitation Association, Eastern Group Conference, etc., etc.

**Place of India in the Wartime industrialism with a special reference to the Cotton Textile Industry:**

As discussed above, it will be found that this switch over from peace to war time economy brings out three marked phenomena in the industrial structure of a country.

1. Some industries receive unprecedented stimulus resulting into increased contribution to the industrial production of the country. This is the case with already established industries like jute, iron and steel, cement, mining and Cotton Textile to mention a few of them only.

**Cotton-Textiles:**

It will be evident from the study of progress, prosperity and imports and exports aspects of the industry during

both the world wars that this industry rooted its origin deeply after the first world struggle and became the greatest National industry during World War Second, becoming at the same time an important contributor to the war efforts.

This is enough to show that there will be some industries generally established which will have unprecedented boom period during the war period.

### Causes of this phenomenon:

The causes of this and following phenomena have been discussed in foregoing page but it will be useful to recapitulate them here with necessary illustrations.

(a) Huge demand for materials particularly from Government quarters. It is interesting to note that during the World War First, such demand amounted to £ 80,00,000 by 1918 and the figures of the purchases made in the World War Second by Government of India, Supply Department were as follows:

From the outbreak of the war to the end of December, 1941.

	Crores of Rs.
Engineering Hardware and Miscellaneous	97.67
Cotton Textiles .. .. .	50.41
Other Textiles .. .. .	28.81
Woollen Materials.. .. .	50.41
Food stuff .. .. .	16.15
Leather Materials .. .. .	10.18
Finer and Wood Wear .. .. .	9.20
	262.83

\*The aggregate value of contracts to the end of December, 1942 totalled Rs. 454.5 crores, and we may well say with justification that a large portion of the output of the woollen, iron and steel, munition and ship-building industries were supplied for war needs.

(b) Consumers' demand also increased due to cheap money policy that the Government was obliged to follow to finance the gigantic war. The vicious spiral of inflation went on till the end of 1942 unchecked as is seen from the fact that the total notes in circulation increased from 178.89 crores in August, 1939 to 308.46 crores in 1941-42 (average) to 643.58 crores on 26th March, 1943 to 737.62 crores on

\* P. C. Jain's 'India Builds Her War Economy', p. 11, *Capital*, 2nd July 1942.

9th July, 1943.\* The agrarian prices went up and the industrial labourers also gained their dearness allowances much earlier than the World War First. This resulted into increased demand for the commodities. This meant higher prices at which both the Government and the consumers will have to purchase their requirements resulting once more into inflationary tendencies—higher prices—more profits and prosperity.

(c) Sometimes virtual stoppage of external trade due to shortage of tonnage or (ii) coming into existence of enemy countries which were either the supply or the market basis before the war. The unprecedented fillip received by the Indian Cotton Textile Industry during the World War First was mainly due to shortage of tonnage and pre-occupation of Lancashire for production of war materials.

(d) Opening of new markets and development of neighbouring markets where foreign competition was severe. It may be stated here for an illustration that Indian Cotton Textile Industry got an opportunity of having and exploiting Persia, Asiatic Turkey, Straits Settlements, Aden and Dependencies, African and Ceylon markets during the World Wars First and Second.

2. Second marked phenomenon brought out by the study of the industrial structure of a country during war years is that some industries receive a definite set-back. They are:

(a) the industries which are dependent on imported raw materials which may not be available in the country;

(b) the industries, necessary machinery, for which may not be available in the country and its imports are rendered impossible due to shipping shortage or pre-occupation of the manufacturing countries for manufacture of ammunition and arms;

(c) industries which may be dependent on foreign markets the loss of which could not be made up in the home market due to peculiar taste of the foreign market distinct from that of the home market.

The condition of the match industry during the World War First, that of coloured glass, porcelain, paper and hosiery industries of India during both the wars amply illustrates the second phenomenon. Certain industries like Cotton Textile, Iron Steel, Starch, Chemicals, etc. could not make most satisfactory exploitation of the opportunity provided by wars owing to shortage of certain dyes

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\* "Financial Burden of War on India" by C. N. Vakil, pp. 59-60.

imported from Germany. This accounts for the chequered expansion of the industrial structure of the country even at the most opportune time.

3. Wars may also give rise to new industries.

This phenomenon can be deduced from the discussion of the new enterprises sprung up during the war period. The first and foremost of which naturally was aircraft industry. Before the commencement of the war the existing industries included a metal and steel factory, a gun factory, a shell factory, factories for manufacture of rifles, cordite and ammunitions.\* "Following the recommendations of Chetfield Commission the expansion and modernization of existing ordnance factories for manufacture of high explosive at the cost of Rs. 4 Crores was executed with a view to increase its capacity by 20 per cent... As a result of the Roger Mission of 1940, twenty new projects were undertaken at a total cost of Rs. 11.5 crores." No figures of production could be had but the productive capacity greatly increased and a systematic use was made of spare capacity of Railway workshops, Jute and Sugar factories, and government mines for the manufacture of munitions and armaments.\* "Between 250 and 300 trade workshops and 23 railway workshops also assisted in producing nearly 700 different items of munitions supply. Among the important munition items manufactured by them were empty shell, fuses, mortar bombs, grenades, anti-tank-mines and high explosives." Among the other industries sprung up during the war mention may be made of Air-craft factory sponsored by Mr. Walchand Hira-chand in 1940. (The Government of India and The Mysore State being interested). Difficulties of imports of machinery and lack of skilled and technical labour did not allow it to be more than an assembling work. Ship-building industry also received an incentive, though the long-standing demand for Indian mercantile marine is still unsatisfied. The Eastern Group Conference recommended the use of about six repairing and refitting yards at Calcutta, Bombay and Karachi. A yard was started at Vizagapatam in 1941 but could not develop satisfactorily due to step-motherly attitude of the Government.† The plan expected to turn out 16 vessels of 6,000 to 10,000 tons replacement, annually.

Considerable strides were made by the machine tool

\* Vide "Indian Information" of January 1st and March Issues 1942.

† The Presidential Speech at 1941 Annual General Meeting of the Scindia Steam Navigation Company. : also 1942 Speech.

industry, bobbin-making, engineering and metal works. Under Machine-tool Control Order 71 licences were issued upto August 1941, and the production amounted to 400 units per month. Among types produced are machine-tools from simple drills to special machines for munitions purposes. The Tatas produced about 50,000 tools per month. Deficiency of chemicals and dyes have retarded the otherwise glorious future of certain industries of India. The position of the industry did improve during the Second World War. More than eleven factories could start their works due to stimulus given by the war, that included caustic soda, sulphuric acid, bleaching powder, soda-ash produced by Alkali Chemical Works at Kherwa. Acetic acid was produced at Dhrangadhra Chemical Works, (Gujarat) and a number of starch factories produced starch necessary for the sizing department of the Cotton Textile Industry, two big factories being situated in Ahmedabad District. Considerable headway was made in the production of sulphuric acid. The above discussion of the war time economy and resultant tempo in industrialism of a country with special reference to India brings one to the conclusion that the modern wars are "Industrial Wars" and the wars of resources. Therefore, a country that is industrially more advanced will gain victory over those which are even little slow in the race of its advancement. The first in the field comes out with flying colours as is proved by the arsenal of democracy—America. That Germany and Japan were defeated by superiority of materials of the Allies amply proves the above dictum of 'Industrial Warfare.'

The question is what place does the Cotton Textile Industry hold in this picture? It is a well established industry since the beginning of the century and the wars have given it stimulating doses that gave it stamina to stand against a number of hitches created either by the Government or foreign competitors. The discussion of the industry throughout this thesis helps one to conclude that the first important phenomenon propounded before, most satisfactorily operates on the industry. The industry is credited with having become a very vital war industry particularly during the World War Second, in view of the fact that it clothed not merely the allied armies in many theatres of the war but also supplied cloth of considerable quantity for tents, parachutes and for civil consumption in the neighbouring countries as well. This is seen from the fact that the total

value of orders placed by the Supply Department upto 31st December 1941 since the outbreak of the war amounted to Rs. 50.4 crores excluding the orders placed by the Eastern Group Council, and some of the purchases made by the Defence Services on their own behalf. This industry occupied the first place in the orders placed by the Government of India and Eastern Group Council. The quantity of offtake by the Government amounted to 1,100 million yards for war purposes out of the total production of cloth of 5,500 million yards including 1,500 million yards handloom production.\* Quantity representing strategic exports in 1941-42 to countries such as Turkey, Near East, and Middle East amounted to 700 million yards. Civilian demand also increased owing to ever increasing inflation in the country throughout the war period.

As against this, an impression of the effects upon the Indian mills of the placing of all Indian requirements on them during the World War First might be gathered from the figures of supply of some of the larger items during the year 1918, as given in the foot-note.† This together with the study of progress, prosperity, production, exports and imports aspects of the industry, and of the effects of the wars on balance-sheets bring one to the conclusion that the tendencies marked during and after the World War First are all evidenced during the World War Second, but in an intensified and little different form owing to the World War Second having been fought at the gates of India. The contribution to the Government war efforts has been considerably more than it was during the World War First. The prosperity was unprecedented in the history of the industry but it was made scientific and chanelised by government measures of taxation and controls. The Excess Profits Tax took away about 66.2/3 per cent of the profits of the industry, coupled with 13 per cent compulsory deposit. The direct contribution to the war efforts by purchases of war loans

* Khaki dyed drills and pugree cloth ..	46,500,000	yards.
Grey and Bleached cloth .. .. .	9,000,000	„
Webbings and tapes .. .. .	49,000,000	„
Cotton ropes .. .. .	11,000,300	„
Flunnette .. .. .	2,250,000	„
Cotton canvas bags.. .. .	200,000	„
Kullas .. .. .	500,000	„
Pillow Cover & Cases .. .. .	200,000	„
Yarn & thread .. .. .	400,000	„

In addition to this some 10,000 tents were supplied and dosuti cloth was produced in considerable quantity.

† Cf. "India Arms For Victory".

and securities by the industry was considerably increased, particularly in respect of the Bombay Mills if compared to the last war period.

In view of the increased wage-cost from practically beginning of the Second World War unaccompanied by increase in their efficiency; increased prices of all materials required by the industry, increased taxation and measures of controls over prices of piecegoods, and unjustified and artificially raised price-level kept for foreign cotton in India and the consequent deterioration in quality of cloth produced during the war period; the competitive ability of the industry is not as much as it is declared by some of the prominent industrialists. No doubt, financially, a section of the industry is strengthened, but the reserves accumulated will hardly be sufficient for replacement and rationalisation of the industry. If the government controls are not relaxed in due course, the rigidity of the controls will tell heavily upon efficiency of the industry. The cost of production has been undoubtedly increased due to the causes discussed above; moreover, the industry will have to face a number of difficulties in the post-war slump when the wages will refuse to adjust themselves with the changing market conditions of the piecegoods.

At that time the industry will be required to look to itself—to its own competitive efficiency—which is gauged by the mobilisation of savings made during the war periods for the purpose.

Whether the industry should be protected or not is a different question and is dealt with later on; but it will not be out of place to state here that it should always be on its guards owing to economic and political dependence of its country, and try to appeal to the patriotism of the people and create its own protection.

An examination of these experiences gained by the industry will throw some light on the actual position of the industry in the industrial structure of the country during the two world wars. Hence this study.

## CHAPTER II

### HISTORICAL BACKGROUND

#### **Brief History of Cotton Spinning and Weaving— Romance of Cotton Textile Industry—The Industrial Revolution and its effects:**

*“ Though very small the cotton plant;  
Clothes and covers all the world.. ”*

#### **Romance of Cotton Textile Industry:**

Modern researches have established beyond doubt that the birth place of cotton manufacture is India.

The earliest and most sacred record of the lives of the ancient Aryans in India is the Rig-Veda. To trace the history of the cotton industry of India, therefore, we must begin our enquiry with that sacred work. The most profuse evidence of the use of clothing is found in various hymns dedicated to the goddess Dawn. One of the hymns dedicated represents that “Young and white-robed daughter of Heaven, . . . like a wife desirous to please her husband putting on becoming Attire and . . . displaying her charms.” The Rig-Veda makes ample provision so as not to leave any doubt in the mind of the reader about the correctness of the above statement. Perhaps the most convincing evidence can be obtained in the marriage hymns where bridal dress is described “The dress of males was very simple and consisted of a plain sheet worn beneath the loins and of an “Adhivasa” or upper garment”. The dress of females was more elaborate, and the idea of finery and variety seemed to have been confined to them, as appears from frequent references to well-attired females. For the purpose of filtering “Soma” juice before it could be offered to the deities, use of filter or straining cloth was made.

This shows that India had its own cotton-textile fibre even during the period of Rig-Veda which is put by some authors back to 400 B.C. and even beyond that date. According to others it is the period before 2000 B.C. It will not be far from truth if we put the age between 2500—2000 B.C.

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One of the hymns dedicated to the Goddess Dawn describes her picturesquely as, “Goddess manifest in person like a youthful bride who goes to her husband and uncovers smilingly her bosom in his presence.”

In the Imperial Gazetteer of India it is stated that 'There is evidence to show that Babylon traded with India in 3000 B.C. Mummies in Egyptian tombs have been found wrapped in Indian muslin of the best quality. There was a very large consumption of Indian manufactures in Rome.' This shows that even in very early times Indian cloth was exported to Persia, Arabia, Palestine and Egypt. Cotton goods imported from India were used by the nobles of the Roman Empire. Muslins of Dacca were known to the Greeks under the name of Gangetika.

The types of Dacca fibres well known during the Mogal period were of different varieties. Some of them are mentioned below:—

Abravan, Allaballe, Buddunkhas, Circurali, Jamdane (embroidered on loom) Jhuna (thin net-like muslin worn by Indian Dancers and ladies of wealthier class); Khas (meaning-elegant); Kumese-cloth (used for making garments like shirts); Mulmul Khas (Extra fine quality of cloth) used by kings. It was so fine that 'it will pass through a ring.' Nayansook—that which pleases the eyes. Rang Net-like texture Sirbandh—Turban cloth; Subnam—evening dew; Tanzeb—Ornament of body and Turundum.

Fine cotton fabrics of all kinds were manufactured practically all over India. Ahmedabad was famous for its Dhooties and Dopattas, C.P. and Nagpur for silk-bordered cloth, and Lucknow for Chintzes. (It is coloured-printed glazed cotton-cloth). Murshidabad and other parts of Bengal were well known for silk manufactures. Amritsar and Kashmir were chief emporiums of woollen goods.

The export trade in cotton goods from India to Asia Minor, Africa and Southern Europe had grown to large proportions.

Practically the whole of Europe continued to import piecegoods from India until fifteenth century. The tables, however, were turned against India in the fifteenth century when the conquest of Constantinople by the Mohammedans cut off the old trade routes between Europe and India.

This event intensified the efforts of the navigators to discover a sea-route to India. Vasco da Gama reached the Indian port of Calicut via Cape of Good Hope. The word Calico is derived from the port of Calicut. This sea-route facilitated trade with England. Throughout the seventeenth century sale of cotton goods expanded very rapidly. So much so that in 1700 a bill was introduced in the British Parliament to prohibit the imports of Indian

cotton altogether. After repeated failures of the Torries, in 1721, "The Calico Act" was passed which prohibited "the use and wear of all printed, painted, flowered or dyed Calicos in apparel, household stuffs, furniture or otherwise. Even penal measures were prescribed for those who made a breach. This contributed to the development of cotton manufactures in England, and at the same time the measure gave a death blow to the coveted fabrics of India. This is shown from the fact that exports of Dacca muslins were completely extinguished in 1820 as compared to the figures of about 30 lakhs\* worth in 1787. Sir Henry Cotton wrote in 1890 "Less than hundred years ago the whole commerce of Dacca was estimated at one crore of rupees and its population at 200,000 souls. In 1787 the exports of Dacca muslin to England amounted to 30 lakhs of rupees; in 1817 they had ceased altogether. The arts of spinning and weaving which for ages afforded employment to persons, have now become extinct. Families which were formerly in a state of affluence have been driven to desert the town and betake themselves to the villages for a livelihood. The present population of Dacca is 79,000." Mr. Romesh Chandra Dutta says "In the first four years of the nineteenth century, in spite of all prohibitions and restrictive duties, six to fifteen thousand bales of cotton piecegoods were annually shipped from Calcutta to the U.K. The figure rapidly fell down in 1813....After 1820 the manufacture and export of cotton piecegoods declined steadily; never to rise again."† Furthermore, according to Digby, in 1813, Indian cotton manufactures were liable to the following charges in England.

		£	s.	d.
Calicos for every £100 of value ..	..	81	2	11
Cotton Raw (per 100 lbs.) ..	..	0	16	11
Cotton, manufactures ..	..	81	2	11
Hair or Goat Wool ..	..	84	6	3
Flowered Muslins ..	..	32	9	2
Other Cotton Goods ..	..	32	9	2

The charges as stated above were subsequently removed. They gave a death-blow to our industry.

### Industrial Revolution and Cotton Textile Industry:

We have seen that India was highly esteemed for its texture at a time when the birth place of modern industrialism, viz., West Europe was inhabited by uncivilised

\* Vide T. N. Mukharjee "Art-manufactures of India".

† Vide Industrial Commission Report 1916-18, p. 297.

‡ Vide Economic History of British India, p. 296.

ances. For centuries India continued to occupy this position in spite of political and economic difficulties created by invasions. It was the period of economic barriers created by fragmented political units existing at that time.

It was only when the industrial age set in in One Thousand Seven Hundred and Fifty in England that downfall of Industries began. The Manchester and Lancashire became the world emporium for cotton piecegoods.

### **Industrial inventions in England:**

Between 1765 and 1785 several inventions were made which revolutionised the textile industry. The Crompton Mule Spindle was patented in 1779 that enabled England to compete Indian goods. Spinning Jenny was patented by Hargreaves in 1770. The water-frame by Arkwright and steam engine by James Watt were invented in 1769. These were the four fundamental inventions that made for the industrial development of England. Thanks to these inventions the thread spun in England could be compared favourably in fineness and strength with that of India. English goods were better and cheaper. England could secure all the other economies of large scale production due to utilization of machinery and ready colonial markets. Colonies were serving as basis for securing raw materials also. It should be noted that after England found itself strong to compete, it abolished in 1774, the Calico Act which had already destroyed Indian Export Trade.

The main features of the effects of the Industrial Revolution on English industries may be described briefly. It introduced a change in the methods and organization of industrial production. The new factory system replaced the old domestic system of industry. The effects of revolution can be summarised as follows:—

Machinery replaced handwork. Large production replaced small. Centralised production replaced the decentralised and self-sufficing production. There was the growth of cities. Instead of the master workman, there came the capitalist-employer. Specialisation of process and localisation of industries came in. The workman lost the joy of creation. The cottage was replaced by the slum dwelling. Central market replaced the local markets and weekly bazaars. "The pack-horse gave way to the barge and the railway train; the sailing ship to the steamer," and with the factory bell and the hooter the workman felt that he was no longer master even of his time—Arnold Toymbee

vividly describes the effects. The slowly dissolving framework of medieval industrial life was suddenly broken in pieces by the mighty blows of the steam-engine and the powerloom.

With it disappeared like a dream those ancient habits of social union and personal affection which had lingered on in the quiet homesteads. Industry was dragged from cottages into factories and cities; the operative who laboured at the wheel was parted from the capitalist who owned it; and the struggle for the wealth which machinery promised withered the old bond of trust and made competition seem a new and terrible force.

Arnold Toynbee records the repercussions of factory system on labour class pathetically. In spite of the fact that Industrial Revolution made England a leading industrial country in the world, the other side of the picture is shocking. Wordsworth has painted the child in the early 19th century textile mill.

*'His raiment-Whitened o'ver with cotton-flakes  
Or locks of wood, announces whence he comes,  
Creeping his gait and cowering, his lip pale,  
His respiration quick and audible;  
And scarcely could you fancy that a gleam  
Could break from out those languid eyes, or a blush,  
Mantle upon his cheek.'*

Mrs. Browning pathetically describes the factory life

*"For, all day, the wheels are droning, turning—  
Their wind comes in our faces—  
Till our hearts turn our heads, with pulses burning—  
And the walls turn in their places—  
Turns the sky in the high window blank and reeling  
Turns the long light that drops down the wall;  
Turn the black flies that crawl along the ceiling—  
All the turning, all the day, and we with all,  
And, all day, the iron wheels are droning,  
And sometimes we could pray,  
O Ye wheels, "Stop! be silent for to-day!"*

It is indeed a fact that social results of industrial revolution were in no case encouraging. But at the same time, it should not be forgotten that, economic and political progress of England was largely due to the revolution; which made for the introduction of industrial revolution in India. The factors of production and those of localisation of industry at a particular place were favourable to Eng-

land. She could get sufficient quantity of raw materials from her colonies which were also serving as her markets. Transportation and communication facilities stimulated her export trade. Sufficient power was available due to inventions of the 18th century. Labour available was very efficient and economical in the long run. This is the reason why industrial changes occurred first in England and not in other countries like France, Scotland and Germany. The expansion of Lancashire trade in Indian market is seen from the fact that exports of cotton goods to India increased from 800,000 yards in 1815 to 45,000,000 yards in 1830 and that of yarn increased from nil in 1815 to 3,000,000 lbs. in 1830. Thus partly by her natural resources, partly by her geographical position, partly by her success in colonial struggle, but chiefly by the mechanization of industries England emerged as one of the greatest cotton textile manufacturing countries of the world.

#### **Progress of Lancashire and the downfall of Indian Handicraft:**

In 1833, there were about one million powerlooms working and about 300 million pounds of cotton was consumed. There were 1,262 factories which employed 2,20,000 workers. During the first half of the 19th century in India the decentralised cotton-textile industry (Handloom) was practically destroyed. India was dependent on England and later on Japan for her clothing requirements.

It was in the first decade of the latter half of 19th century that Indian cotton-textile industry was born.

## CHAPTER III

### GROWTH OF THE COTTON TEXTILE INDUSTRY IN GENERAL BEFORE AND DURING THE WARS OF 1914-18 AND 1939-45.

#### 1.

##### **Historical Background:**

The position of the industry before the World War First. Beginning of the industry—(inception) in 1854—The position of the industry during the period 1865-71; 1875 and onward Lancashire interests dominate the tariff policy of the government—The currency policy of the Government of India in 1893 and its effects on the industry—Progress and Prosperity of the industry from 1900-1913-14.

#### 2.

The position of the industry during the World War First. Prosperity—Progress—Shift in location during and after the war—Theory of location propounded and explained with a special reference to the industry—Brief review of the production, imports and exports during the period—The lost opportunities—Causes why India could not fully exploit the situation.

#### 3.

The industry in the inter-war period between 1918-1939. The industry and the post-war boom—Depression and its intensity after 1923—Appointment of the Tariff Board of 1927—The causes of the depression and as to why Japan could compete successfully in the home market—Recommendations of the Tariff Board—The government actions—Tariff policy after 1927—Introduction of 'Bill' imposing import duties—Measures of discriminatory protection according to the policy of the Imperial Preference adopted by the empire countries—The bilateral trade agreements—Ottawa Pact and its criticism—The Mody Lees Pact with its criticism—The Indo-British Trade Agreement first and second with criticism in brief—Indo-Japanese Trade relations.

#### 4.

The industry at the eve of the World War Second—The position of the Industry during the World War Second. Difference between the position of the industry during the two wars—Progress—Prosperity—Production—Imports—Exports—Scarcity—Higher prices hence controls—Conclusions.

## HISTORICAL BACKGROUND

The position of the industry before the World War First:

The Bombay Spinning and Weaving Company, the first cotton mill which commenced building in 1851 was completed in 1854. For a considerable time after this the industry developed very slowly, profits being not so much as to attract the investors. However, the Oriental Spinning and Weaving Company was started in 1858 by Manekjee Nusserwanjee Pettit. The mill met with a success, hence his son Sir Dinshaw Pettit started another mill named Manekjee Pettit Mills in 1860. The American Civil War and the yarn trade in China gave a great fillip to the inception of the industry on a large scale—so that the number of the mills in Bombay increased to 10 with 2,50,000 spindles and 3,400 looms. That shows clearly that the spinning development was more rapid than the development in weaving section.

**1865-1871:** This is rather a gloomy period for the industry wherein it was required to face severe crisis that followed the close of the American Civil War. But on the whole the industry could stand the strain and win confidence of the public by exhibiting its stability and tenacity during the years of the crisis.

During the years 1871-75 no less than seventeen new mills were started and the spindlage and loomage had reached to 7,50,000 and 8,000 respectively. During the seventies, eighties and the middle of nineties the industry made a rapid progress in Bombay, particularly due to the fact that considerable demand of Indian yarn was from China. We agree entirely, with the Millowners' Association, that throughout this period, "No assistance has been rendered by the Government to the industry to foster its growth and development on sound and healthy lines. On the contrary the Government pursued a policy calculated to hamper the growth of the industry by introducing tariff legislation which was neither fair nor equitable and which was in the highest degree prejudicial to the best interests of the industry."\*

The Lancashire interests were noticing with alarm the momentous development of the industry simply on its own merits; in spite of the fact that the character of production

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\* *Vide Report of the Indian Tariff Board—Vol. II, Evidence p. 14.*

First attempt to start a cotton textile mill with British Capital was made at Calcutta in 1818; but it met with a failure. Mr. Ranchhodlal Chhotatal started the first mill at Ahmedabad in the year 1859.

was mainly confined to yarn and that also of the lower counts. This was followed by a good deal of agitation by Lancashire to get the import duty on cotton yarn and piece goods abolished. Lancashire achieved its first triumph.

The following British piece goods were exempted from import duty (1) Unbleached T. Cloth under 18 reed, jeans, domestics, sheetings and drills made from yarns not higher than 30s and (2) yarns of the qualities lower than 32s. As a result of this measure the Lancashire manufacturers exported in large quantities the coarse goods which were exempted from duties with ruinous effects on the immediate prospects of the indigenous industry.

Thus the Government of India followed a suicidal policy at the dictates of the Lancashire industrialists. Eventually the import duties on cotton goods were totally abolished.

It was, however, during the closing decade of the last century that seeds were sown for the serious condition of the Cotton Textile Industry; which became glaring in 1927. In the eventful year of 1893 the mints were closed to the free coinage of silver. This event was followed three years later by the imposition of 3½ per cent excise duty on the cloth manufactured in Indian Mills for the purpose of counter-vailing the import duties, imposed at the end of 1894. This decade was also notable for the commencement and growth of the mill industry in Japan, with the result that the export of Indian Yarn to that country and later on to China went down very rapidly. Later on, Japan became so powerful as to compete in the Indian market.

The Millowners' Association report of 1893\* recorded "Never before perhaps in the history of modern trade, legislation has had a more disastrous and immediate effect on an important and well established industry. With the certainty and precision of an automatic machine, business for China and Japan was for the time being absolutely suspended, as not only were new orders rendered impracticable by an immediate fall of 12 to 15 per cent in the nominal rate of exchange, but it was impossible to finance previous operations; the banks refusing to buy bills on any terms."

".....in the near future our trade with China must suffer, when the mills there must increase by leaps and bounds to supply the requirements of the country. Let us hope that day may never come, but if it does come

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\* Evidence: Tariff Board Report—1927 Vol. II, p. 15.

we shall thank the Government of India for their Currency Legislation."†

The weaving industry also suffered a setback owing to the imposition of the excise duty. It was not until 1904 that the industry received a fillip and saw rare days of prosperity after a long spell of depression. The main impetus was the Swadeshi Movement of 1905 at the time of the partition of Bengal when all British Goods were boycotted. This was also the time when the yarn trade with China was not found to be profitable. The character of the industry took a remarkable change—namely, it began to give more attention to establish and develop weaving sheds.

Once more, the year 1907 brought about gloomy atmosphere by bringing large failures which may be accounted for by the heavy fall in prices realised for yarn in China during the year. Demand in the country also went down owing to severe famine and unstable exchange. The depression, however, lasted upto 1910. During this period, Cotton ruled high without a corresponding rise in the price of cloth. In the last year the difficulties were aggravated by the enhancement of the duty on silver. These adverse conditions continued with brief periods of partial recovery until 1917, when the war time boom period set in.

We have already seen the strength of the industry during 1912-13 and 1913-14, i.e., on the eve of the First World War. Now it will be our endeavour to envisage the position of the industry during and after the First World War.

### **Prosperity:**

During the War the industry experienced prosperity unparalleled in the history of the industry in India owing to the impossibility of obtaining normal imports from Lancashire and resultant temporary monopoly created by the shortage of tonnage. But due to the difficulties of obtaining machines and heavy chemicals only existing mills made large profits, while hardly a new mill could be started. This will be clear from examining the earnings of the mills.

According to Mr. C. N. Wadia, of Messrs. C. H. Wadia and Company, the net profits of the Bombay cotton mills

† Sir Vithaldas Thakurdas—in a Speech to the Millowners' Association (Report) year 1900, (p. 24).

Sir James Westland, the then Finance Member of the Government, said, "I would only say that India as a manufacturing country is yet out of her tutelage, and if any industry in the world deserves protection, it is the Cotton Industry of India, the only real indigenous industry which has sprung up in this country, an industry moreover, on which our present currency difficulties have compelled us in the interests, as we believe, of the country generally, to inflict certain amount of injury.—Tariff Board Report, Vol. II (Evidence)p. 26".

steadily declined during this period (first decade of the 20th century). While in 1905 they had a net profit of 2.35 crores of rupees; it had diminished to 0.16 crores in 1909 while in 1910 and 1911 they had to meet a loss of 0.41 and 0.51 crores; but since the outbreak of the war, the industry enjoyed unparalleled spell of prosperity. The net profits, of the industry, were 10.88, 13.3 and 12.22 crores during 1919, 1920 and 1921 respectively.\*

An analysis of the dividends paid by 58 mills of Bombay in 1919 showed an average rate of distribution of 44 per cent.† The Gross Profits of the Bombay Mills in 1920-21 were estimated by the Chairman of the Millowners' Association at Rs. 16 crores. The dividends of 35 leading mills in that year showed an average of 59 per cent; and the shares of the mills were quoted at high levels that showed that a prolonged period of prosperity was anticipated.

The Chairman of the Bombay Millowners' Association indicated the trend, at the annual meeting held on March 27, 1922:

"From a manufacturing point of view the period has been one of the continued prosperity, both spinning and weaving having been fully engaged, though bleaching and dyeing following the popular clamour for plain goods consequent on Swadeshi and other causes, had had but a poor trading time. I estimate the profits of the Bombay Cotton Mills to be about 30 per cent to 35 per cent less than they were for the previous year, when margins reached their zenith. On these results, I think we can congratulate ourselves especially as the textile industry in almost every other country in the world has been passing through a period of acute depression."‡ Speaking about the possibility of the depression in India and pointing out the vitality of the industry, the president continued, "I consider that the industry will more than hold its own for years to come, and still show a reasonable return to those who invest and work in it. Little or no expansion has taken place due to the continued high cost of machinery and the difficulty of housing labour.....and only 60,000 spindles and 2,000 looms have been added in Bombay Island." Writing in the *Manchester Guardian*, Sir Charles Macara estimated the post-war cost of spindles as follows:—

\* "Report on an enquiry into the wages and hours of labour in our Cotton Mills Industry"—Labour Office, Govt. of Bombay. Pubs. 1928. Appendix F, p. 108. Also D.O.T. Report on the Conditions and Prospects of the British Trade in India 1924-25, p. 39.

† "Capital" dated 26th May, 1921.

‡ Chairman's Speech, Report 1922.

“The cost of erecting a ring-spindle is now double what it was before war, both in India and in England, and that while it is now about £ 7/- per spindle in England, in India it is nearer £14/-.” This clearly shows the difficulties required to be faced by the new and old enterprises for reconstruction. Therefore, as far as extensions were concerned, the Indian mills were more or less slow, very slow. But we should not forget that some of the mills built up reserves, with a view to draw upon them when prices of machinery became low, in spite of the fact that recapitalization which was so common in Lancashire was more or less avoided.

### Progress:

Progress made by the Textile Industry during and after the war will be clear from the following table:—

\* (All India Figures).

	Year	No. of mills	Paid up Capital (lakhs)	Looms	Spindles	No. employed
Cotton Textiles ..	1913-14	264	1860.6	96688	6620576	260847
	1924-25	305	4663.6	150680	8286206	376012
	1925-26	303	4750.0	154591	8403336	370617
Jute .. ..	1913-14	64	765.0	36050	744289	216288
	1925-26	90	1740.0	50503	1063700	331326
Woollen .. ..	1913-14	7	53.0	1131	40770	4053
	1925-26	16	318.0	2003	90083	8773

From the table, it is apparent that the cotton textile industry is occupying a pre-eminent position in the group of textile industries in India. Not only that, but the Industry has prospered and progressed as is seen above, if we apply the tests of spindleage, loomage, paid-up capital and number of operatives.

As it is seen from the table given above, number of mills increased from 264 in 1913-14 to 305 in 1924-25, the paid-up capital also increased from 1,860.6 lakhs to 4,663.6 lakhs. The loomage showed a marked increase from 96,688 to 150,680. Though spindleage did not show so much an encouraging result, it increased from 6,620,576 to 8,286,206. The number of workmen employed also increased from 260,847 to 376,012. The increase in the number of mills was not so much marked in Bombay; in fact according to the evidence given by the Bombay Millowners to the Tariff

\*Statistical Abstract of British India, 1925-26.

Board,† only one new mill was started during the war and after. So whatever development is seen particularly in the number of establishments, is in respect of upcountry centres like Ahmedabad and Indian States. Owing to a number of causes, the industry showed a favourable trend towards localizing in Indian States. An idea can be had from the fact that in the year 1919, there were in the Indian States only 20 mills with a paid-up capital of Rs. 1,22,92,025 and in 1920-21, the number increased to 30 with a paid-up capital of Rs. 1,93,81,912.\* After that the recapitalisation programme was undertaken and the twenty-nine had the paid-up capital of Rs. 2,26,59,780. This shows us clearly the deglomaring tendencies set in after the First World War. At this stage, it will not be out of place to review in brief the theory of localisation and its application to this industry in the post-war period.

#### **Theory of location:**

The Twelfth Census of the United States of America summarised the main causes of the localization as follows:—

Proximity to raw materials, proximity to markets, power, favourable climate, supply of labour, capital available for investment in manufactures and the momentum of an early start due to presence of entrepreneurial ability. In economic terminology, the whole idea can be put as under: "Localization of industry depends upon the transport relations of each place and produce with regard to natural resources and upon the distribution of productive powers such as labour, capital, and organisation which govern the distribution of consumers' markets."‡ So transport relations or transport costs are of importance. One may say that other things remaining equal an industry tries to attach itself at the place of raw materials, if the cost of transport per unit of raw materials is more than the cost of transport per unit of manufactured goods. In the reverse case the industry will attach itself at the market place. For an illustration, we may give example of iron and steel industry which is established near coal fields and iron deposits, while its market is in the Bombay Province and other places. This is because the cost of transport of coal and other iron ore is more than the cost of transport of manufactured steel. When, a large amount

† Indian Tariff Board Report 1927, Volume II, page 28. Also para 46, pp. 185-36.

\* The Statistical Abstract of British India, page 582, years 1914 to 1922.

‡ "Industrial Organisation in India" P. S. Lokanathan, p. 55.

of waste is there in manufacturing a product, the industry will be situated near the place where raw materials are available, e.g., coconut oil industry. But an industry can be started if some powerful factors of location are there even though some of the factors might be at a distance. The application of the theory to the cotton textile industry gives a striking illustration of the truth of the statement that the production of raw material in a country or centre is no reason why we should expect the industry to flourish therein. Neither Lancashire nor Japan grew cotton still they both were once great world centres of production of cotton goods. Raw cotton is grown in many parts of India and hence cotton ginning and pressing factories, according to the theory propounded, lie scattered all over the country in the Bombay Presidency, Berar, the Punjab, Madras, and the Central Provinces, Ajmer, Merwara, and the U.P. But the manufacturing industry is located principally in four or five centres in the Bombay Presidency.

The industry was localised in the Island of Bombay because of cheap ocean transport, from India to China—the main market of the Indian yarn—which was the main item of production before the war. Many agglomerating tendencies of the localisation were in favour of its concentration in Bombay. But owing to various causes, India lost its China-market; while India found it necessary to concentrate more on weaving side to meet civil and military demand during the war. This is why the progress of the industry was well marked in weaving section. One of the fundamental causes of the location of the industry near the port, namely, foreign markets, then ceased to operate, and India was required to cater more and more for home demand. So the location which was at its optimum before the war now showed the tendencies of deglomeration and the factors of location were found more and more favourable to upcountry centres. Therefore, since 1920, considerable changes took place and the industry was getting more and more scattered owing to deglomeration tendencies set in partly due to the war as seen above. The very agglomerating tendencies which formerly helped local concentration, had, by raising the prices of natural resources, cost of land, internal cost of transport and that of labour, brought about counteracting influences, which checked the process of concentration. The high rents of land in Bombay, high taxation, high local rates for water, increased labour troubles after the war, and strict labour

legislations made it very difficult for Bombay to hold its ground.

This tendency is brought out by the fact that whilst after 1920 there has been a decrease in the number of mills in Bombay City, the number of mills in the rest of India increased by about 79 in the period between 1921-30.

\*Out of 266 mills in India in

1921-22			1931		
		Mills			Mills
Bombay Province	..	..	178	Bombay	.. .. 70
Madras	..	..	15	Ahmedabad	.. .. 65
U. P. ..	..	..	15	Other centres in B. P.	.. .. 44
Bengal	..	..	13	Madras Presidency	.. .. 28
C. P.	..	..	8	United Provinces	.. .. 18
Punjab	..	..	3	C. P. & Berar	.. .. 17
Ajmer	..	..	2	Rajputana	.. .. ..
Delhi ..	..	..	2	Central India	.. .. 16
Indian States..	..	..	29	Bengal	.. .. 11
				Others	.. .. 9
			<hr/>		<hr/>
			265		278

The advantages enjoyed by Bombay in respect of capital and labour are disappearing fast owing to availability of capital for the established industry and that of cheaper labour in inland centres.†

Bombay City's share of the mills at work in India declined from 44.3 per cent in 1848-49 to 32.6 in 1912-13 and 28.8 in 1924-25. Her share of the yarn and cloth produced fell from 52 per cent and 50.3 per cent respectively in 1912-13 to 38.2 per cent and 43 per cent in 1924-25. In 1925 there were 77 mills at work in Bombay, 58 mills in Ahmedabad, 22 in other centres of Bombay Province, 20 in U.P., 16 in Madras Presidency and 7 in C.P. The result therefore of Bombay's relative unsuccess is that her share of the mills at work in India and of yarn and cloth produced fell heavily. The expansion of upcountry mills has been marked, as is seen from the table, between 1922-31 i.e.,

\* The Statistical Abstracts—1922 and 1931, p. 306. It should be noted that comparative figures of the Bombay City, Ahmedabad, etc. of 1921-22 are not available from the Abstracts.

† While raising a note of warning to the tendency, Dr. P. S. Lokanathan said in his "Industrial Organization in India" on page 64..... "whether even absolutely it will begin to take a secondary place or continue to be an important centre of the cotton industry will depend upon the ability of the entrepreneurs to rationalise their productive units and to secure great economies in costs of production and marketing, partly by amalgamation of and grouping of factories but mainly by organised co-operative methods in buying and selling and research."

during the period of the greatest depression. Moreover it seemed that most of the well managed upcountry mills with spinning and weaving departments did not fail to pay dividends even during most depressed years.\*

### Production:

The effects of the war on the productive capacity of the mills and on the character of the production is very well seen from the following table:—

†Indian Mill Production.  
(In million Yards.)

Cloth	Pre-war average	War average	Post-war average
(Quinquennial averages)			
Grey .. .. .	854	1066	1210
Bleached .. .. .	251	378	466
Total ..	1105	1444	1676
Imports .. .. .	2637	1809	1335
Available for consumption and export .. .. .	3736	3253	3011
Exports of home products ..	89	154	163
Re-exports .. .. .	65	74	71
Total exports ..	154	228	234
Balance available for consumption in India .. .. .	3582	3025	2777

In the piecegoods trade, Indian mills greatly increased their output and sales of both grey, bleached and coloured goods since 1914, whereas imports declined absolutely as well as relatively.

‡There was also found, a marked change in the quality and quantity of yarn produced by Indian mills which is seen from the fact that the quantity produced increased from 644,853,000 lbs. in 1913-14 to 683,154,000 lbs. in 1915-16, but showed a rapid downward trend upto 1919-20 when it reached the lowest figure of the period—597,355,000 lbs.

\* Indian Tariff Board Report—cotton textiles, page 28.

† Compiled from the Review of Trade of India, 1914 to 1922-25.

‡ Figures taken from the statistical abstract of British India, 1912-21 p. 584. For a detailed study of production see Chapter IV.

Thereafter again it increased to 653,011,000 in 1921-22 due to the post-war boom. As far as the quality of yarn produced is concerned, from counts 1-20, increased from 465,680,000 lbs. in 1913-14 to 502,098,000 lbs. in 1915-16 and a downward trend is marked thereafter so as to reach the low figure of 377,028,000 in 1918-19. But once more it increased to 462,782,000 lbs. in 1919-20 so as to reach 440,138,000 lbs. in 1921-22. In case of the counts between 21-30, we find a marked development. It increased from 156,837,000 lbs. in 1913-14 to 160,425,000 lbs. in 1915-16 to 180,216,000 lbs. in 1918-19 and 193,330,000 lbs. in 1921-22. In case of the higher counts of 31-40, the development was well marked during the first few years; but in the latter years of the war and after a downward trend is noticeable.

This is noticeable from the fact that its production increased from 18,971,000 lbs. in 1913-14 to 23,260,000 lbs. in 1916-17 to 23,600,000 lbs. in 1917-18, but a downward trend was marked in 1919-20 when it reached 16,535,000 and 14,868,000 lbs. in 1920-21. Its production above 40s increased from 2,686,000 lbs. in 1913-14 to 4,462,000 in 1916-17 and 5,748,000 lbs. in 1917-18, but showed a downward trend when it reached the low figure of 1919-20 and the lowest of 1920-21 namely 3,542,000 lbs. and 2,067,000 lbs. respectively.

The review of the cloth and yarn production given above gives a fairly good idea of the effect of the war on the productive capacity of the industry. The war no doubt gave a great impetus to cloth manufacture and the mill-owners could discover that cloth production for the neglected home market was less risky and more profitable than yarn production for foreign markets like China. It carried the process of cotton manufacture a step ahead and enabled the country to compete with the coarser varieties of imported cloth. The Indian industry can justifiably take pride that all the military requirements of cotton goods in the eastern theatres of the war were supplied by it. Though separate figures are not available, it is stated that India sent manufactured goods, equipment and stores to various theatres of the war to the value of £8,000,000 by 1918.\* The production of tent cloth having been increased from 2,307,000 lbs. in 1913-14 to 11,649,000 in 1917-18 and 19,774,000 lbs. in 1918-19.

For procuring regular supply for military purposes at

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\* Dr. Vera Anstey's "Economic Development of India"—p. 216.

fixed rate, a Board named Munion Board was constituted.

### Imports and Exports:

†As will be seen later on, the exports of yarn decreased, but it had one salutary effect as seen above. The increased quantity of yarn was available for production of cloth. There was shrinkage in imports of cloth due to pre-occupation of Lancashire mills with war work.‡ This in addition to shortage of shipping tonnage widened the markets for indigenous cloth.

According to Sir Dinshaw Wachha's calculations, the net total yardage of imported goods in the pre-war year was 313.51 crores which declined to 240.98 crores in 1914-15 and to only 100.707 crores in 1918-19.§ Further analysis reveals the fact that the diminution was more marked in bleached and dyed goods than in grey goods.

This shrinkage in imports was accompanied by a rapid rise in prices as is seen in the figures given below.¶

Class	1913-14		1918-19		1919-20		1920-21	
	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.
Grey .. ..	0	2 8	0	6 6	0	6 9	0	7 4
White .. ..	0	2 11	0	7 4	0	7 11	0	8 4
Coloured ..	0	3 5	0	8 4	0	9 10	0	11 4

Compared to 1913-14 figures, it will be easy to calculate percentage of increase during 1914-20. It comes to

Grey ..	153 per cent.
White ..	171 per cent.
Coloured ..	158 per cent.

The war situation and pre-occupation of Lancashire for war production gave more or less an unrivalled opportunity to India for opening new markets in nearby countries. Its export markets consisted of Persia, Asiatic Turkey, Strait Settlements, Aden and Dependencies, East African Protectorates (including Zanzibar and Pamba), Ceylon and other East Africa ports, as will be seen later on in the chapter dealing with imports and exports.

† *Vid. infra* Chapter on 'Trade in cotton piece goods, twist and yarn.'

‡ For a study in detail please see Chapter 'Trade in cotton piece goods, twist and yarn.'

§ Quoted in the Review of the Prospect of British Trade in India at the close of the war—1919, pp. 29-32.

¶ Compiled from the Review of Trade of India—1913-14, 1920-21. Also see extracts from *Manchester Guardian* of 11th May 1922 given in chapter I on "Scarcity and Control".

Labour was cheap though inefficient, factory laws were not so very strict, wages were low, welfare activities negligible, and trade unionism and labour awakening was practically absent during the World War First. Nevertheless, as time passed considerable labour troubles started and wages had to be increased and labour conditions had to be ameliorated as will be seen later on in the chapter dealing with labour problems during the two great wars.

This review in brief of the changes brought about in growth, prosperity, location and its tendencies, production, imports and exports aspects of the industry due to the war situation, leads us to the conclusion that, opportunity provided by the war was utilized by the Indian mills which increased their output to the full extent of their loom capacity. Only the inability to import machinery and dearth of certain chemicals and dyes prevented as speedy a development as it would otherwise have been possible. This is clear from the fact that the import of dyes went down from 16,245,895 lbs. in 1913-14 to 716,367 lbs. in 1915-16, and that of synthetic indigo went down from 677,712 lbs. in 1913-14 to 18,144 lbs. in 1915-16. The quantity of coal tar dyes imported fell by 91 per cent. The increase in the declared value of coal tar dyes since the outbreak of the war had been 266 per cent and that of synthetic indigo 173 per cent. The total value of the textile machinery imported also fell from £1,609,000 to £1,450,000 in 1915-16 as compared with the figures of the previous year.

The causes as to why India could not take full advantage of her opportunities may be recapitulated as follows:

1. There was the minor disadvantage as to the duration of monopolistic situation created by the war due to uncertainty of war situation.

2. The lack of plant and equipment for a large increase in production. This gave Japan which was already based on large scale organization to a much greater extent than India, opportunity of leaping into the breach.

3. The great shortage of the war period called attention to India's dangerous dependence on imports for the fundamental necessities of industrial life, including fuel, and for technical labour.

4. Internal as well as external transport facilities were expensive and inadequate.

#### **The industry during post-war boom—1919-22:**

The three years immediately following the close of the war were a brief period of abounding prosperity for

the mill industry in India in spite of the fact that the year 1919-20 opened during the depressing effects of the failure of the monsoon and the influenza epidemic of the previous year. The position at the end of the period is shown in the table below:—

Bombay .. ..	83	3,025,488	62,763	48
Rest of India ..	162	3,820,336	60,781	62
<b>Total ..</b>	<b>245</b>	<b>6,845,824</b>	<b>123,544</b>	<b>110</b>
Percentage of Bombay to all India ..				
	33.8	44.1	50.7	
Bombay .. ..	349	207	88	12.6
Rest of India ..	344	196		
<b>Total ..</b>	<b>693</b>	<b>403</b>		
Percentage of Bombay to all India..				
	50.3	51.3		

It will be seen that there was no increase in the number of mills working and that the expansion in the number of looms and spindles was comparatively small owing to the difficulty in obtaining new machinery in the post-war conditions. None the less, there was a marked increase in the total production of yarn and cloth both in Bombay and upcountry centres which is a sufficient evidence of the fact that all the mills were working to their full capacity. There was little change in the position of Bombay in relation to upcountry centres. Under the various heads in the table, Bombay still continues to produce more than half the total output of yarn and cloth. The production of grey goods in Bombay was 586 million yards against 699 million yards in upcountry mills, the corresponding figure for the coloured goods being 536 million yards against 110 million yards. Exports of yarn and cloth after a spurt in 1919-20 returned to their former level. The large increase in the exports of yarn from 73 million lbs. in 1918-19 to 160 million lbs. in 1919-20 was due in the main to the increase of exports to China. This increase was owing to a rise in the price of silver.

The prosperity of the cotton textile industry in these years was due rather to world factors, or, in other words was rather a reflection from the hectic world-wide boom than to normal development. Although the rise in the sterling value of rupee at the outset of the period encouraged imports into India, it did not appreciably affect exports which consisting as they did mainly of raw materials

were able to find buyers at almost any price. In these circumstances, the consumption of Indian manufactured goods was not greatly affected by the high range of price which was 31 annas per pound for long cloth in January and July 1920 and 26.7/8 annas per lb. for 20s yarn in January 1920. At the end of 1921, the price of long cloth was 26½ annas per lb. and of yarn 19.7/8 annas per lb. Cotton fell steadily throughout, the average price of Broach cotton per Candy being Rs. 536 in 1919, Rs. 460 in 1920 and Rs. 342 in 1921. The widening difference between the price of the raw material and the finished product worked greatly to the advantage of the industry.

In the abnormal conditions of the period immediately following the war, the imports of yarn and piecegoods in 1919-20 fell to the lowest level touched for a generation, those of yarn being in fact the smallest recorded since 1866 15 million lbs. only of which the U.K. contributed 81 and Japan 13 per cent. The share of Japan in the imports of grey, white and coloured goods fell to 11.8, 9 and 5 per cent respectively, the actual figures of imports being 62.7, 2.7 and 10.4 million yards, and the total import from that country was 75.9 million yards or 7.0 per cent of the total imports. Imports showed a marked recovery in 1920-21, the imports of yarn rising to 47 million lbs. of which 49 per cent came from U.K. and 43 per cent from Japan. In imports of piecegoods also, largely owing to the exchange fluctuations to which reference is made below, Japan gained at the expense of U.K. Her share of imports of grey goods rose to 25.9 per cent, of white goods to 0.9 per cent, and of coloured goods to 3.3 per cent, the actual figures being 150.4, 3.8 and 16.0 million yards or 11.3 per cent. Of the 57 million lbs. of yarn imported in 1921-22, 70 per cent came from U.K. and 26 per cent from Japan, but in imports of piecegoods both countries suffered a severe setback mainly as a result of the intensive campaign in favour of Indian made piecegoods reinforced by propaganda in favour of home woven goods made from handspun yarn; and partly also as a result of the exchange conditions of the previous year. The imports of 1921-22 were only slightly above those of 1919-20. Of the 1090 million yards imported, 70 per cent came from the U.K. and 8.3 per cent which amounted to 90.3 million yards from Japan. The Japanese imports were made up of 83.4 million yards of grey goods, 1.8 million yards of white goods and 4.9 million yards of coloured goods, the percentage of

the total imports under each head being 13.1, 0.6 and 3.6 respectively.

Reference has been made to the fluctuations in exchange during this period which undoubtedly contributed to the subsequent troubles of the industry. The sterling value of the rupee continued to appreciate until February 11, 1920 when it reached its highest point, 2s. 11½d. As the exchange rose, orders not only for piecegoods but also for machinery were freely placed in the U.K. but owing to the pressure at which British industry was then working, several months elapsed before the orders could be executed and deliveries made. By that time the rupee had fallen and the importers had to face very heavy losses. The effect of the imports of machinery in these circumstances on the mill industry will be examined later. The effect on the industry of the crisis in the trade in imported piecegoods was mainly indirect. It represented the commencement of lack of confidence on the part of all dealers in piecegoods imported and of Indian manufacture alike. It had serious consequences particularly on the Bombay mill industry. At that time, however, the results were not apparent. The slump in India, which, as pointed out in the Review of Indian Trade for 1920-21 may be said to have set in with the decline of exports from this country from the high water mark of Rs. 31½ crores in March 1920, did not touch the cotton mill industry for several months afterwards and the net profits of the mill industry in Bombay in 1921 was only Rs. 1.7 crores short of the huge total of Rs. 10.1 crores of the previous year.

As usual in a period of rising prosperity, wages lagged behind profits. The first rise in wages was granted with effect from January 1919 when the 15 per cent war bonus was increased to 35 per cent and was termed as a special allowance on account of high prices of foodstuffs. The allowance was further increased to 55 per cent on January 24, 1920 for operatives on fixed wages and for winders, the allowance for piece workers other than winders being raised to 75 per cent. It was again raised to 70 per cent, on November 30, 1920, for operatives on fixed pay and winders, and to 80 per cent for other piece workers. It may here be mentioned that the hours of labour in cotton mills were reduced from 12 to 10 in January 1920.

To recapitulate in brief, the most striking feature which stands out from this brief survey of the cotton mill industry in India from the beginning of the post-war year to the commencement of the period of the severe depres-

sion is its expansion in every direction, but more especially in weaving rather than the spinning. While spindles increased by 50 per cent in the period of 22 years surveyed, looms increased by 223 per cent. In 1899-1900 Indian mills supplied 9 per cent of Indian requirements of cloth against 64 per cent met by imports and 27 per cent by the hand loom industry. In 1921-22 the percentages were 42, 26 and 32. This is with the assumption that the exports of Indian piecegoods were all of mill manufacture—an assumption which is not entirely warranted owing to the large export of handwoven goods from Madras, but an allowance for these will only slightly affect the percentages. Other features, hardly less important were the loss of the export trade in yarn, gradually decreasing dominance of Bombay in the home industry which entirely disappeared in regard to grey goods and an increasing share of Japan in the import trade. The study of the conditions of the period from 1922 onwards to which we now proceed will show that all the four factors enumerated continued in operation and will enable some estimate to be formed of their relative importance.

During the war period (1914-18) the total paid-up capital of the Japanese cotton industry had increased by 270 per cent; the number of spindles over 55 per cent and the number of looms over 100 per cent as compared to pre-war years, thus making Japan a formidable competitor both in the home and far eastern markets. Hence the immediate effect was found on a section of mills of the country. The profits of less prosperous mills which were just keeping their heads above water began to disappear and the Bombay Millowners' Association became anxious about the position and prospects of the industry as is witnessed from their annual reports. Consequently, the annual bonus instituted during the war was not paid in 1924 resulting into two months' strike, and various proposals were made for working short time and for reducing the wage level. In July 1925, the Millowners' Association declared their intention of reducing the wages by 11½ per cent from September 1, and at the same time demanding the abolition of the long continued and criticised cotton excise duty. This declaration of reduction of wage level was followed by a serious strike in the industry. With the suspension of the cotton excise duty by the Government, the millowners withdrew the proposed wage cuts. The effects of the abolition of the excise duty was welcome viewed from the political point of view (it being an insult to the

suppressed country), economically it could not improve the condition of the industry. When the abolition of the cotton excise failed to improve the position and the question of stabilization of the rupee at 1s. 6d. had been acute, the Bombay Millowners' Association asked for an inquiry, and put forward its demands that included the imposition of an additional protective duty of 17½ per cent on cotton goods imported and to return to the ratio of 1s. 4d. rupee.

\*The effect of the depression after 1922-23 is evidenced from the headway fall of the total earnings of the Bombay mills. The net profits of the Bombay mills fell from Rs. 388 lakhs in 1922 to Rs. 33 lakhs in 1923 and there was a loss of Rs. 92 lakhs in 1924, and a loss of Rs. 134 lakhs in 1925. Practically all the mills were affected by the depression. In the following years, reserves were drawn upon to the tune of Rs. 63.4 lakhs and the allowances for depreciation fell short of normal allotments by Rs. 154 lakhs. It was also concluded by the Tariff Board that the mills with spinning departments only suffered more than those with both spinning and weaving sheds. Different was the position in case of Ahmedabad and other upcountry centres wherein the position improved since 1923, and it seemed that most of the well-managed upcountry mills that had both spinning and weaving departments did not fail to pay dividends even during the most depressed years.† Consequently Government appointed a Tariff Board in 1927 under the Presidentship of Sir Federick Noyce.

### The causes of the Depression:

Some of the causes of the depression were global in nature; others were peculiarly Indian in character.

(1) One of the results of the World War First was the impoverishment of Europe, resulting in the decline in the demand for consumers' goods. The agrarian prices were falling at a faster rate than industrial prices resulting into lower purchasing power with the agricultural classes. This had its effects on industries, as demand was formerly forthcoming from the agricultural sections of the community. The U.S.A., Brazil, Japan, and Lancashire all suffered. Curiously enough, when they suffered, Indian mills were enjoying post-war boom upto 1922-23. The expected

\* Figures taken from the Tariff Board Report, Cotton Textile Industry, 1927, page 27.

† *Vide* Tariff Board Report—Cotton Textile Industry, page 25. Also Ch. 'Wartime effects on Balance Sheets.'

depression, nevertheless, did come after 1923, and all the fundamental characteristics of a trade cycle were seen in this country. As the Tariff Board remarks, "the point we would emphasise here is that conditions in India since the end of the war have been a replica of those elsewhere and that only in very exceptional circumstances when a boom or a depression is in progress, can any one country hope to escape its effects? These exceptional circumstances did not prevail in India and the financial, psychological and the other features which produced the boom and the depression of the post-war period operated in the same way in this country as they did elsewhere."\*

(2) Fluctuations in the prices of vital raw materials were also one of the most important causes leading to the severe depression.†

(3) **External Competition**—according to the estimate of the Tariff Board, about 40 per cent of the Japanese imports competed directly with staple products of the Indian Mills. But the competition was not keen in 30s to 40s; so far the production of this count was small in 1925-26—it being only 19.7 million lbs. The report says that "all that can be said is that the production of piecegoods in India containing yarn of counts between 30 and 40 probably somewhat exceeds the imports of Japanese goods between these counts." The cloth made from yarn of the lower counts, that is in drills and sheetings, the Indian mills were able to hold their own. So the Japanese imports of those lines could not in fact compete especially in view of their comparatively small volume and declining character. Particularly long cloth bulked largely in Japanese imports and in the production of the Bombay mills. The cost of manufacture alone of cloth of 30s and above in Indian mills, apart from profits and depreciation, was practically equal to our higher than the Japanese sales prices and it is

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\* Tariff Board Report 1927, p. 81.

†	Year	Price of Indian cotton (Broach) in Bombay Rs. per candy.
	1921	342
	1922	479
	1923	510
	1924	560
	1925	432
	1926 (one half)	346

In the year 1926, the maximum reached was Rs. 349 in August 1926 and the minimum was Rs. 248 in December 1926 (Tariff Board Report 1927, p. 82).

obvious that this would create a depressing effect on Indian mill production. In the words of the Report the cause is "the position that the Japanese manufacturers are supplying long cloth and shirtings which are only slightly inferior to Lancashire goods at prices which are distinctly lower than those of the latter and differ very little from the cost of manufacture of Indian goods to which their quality is distinctly superior."\* Thus price cutting and dumping was operating as another cause that brought about depressing effects on the price level. Japan could compete successfully in India's own market due to certain distinct advantages possessed by it.

1. Climatic conditions are far superior to those of India, and they, naturally had considerable effect on the efficiency of Japanese labour.

2. Greater proportion of cheap female labour. Owing to peculiar social conditions of Japan, the proportion of women to men for the whole industry was 3.8 to 1 as against 4.3 men to 1 woman in case of India in 1924. Hardly any Convention of Washington Conference was observed by Japan. Child labour and employment of women by night was common.

3. Highly organized system of purchase of raw cotton owing to the well-known financial and industrial oligarchy of Japan. It was by the admixture of India and American cotton that the Japanese manufacturers could give their grey cloth a better appearance than the Indian cloth with which it competed.

4. Owing to national navy, freight charges were lower resulting into a type of bounty.

5. Efficient manipulation of exchanges. Japan got indomitable power to compete and defy the Indian cotton textile industry by its efficient methods of hedging of raw cotton and piecegoods on the world basis (b) purchase of Indian cotton when Yen was strong (c) and sale of cotton piecegoods when Yen was weakened or depreciated.

The significance of the depreciation of Yen was very well marked by the fact that the Yen fell progressively from Rs. 152 for 100 Yen in December 1923 to 112 in August 1925 and reached its lowest 105 and 107 in December 1924 and 1925 respectively. According to the Tariff Board report, however, it varied between 107 to 118 in 1925. According to the theory of exchange rates, depreciation cannot but

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\* *Vide* Indian Tariff Board Report 1927,—V. I, p. 88.

affect the other economic forces. It has always a definite tendency. Other things remaining the same, the differential gain of smaller wages and high prices will be eliminated by the ultimate rise in the wages forced by increased cost of living and consequent labour discontent. The measure is generally taken with a view to dump the goods in foreign market and conquer the foreign market by the weapon of competition. Depreciated foreign exchanges meant (illustration).

January-June 1923	Rs. 154-158 :100 Yen
January-June 1926	Rs. 120-130 :100 Yen

This means other things remaining the same, but provided that the economic effect of the vicious circle has been at least temporarily halted, India would be in a position to purchase more Japanese cloth in Rs. 154-158 in 1926 January-June than in 1923. In fact the vicious circle was temporarily checked by the fact that wages and the wholesale prices did not rise in Japan as rapidly as it was expected owing to a number of artificial control measures adopted by Japan.

6. Children were employed, women were working during night shifts. Hardly any of the Conventions of the Washington Conference was observed. The age of children for work was fixed at 14 by the Industrial Workers' Minimum Wage Law, but those already in employment could not be affected by the law. The hours of work were 11 according to their Factory Law instead of 12 formerly with a minimum of 1 hour's rest. But the provisions were practically nullified by the Article III giving power to the Minister of State to prolong the maximum hours by 2 during the period of 15 years from 1st July 1926 according to the nature of work. Holidays were few and night shift was from 6-0 p.m. to 5-0 a.m. and day shift from 6-0 a.m. to 5-0 p.m., recess being of 1 hour in total. Curiously enough males were excluded from most of the scanty privileges. Compared to this, Indian labour was better of though less efficient and more costly.

7. Japan was running double shifts. We cannot give in detail the advantages of double shifts and their proofs, but it may be stated according to the calculations made by the Indian Tariff Board that the saving of 7.34 pies per pound could be effected. But it was a saving on double the production. Stated in a simpler statement, this meant that a mill working double shifts could on the basis of the production of 26 lbs. of cloth per loom per day sell its cloth

at 10.38-pies per pound less than one working single shifts with a production of 13 lbs. of cloth per loom per day and still earn the return on capital of 8 per cent. It was pointed out by the Indian Tariff Board that the experience of two mills actually working double shifts in India showed that the production by night shift in India was not inferior to that by day shift. Continuing the above figures, if we add the amount necessary to provide a return of capital of 8 per cent to the manufacturing cost, the mill working double shifts would have a further advantage upto 17.72 pies per lb., i.e. 12.30 per cent, on the basis of cloth at about 12 annas per pound. These figures were for a mill turning out cloth from yarn averaging 32s.\*

8. State help was received by the Japanese industry while a number of difficulties were created in the progress of the Industry in India. The exact amount of financial assistance received by the Industry in Japan is not possible to ascertain but it must be considerable by the way of shipping subsidies, export bounties by way of rebate of the general consumption tax of 10 per cent levied in cotton textiles consumed in Japan, if and when it was exported. Export guilds could obtain official aid by way of—

1. The collection and exhibition of samples of foreign goods which competed Japanese products in overseas markets.
2. Research and propaganda in regard to improvement of the packing.
3. Subsidies towards the expenses of the parties of commercial travellers sent to foreign countries.
4. Subsidies for the establishment of commercial museums in foreign countries.

All the measures have actually been administered as against nothing to the credit of the officials as far as the Indian industry is concerned.

(4) Defects in internal organization were glaring that contributed to, if not created the severity of the depression in the Bombay island in particular. The highly criticised managing agents over-capitalised the industries.† They had their own disadvantages.‡ Over-capitalisation meant that heavy interest charges were to be paid even

\* Figures taken from Indian Tariff Board Report—1927, pages 59-64.

† Refer Chapter on 'War time effects on Balance Sheets.'

‡ For further explanation *vide* Chapter V.

in the hard days of the industry. The Directors rarely possessed the qualifications and knowledge necessary to conduct the industry. It encouraged the system of interlocking of directorates and interlocking of funds. Inefficient equipments and machinery were installed particularly in upcountry centres.

(5) The financial system of the industry is peculiarly defective and the industry depends on public deposits of long and short term duration resulting into instability of finance. The difficulty was to get long term block-capital owing to absence of industrial banks in the country. These only aggravated the circumstances.

(6) The exchange muddle—It was in the post-war period that the exchange rate was rising. Under the stimulus of high exchange in 1920-21, huge orders for machineries were placed by the Indian millowners. But the orders were not executed by U.K. till the rupee fell resulting into serious losses to merchants in general and to industries in particular with a consequent over-capitalisation. Rise in the exchange from s. 1-4d. to s. 1-6d. i.e., by 2d. gold which is expressed in the ordinary terminology that the prices of the commodities went down unaccompanied with the downward trend in wages which are peculiarly rigid; this resulted into increase in the cost of production. It affected the industry in another way because the fall in internal prices accentuated by lower rupee prices for the staple agricultural exports reduced the purchasing power of the agricultural classes—the chief customers of the industry. The conclusion drawn by the report was “coming as it does at a time of falling prices it has rendered the problem presented by the disparity between the prices and the wages in industry somewhat more pronounced but otherwise had no appreciable effect direct or indirect on its condition.”

The Tariff Board made the following recommendations:

- (a) That a combined bleaching, dyeing and printing factory should be established at Bombay with Government assistance.
- (b) That a bounty of one anna per lb. be given on the production of yarn above 32s.
- (c) That the import duty on cotton piecegoods should be raised from 11 to 15 per cent.
- (d) And that the import duties on cotton textile machinery and mill stores should be remitted. A case for some protection against unfair Japanese

competition until the new Japanese factory regulations came into force, was established.

### Government actions:

The Government accepted the proposals that the duties on the textile machines and stores be remitted. It also favoured the idea of establishing a combined bleaching, dyeing and printing factory; but rejected other proposals on the ground that a long established industry such as the cotton textile industry ought not to be protected by bounties or protective duties.

The decision met with a storm of opposition particularly from Bombay, followed by a deputation of the millowners in July 1927. The Government reviewed its original decision and a bill was passed in 1927 which contemplated the removal of the import duties on textile machinery and mill stores and for the imposition (until March 1930) of a duty of  $1\frac{1}{2}$  anna per lb. (or 5 per cent *ad valorem* whichever is higher) on imported yarn and for the reduction from 15 to  $7\frac{1}{2}$  per cent of the import duty on artificial silk yarn. The bill was passed but long and serious strike of cotton operatives in Bombay prevented any revival before the onset of the world wide depression of 1929. The production of the manufactured goods was reduced due to the strikes. Besides it was also disturbed by communal riots hence the proportion of the manufactured cotton exports diminished from 5 per cent to 2 per cent of the total. By 1929 in spite of the difficulties, the industry made substantial strides. It began to manufacture grey cotton pieces in increasing quantity. India's growing production at the hands of the Indian textile industry and growing rigid cost of Lancashire due to strong labour front explains as to why proportion of import from Lancashire diminished in 1929.

The period of world depression began from 1929 and continued right upto the beginning of the World War Second. In 1936-37 the depression had really ended and recovery had started. But that recovery was not normal or peace time recovery but it was due to the rearmament programme. More or less a drift from peace time to war time economy brought about this recovery. Therefore, it would be convenient to consider the period between 1929-39 a single period and the latter as an abnormal. We need not have the post mortem examination of the world wide depression here, it being out of our sphere. Suffice it to say that it began with the collapse of the largest financial institution

in Austria and subsequently prevailed in Germany, England, America and all over the world.

It is interesting to note that during the years of depression from 1929 onward Indian textile mills expanded their production and the imports from British textile mills diminished, thereby there was greater employment at home. Same was the case with the sugar industry which also developed in the years of severe depression. In other countries and in respect of other industries in India, unemployment was at its highest pitch. Consequently all the countries took immediate steps of banking and currency legislations, of giving bounties and tariff measures to protect their industrial structure against the demon of depression.

The industry in question is concerned with some of the measures undertaken by the Government and by the industrial interests themselves. The following three steps were taken:

1. Signed preferential treatment, agreements with United Kingdom and Japan.
2. Raised import duties sticking to the principle of Imperial preference.
3. Sent India off the gold standard like United Kingdom. This gave a stimulus to the export trade of the country in respect of the countries still on gold standard.

The exports of cotton manufacture showed an improvement in the decade, the increase being from 2 per cent of the total in 1929 to 4 per cent of the total in 1939.

It should be noted here that the history of the industry from 1929-1939 is largely dominated by the tariff policy of the Government and a number of trade or bilateral agreements signed by either the Government or by the industrial interests with either England or Japan.

We have already dealt with the bill proposing 20 per cent duty on non-British cotton piecegoods. The Government introduced the Bill in the legislature. It opposed the differential treatment being given to Great Britain by 5 per cent. The Government threatened the withdrawal of the bill if any amendment was made therein, therefore the bill had to be passed to protect the industry. The duties were as follows:—

Until April 1930 11 per cent *ad valorem*.

From April 1930 15 per cent *ad valorem*.

(If grey 15 per cent or 3½ annas per lb. whichever was higher).

From March 1931 20 per cent *ad valorem*.

(Grey 20 per cent or 3½ annas per lb.)

From October 1931, 25 per cent *ad valorem* or 4½ annas per lb.

As a result of this increase, the imports of British piece-goods fell from approximately 1,500 million yards per annum under 11 per cent duty to 500 million yards per annum under the 25 per cent duties and imports of British yarn fell from 20 million lbs. to 10 million lbs. per annum.\* On the other hand, the production increased by 1,000 million yards or 50 per cent and that of yarn by 500 million lbs. or 25 per cent.

It was by the year 1932 that England had to completely abandon her free trade doctrine and enter into bilateral agreements with the Empire countries. Pursuant to this policy of Imperial Government, India entered into an agreement with England at Ottawa. The agreement is well known as Ottawa Trade Agreement of 1932. Under this preferences were given to Great Britain by India and to India by Great Britain in certain respects. Accordingly a preference of 10 per cent was given on cotton, silk and artificial silk manufactured by India to England over and above the other articles. In return, England would allow a free entry to certain Indian goods and promised to popularise Indian cotton in Great Britain and other countries, giving in this way a substantial bounty to Lancashire interests in return for a vague promise of popularising Indian cotton. This was heavily criticised. The preferences to be granted to England by India were subject to Tariff Board inquiry. Before that a private agreement named 'Mody Lees Pact' was signed by the Bombay Mill-owners' Association and the Lancashire interests in the year 1933. It was to remain in force for 2 years. The Ahmedabad Millowners' Association rightly denounced the Mody Lees Pact and refused to recognise the Bombay Mill-owners' Association as representing all the mill interests. Under the pact it was agreed that:

1. Indian cotton textile industry required protection but much lesser protection against British goods.

2. Lancashire should encourage the use of Indian cotton at Lancashire and should help India in developing trade connections with colonial markets.

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\* Indian Tariff Board Report, 1935.

It was heavily criticised on the same lines as was the Ottawa agreement; in spite of the fact that Mr. Mody argued for the pact stating that satisfaction of Lancashire interests would result into removal of constitutional hitches created by them.

In spite of violent opposition, Indo-British trade agreement incorporating more or less the provision of the Mody Lees Pact, was signed in 1935. The much condemned Ottawa Pact came to an end by 1936. A new agreement thereafter was desired to be signed and after consulting the panel of businessmen, a new agreement came into operation in 1939 named Indo-British Trade Agreement of 1939. In granting concessions to India under this agreement, three principles were kept in view:

(1) All risk or injury to Indian trade with other countries should be avoided as far as possible.

(2) No domestic interests should be sacrificed.

(3) India's tariff policy of discriminating protection should remain unchanged and unaffected. Besides preferences by both the parties on a number of articles, a peculiar type of concession of reciprocal character was granted to India. This was related to import of piecegoods in India from Great Britain. The duties of piecegoods exported to India were of a flexible character, adjustments having been made in such a way as to encourage the imports of piecegoods into India upto a certain limit and discourage them thereafter. Under this reciprocal scheme, certain basic duties were levied on the imports of British manufactures. The basic rate of duty was 15 per cent on non-printed piecegoods and 17½ per cent on printed goods as against former duties of 20 per cent and 25 per cent on non-printed and printed goods respectively. The basic rates of duty were to continue as long as—

(1) the imports of cotton piecegoods into India remained between 350 million yards and 500 million yards

(2) as long as the exports of Indian cotton to Great Britain fluctuated between 400,000 bales and 750,000 bales. The basic rates were liable to be reduced.

(i) when the imports of cotton piecegoods fell below 350 million yards. This reduction would continue till the import reached the level of 425 million yards;

(ii) the basic rates of duties would be reduced when the export of Indian cotton to Great Britain exceeded 750,000 bales.

The basic rates of duties would be increased

- (i) if the import of cotton piecegoods rose—above 500 million yards with a view to discourage the British imports. The increased rates would be continued until the imports fell to 425 million yards;
- (ii) the basic rates would be increased if the imports of the Indian cotton fell below 400,000 bales with a view to reduce imports.

It should be said that the agreement was more equitable and beneficial to India as compared to the Ottawa Pact though it was criticised that the levels fixed for reciprocity were more favourable to England. But the Government argued that some concessions had to be given to Lancashire to arrive at an agreement. The reason why Lancashire (England) entered into this type of agreement was seen from its position of imports in India. In the pre-war years, i.e. before 1914, 3,000 million yards of British piecegoods were imported in India. In 1929, it was reduced to 1,500 million yards, in 1935 to only 500 and in 1938 to a low figure of 250 million yards. To recover its position as far as possible, England entered into an agreement.

### **The Indo-Japanese Trade relations and the cotton textile industry:**

Owing to the depreciation of yen by about 61 per cent, Japan could successfully compete in Indian market. It also carried out a plan of rationalization by that time resulting into increased efficiency of Japanese industries. A great hue and cry for raising the duties against Japan continuously went on so that duties against Japanese imports reached high figures of 50 per cent and 75 per cent *ad valorem*. But this having been found insufficient, the Government of India denounced Indo-Japanese conventions of 1908. Japan threatened to boycott Indian cotton as a reprisal against the denunciation. Cotton producers were afraid of losing the largest consumer of their product and mutual consultations led to the Indo-Japan Trade Agreement of 1934. The proposals and conventions were defective and full advantage of the loopholes was taken by Japan by exporting mixtures and 'fents' and readymade garments. To remove the defects, a new Indo-Japanese agreement was signed in 1937, wherein like Indo-British Trade Agreement, certain quotas of purchases by each side were laid down. The small scale industries were not at all taken care of by the Government while entering into these agree-

ments. Just at the beginning of the second world conflict a fresh agreement was negotiated but the matter was shelved due to the war situation.

### **Export and import position of the industry during the decade:**

The export of cotton manufactures showed an improvement in the decade, the increase being from 2 per cent of the total exports of cotton manufactures in 1929 to 4 per cent of the total in 1939.

As far as the import of cotton manufactures is concerned, it amounted to 25 per cent of the total import in 1929 and fell to 9 per cent only in 1939. There was a fall in import of cotton yarn and cotton twist. Yarn below 30s was now produced at home. Imports were mainly confined to counts above 30. Even in this class, imports were gradually falling. Fall in the imports of yarn was more severe in the case of grey while the fall was smaller in the case of bleached and coloured and mercerised yarn. Imports of cotton piecegoods kept on falling mainly because of the increase in home production. Imports of grey goods fell most. Total yardage of piecegoods was reduced to 650 million yards in 1939, from 1,900 million yards in 1929. Fall in the import amounted to a fall of 70 per cent in case of grey piecegoods, 68 per cent in white piecegoods, 60 per cent in the case of coloured and printed piecegoods. So also the direction of the piecegoods trade took a change, more imports being from Japan rather than England.\*

The earnings of the mills were not encouraging though efficient mills were making profits. Still the construction of the mills in Indian States was going on.

### **The World War Second and the cotton textile industry:**

The stocks of the mills were accumulating as is seen from the statement of Sir Chandavarkar, at the eve of the second world conflict and the Bombay Millowners' Association was contemplating to reduce the production voluntarily. But the war came as a stimulating factor disposing of the stock within a short period of two years and bringing within a few years a cry for cloth.

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\* The topic is discussed later on *vide* the Chapter on "Wartime effects on Balance Sheets."

**The position of the industry on the eve of the world war second\***

	March 1938	August 1939
1. Stock with mills in bales of cloth .. ..	74,000	179,000
Do. Do. yarn .. ..	20,000	24,000
2. Orders booked for forward dealing in bales ..	325,000	157,000
3. Equipment idle—Looms .. ..	3,780	8,701
Do. Spindles .. ..	283,000	606,800
4. Equipment working (double shifts)—Looms ..	38,800	25,725
Do. Do. Spindles ..	1,710,557	1,094,210
5. Operatives employed—Day .. ..	107,712	100,706
Do Night .. ..	48,102	32,597
6. Price of standard long cloth in annas per lb.	9½	8½
Price of 24s in annas per lb. .. ..	8	6½
Price of 34s in annas per lb. .. ..	1½	8½
7. Imports (first 8 months) in piecegoods (in millions yds.) .. ..	395	411
8. Imports (first 8 months) of yarn (in million lbs)	16	27

**The eve of the World War:**

The position of the industry was very critical on the eve of the second world war. The boom of 1937-38 was already over and stocks were accumulated with consequent low price level. The figures of the stocks were more than doubled compared to those of 1938 and the chain index of profit went down to 156.8 in 1939 compared to 208 in 1938.† This being the case, a number of spindles and looms were idle and night shifts had to be closed down. But the war commenced in September 1939. The cotton trade, relying on their experience of 1914-18 war, expected increased prosperity and therefore there developed a hectic boom in the beginning period of the war. Goods exchanged hands at inflated prices and production also showed an increasing tendency, the index number of wholesale prices having risen from 97 in August 1939 to 135 in December 1939. But some of the millowners were aware of the typical characteristics of the World War Second at its beginning stage, as is seen from the speech of the President of the Bombay Millowners' Association at Bombay. Comparing the figures of imports and production of cotton textiles, the Chairman said "In the immediate pre-war years, viz., 1913, India imported no less than 3,200 million yards of cloth from abroad, while Indian mills produced 1,150 million yards, of which about a hundred million yards were exported. The

\* Taken from an article in Bombay Investors' Year Book 1940—pages 35-89 by Sir V. N. Chandavarkar, on 'The Indian Cotton Mill Industry.'

† Vide Trade Review—1940-41, p. 42.

Refer also the chapter on Earnings—War time effects on Balance Sheets.

position accordingly was that Indian mills supplied only about 20 per cent of the upcountry's requirements of mill made cloth, and the mills were presented with wonderful opportunities for making profits when the war emergency curtailed cloth exports from the United Kingdom. In 1939, the position was vastly different. The total imports of cotton piecegoods from all countries were less than 650 million yards but the production of the Indian mills had reached the figure of 4,250 million yards of which only a hundred million yards were exported. This means that Indian mills are today supplying more than 80 per cent of the country's needs of mill made cloth and as much as the country consumed altogether before the last war. These figures are most significant and even the layman must realise that indigenous industry in 1914 which filled the Indian bazaars have been largely replaced by Indian and Japanese goods, and there is no reasonable expectation of Japanese goods being imported into this country in diminished volume as a result of the war."\* Before going to the discussion of the position of the industry during the war, let us examine important committees appointed to deal with the problems created by the war.

To deal with the technical difficulties, the well-known Meek Gregory Commission was appointed. Its function was to find alternative markets in Northern and Southern America.

Another important council sprung up due to the war was Expert Advisory Council in May 1940 with the then Commerce Member as the Chairman and Sir H. P. Mody as Vice Chairman. It represented various commercial interests and met four times a year. Its functions were as follows:—

1. To serve as a channel of communication between the Government of India and exporting countries, to facilitate discussions of difficulties arising out of war time rules and regulations.
2. To make recommendations regarding the best means of expanding the aggregate exportation of staple commodities and finding alternative markets for those whose markets have been closed as a result of the war.
3. To recommend the methods of expanding the export of Indian manufactures, and to

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\* *Vide* the Chairman's speech, Bombay Millowners' Association, August 1939.

promote the interests of Indian manufacturers, in expansion of their overseas sales.

4. To recommend as to assistance which should be given by the Government of India to Unofficial Trade Delegation which might be despatched by Organized trade or industries to study conditions in overseas markets.

The next important conference in which the mills were interested was Eastern Group Conference that made purchases of cloth for the member countries.

The Indian mills have evolved with the help of the Indian Stores Dept.—several new fabrics—the water tube mixture to replace flex canvas, khaki twills for shirtings and imitation of mosquito nettings.

#### **The industry during the war:**

As the hectic boom was not based on increased demand, crash came after four months and slump in prices followed. The index number of prices (wholesale) having gone down from 131 in January to 117 in August 1940, but a stimulating doze was given by the order of freezing the Japanese Assets in India.

The main fillip was given by the Government Orders unlike the last war when the main fillip came from home demand due to cessation of imports. As seen above percentage of machinery engaged for warworks increased from 8.10 per cent in the beginning period to 60 per cent.\* In 1943, the purchase programme of the Cotton Textile Directorate for the year 1942 embraced an expenditure of 75 crores of rupees, a considerable amount indeed.

It was during this time that the export market began to assume more importance than the First World War as will be seen in the chapter dealing with the problem of imports and exports.

The prosperity of the industry was unprecedented;—even mills on the verge of liquidation were given nectre, to survive the war. The average dividend having been increased to 14.44 per cent per annum in 1941 as against 10.88 per cent in 1940 and 10.5 in 1939. Even interim dividends were declared by a number of well managed mills—the chain index number of profits having been increased from 208.3 in 1938 to 760.7 in 1942 (of 57 and 75 companies).†

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\* Figures taken from 'Indian Arms for victory,' by G. Tyson p. 195. Includes 25 per cent reserved for military cloth).

† *Vide Trade Review—1945, p. 26 of 1948 pub. 1945.*

After a little setback in early 1942 when an exodus of labour and confusion was there due to attack of Japanese bombers on Calcutta and fear of an attack on Bombay; the industry made rapid strides and maintained prosperity upto the present days, in spite of the troubles of controls, taxation and scarcity of dyes, chemicals, machineries and power.

The number of mills increased during the war years from 389 in 1939 with 10059370 spindles and 202464 looms to more than 406 mills with 10000000 spindles and 2 lakhs looms in 1944, and capital investment reached to the figure of 52 crores of rupees. This much evidence will suffice to prove that the industry did make rapid developments during the second world conflict. The prosperity and progress of the industry were due to its monopolistic position since cessation of trade with Japan and virtual stoppage of imports from European countries. Among the eastern countries then open to trade, India was the only country with a well developed cotton textile industry. The increasing demand under the Eastern Group Conference agreement, coming particularly from Ceylon, Australia, Africa and Middle East, got an unprecedented opportunity to reap the fruits of many years of labour.

#### **Trend of price level:**

In the latter months of 1942-43, there was a sharp and precipitous rise in prices of piecegoods owing to increased exports, increased demand from Government and also increased civilian demand. The requirement of the Supply Department was 1000 million yards or 25 per cent of the total output in 1942-43, and imports went down to only 13 million yards in 1942-43 from 647 million yards in 1938-39.

A critical time for the consumers was feared as the supply of the mills was far less than the requirements of the consumers. The troubles of the consumers were serious in 1943 owing to stoppage of mills at Ahmedabad due to a long strike of 3 months' duration from August 1942 following the arrest of the popular national leaders.

As a result of these factors, the prices of grey shirtings, at Bombay which was quoted at Rs. 9-13-6 in April 1942 increased to Rs. 12-15-0 in September 1942 and to 19-11-0 in March 1943, about one hundred per cent rise. The index number of prices of indigenous cotton manufactures rose by about 127 per cent. Such a precipitous rise in price level made for huge profits of the industry, but brought forth strict and rigid Government control to protect con-

sumers and arrange for efficient supply of cotton piece-goods for the Government requirements.\*

The mill industry was working at its highest capacity during the period as is seen from the fact that production increased from 1,303,246,000 lbs. yarn in 1938-39 to 1,533,796,000 in 1942-43 and the production of piecegoods increased from 4269.5 to 4493.6 (000) yards in 1942-43 and to 4870 and 68.7 million yards in 1943 and 1944 respectively. These figures and the fact that a large number of mills were working double and treble shifts through the period, speak volumes for the statement that the mills worked to their fullest capacity throughout the period.

### **Imports and exports:**

The total import of piecegoods declined from 78 million yards in 1940-41 to 75 million yards in 1942-43, the decrease being in respect of grey, white and coloured goods. Exports have been increased from 390 million yards to 819.1 million yards in 1942-43.

These hard facts and figures show that the industry had unquestioned boom which in no way can be attributed to either the increased efficiency or better organization of the industry.

Labour was characteristically quiet throughout the period mainly because of sufficient dearness allowance paid to them from the beginning of the boom period. But later on with increase in dearness allowance to a figure of Rs. 70/- per month to a labourer in Ahmedabad, it became an important item of the cost of production.

The increased prices were followed by a number of control measures by the Government to protect the consumers with the result that profiteering by millowners was checked. The controls did not make any appreciable effect on the industry nevertheless earnings were affected after 1944.

The Government measures imposing heavy taxation from very beginning of boom conditions and universal shortage of dyes, chemicals and machinery heavily told upon its otherwise probably glaring prosperity.

This review in brief of the progress and prosperity of the industry right from its inception to the present day brings us to the conclusion that the future of the industry

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\* *Vide* Chapter on 'Scarcity of cloth and controls during the two war'.

which developed in spite of a number of hitches created either by trade and economic conditions or by Government of India to protect Lancashire interests in the country, cannot be said in any way to be gloomy.

In the following chapter an attempt has been made to deal with a comparative study of the effects of the two great wars on various aspects of the industry.

## CHAPTER IV

### PRODUCTION DURING THE TWO WARS

**Preliminary—Comparative study of the production of Cotton-piecegoods during both the wars—Sort—Vise. Distinct features marked from the table—Production of coloured goods in detail and the development of the printing industry in India—Details of increase in production during the World War Second upto 1944 December—Cause of the increase in production not the improved efficiency, but entirely the boom conditions and utilization of idle equipments—Diversification in sort produced due to heavy war demand—Comparative study of the effects of the great wars on per capita consumption of cloth—Production of Cotton, Twist and Yarn during the wars—Distinct features marked from the table—Details of production of Cotton, Twist and Yarn during the Second World War—Effects of the Utility Scheme on quality of production—Conclusion.**

#### **Production during the Two Wars:**

Production of cotton piecegoods and cotton twist and yarn increased during both the wars owing to unprecedented demand from various quarters. This tendency which is usually marked during war time is brought about by the following factors:—

1. Tremendous increase in demand from military quarters for defence services.

2. Inflation, an essential characteristic of modern wars, gives increased purchasing power in the hands of consumers whose demand for cloth obviously increases.

3. At the same time, supply available for civil consumption goes down, when there is little possibility of satisfying increasing demand by imports. This results into scarcity, higher prices and consequent decrease in per capita consumption.

India was dependent on foreign countries for her requirements of cloth during the World War First, and in the Second World War, though she is independent in this regard, the demand from military quarters and for export purposes was so high that she had to experience a partial cloth famine. This situation did not arise during the last war because of substitution of Japanese imports, increased Indian production and fair chances of imports from United Kingdom as compared to the acute shortage of tonnage

during the recent war. Moreover, manufacturing countries themselves were active belligerent; hence their own industries concentrated on production for war requirements only.\* The difference in the position on the eve of both the world struggles is brought about from the fact that in the immediate pre-war year—1913—India imported about 3200 million yards of cloth from abroad while Indian mills produced 1150 million yards of which about 100 million yards were exported. Therefore, 20 per cent of the country's requirements of mill made cloth were supplied by Indian mills. But different was the case in 1939. Total imports from all countries being less than 650 million yards, while the production of Indian mills reached the figures of 4250 million yards of which only 100 million yards were exported, thus meeting 80 per cent of country's requirements for mill made cloth.

This shows that the tables were turned during the World War Second and the industry worked to its full capacity particularly after 1942. The table given on the next page gives a comparative study of the effects of the two great wars on the production of cotton piecegoods.

The total production of piecegoods during the war reached the peak level in the year 1917-18 when it was 1614 million yards as against 1105.5 million yards, the average of 1909-1914. The production after showing a decline to 1450.7 million yards in 1918-19 reached to 1639.7 million yards in 1919-20, the post-war year.

As far as the second world struggle is concerned, the total production showed an increase from 4012.5 million yards in 1939-40 to 4269 million yards in 1940-41; to 4493.6 million yards in 1943-44.

In the World War First, the production of coloured goods increased from 251.4 million yards to 475.7 million yards in 1919-20, after showing a decline in the year 1918—showed an increase of about 90 per cent over pre-war quinquennium. Its production during the World War Second showed an increase from 926.2 million yards in 1939 to 1104 million yards in 1941-42 and declined to 1088.8 million yards in 1942-43 owing to reasons discussed elsewhere.

The total production of grey and bleached goods increased from 854.1 million yards the annual average of 1909-14 to 1140.9 million yards in 1917-18 and to 1164.0 million yards in 1919-20, after showing a decline to 1076.7

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\* For a study in detail, *vide* Chapter : "Scarcity and controls during the two great wars."

\* Production in the Indian mills during the two Great Wars.  
 Chart showing production of cotton piecegoods (in million Yards.)

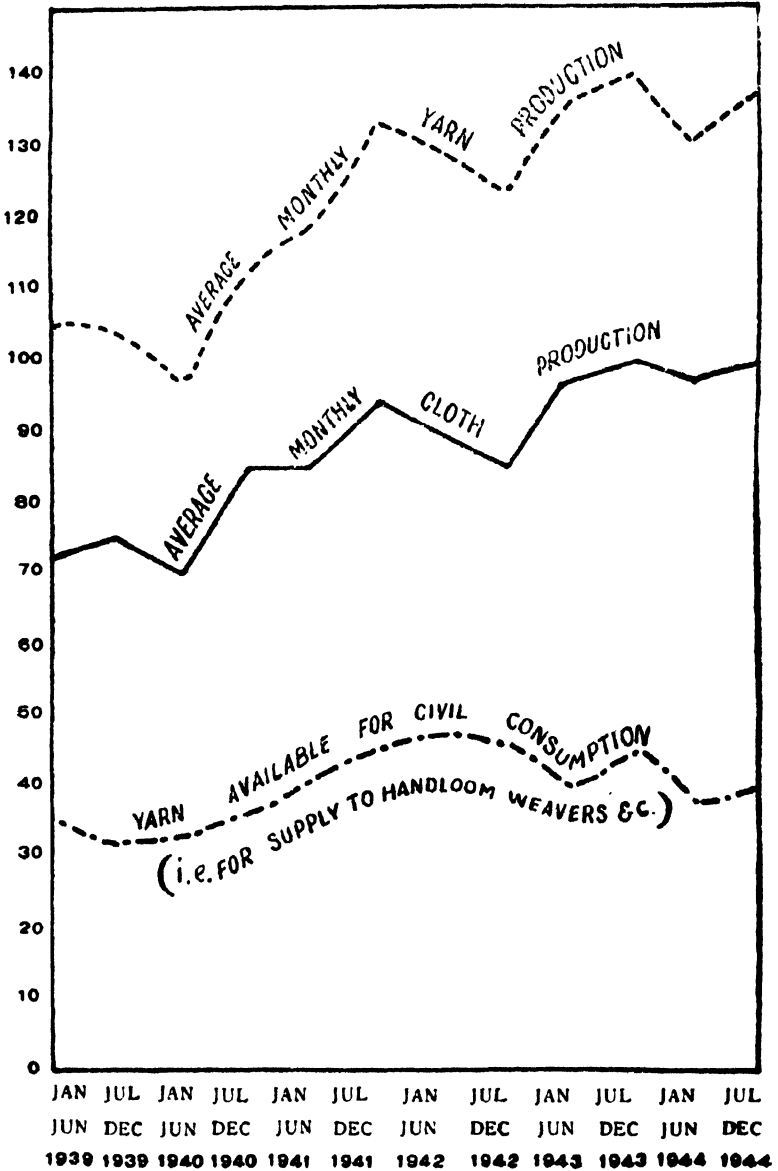
Descriptions	Average of											
	1909-10	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20	1939-40	1940-41	1941-42	1942-43	1943-44
<i>Grey &amp; Bleached</i>												
Shirtings & long cloth ..	288.1	321.0	419.6	427.8	450.6	393.8	444.5	1011.6	969.0	1112.5	1068.0	
Dhories .. .. .	269.5	259.0	323.6	300.9	325.0	369.3	68.0	1230.3	110.14	929.1	713.1	
T. Cloth Domestics and sheetings ..	139.8	184.0	151.4	192.1	137.4	110.5	837.6	173.2	181.2	217.8	221.0	
Chadars .. .. .	64.1	66.0	75.2	67.8	54.0	37.9	122.4	70.6	61.9	56.4	36.5	
Drills & Jeans ..	26.4	31.0	46.3	56.5	78.6	54.2	80.8	122.8	187.8	234.0	208.7	
Other Sorts .. ..	66.2	70.0	78.8	91.1	95.3	111.0	110.7	478.3	664.1	767.5	773.2	
<b>Total</b> .. .. .	854.1	881.0	1094.9	1136.2	1140.9	1076.7	1164.0	8086.3	3165.4	3310.2	3020.5	
<b>Coloured Piecegoods</b> ..	251.4	255.0	346.6	441.6	473.1	374.0	475.7	926.2	1104.1	1183.4	1088.8	
<b>Total Piecegoods</b> ..	1105.5	1136.0	1441.5	1577.8	1614.0	1450.7	1639.7	4012.5	4269.5	4493.6	4109.3	4870.7†

\* Compiled on the basis of figures given in the "Review of Trade of India" 1918-14 to 1942-43.

† Figures given by Mr. M. P. Gandhi, Cotton Textile Annual, 1945.

Indian Cotton Textile Industry

GRAPH SHOWING THE ALL INDIA AVERAGE MONTHLY CLOTH & YARN PRODUCTION & YARN AVAILABLE FOR CIVIL PURPOSES



million yards in 1918-19; as against this, its production increased from 3086.3 million yards in 1939-40 to 3165.4 million yards in 1940-41 to 3310.2 million yards in 1941-42 but showed a decline of 290 million yards in 1942-43 so as to reach the lower figures of 3020.5 million yards.

Some interesting readings can be had by studying the table a little more carefully.

1. The production of Shirts increased during both the wars as is seen from the fact that it increased from 288.1 million yards, the annual average of 1909-14; to 325 million yards in 1917-18 and to 444.5 million yards in 1919-20; as against this, it increased from 969 million yards in 1940-41 to 1112.5 million yards in 1941-42.

2. The production of Dhooties increased during the First World War from 269.5 million yards (annual average 1909-14) to 325.0 million yards in 1917-18 while it went down during the World War Second from 1230.3 million yards in 1939-40 to 1101.4 million yards in 1940-41 to 921.1 million yards in 1941-42 and to 713.1 million yards in 1942-43.

3. The production of Tent cloth, Domestics, and sheetings showed marked increase during both the wars from 139.8 million yards (average 1909-14) to 192.1 million yards in 1916-17 to 137.4 million yards in 1917-18 to 337.6 million yards in 1919-20; while it increased from 181.2 million yards in 1940-41 to 217.8 million yards in 1941-42 so as to reach the figures of 221 million yards in 1942-44.

4. The production of Chadars showed a decline from 64.1 million yards, the annual average of 1909-14 to 54.0 million yards in 1917-18; as against this it showed a decline from 70.6 million yards in 1939-40 to 61.9 million yards in 1940-41 to 56.4 million yards in 1941-42 and to 36.5 million yards in 1942-43, thus showing a decline of 71 per cent as compared to the figures of 1940-41.

5. The production of Drills and Jeans increased from 26.4 million yards (average 1909-14) to 95.3 million yards in 1917-18 to 110.7 million yards in 1919-20; as against this its production increased from 122.3 million yards in 1939-40 to 187.8 million yards in 1940-41 to 234.9 million yards in 1941-42 but decreased to 208.7 million yards in 1942-43 owing to political strikes of about three months' duration in the manufacturing city of Ahmedabad, and of more or less duration in other cotton manufacturing centres.

6. So also the production of other sorts showed marked increase from 86.2 million yards in 1917-18 to 110.7 million yards in 1919-20; as against this, it increased from

478.3 million yards in 1939-40 to 664.1 million yards in 1940-41, and to 773.2 million yards in 1940-41, and to 773.2 million yards in 1942-43—the year of prolonged strikes and disturbances.

7. The total production in the inter-war period increased from 1450.7 million yards in 1918-19 to 4012.5 million yards in 1939-40—an increase of about 176.5 per cent.

8. The production of coloured goods in the inter-war period increased from 374 million yards in 1918-19 to 926.2 million yards in 1939-40 and to 1183.4 million yards in 1941-42 or an increase of about 215.5 per cent (in 1941-42 as compared to 1918-19 figures). The production of coloured and printed goods showed a marked increase owing to Calico printing and dyeing industry in the country during the period. This is shown from the fact that there were about 28 calico printing and 197 dyeing mills out of the total of 387 mills in 1939-40.\*

During the World War First, being jubilant over the production of coloured goods, the President of the Bombay Millowners' Association stated that, "Coloured cloth production has been practically double the quantity which they used to turn out five years ago," and it would have been still more but for the serious shortage of anniline dyes. Regretting this feature, the President said, "the embargo laid on the export (from U.K.) of anniline dyes has been of a character which might be legitimately called a grievance. Why should these dyes be denied to a dependency like India and why they should be retained for the sole and exclusive use of Lancashire manufacturers, millowners are at a loss to understand." Continuing further he made a pointed remark, "are millowners to understand that India on matters of industry, when Lancashire is in competition, should always be subordinated to Lancashire interests?"\*\* Former difficulties of engraving of designs were considerably lessened owing to various

\* *vide* Indian and Japanese Textile & Engineering Diary 1940.

\*\* Presidential Address, Bombay Millowners' Association's Report 1914.

Insisting on the necessity of the printing industry in India and showing the favourable circumstances existing in India, the Tariff Board stated, "When a design is no longer required, it is removed by turning off the surface of the roller which is then replaced to its original diameter, and is re-engraved with the new pattern. This method of engraving had undergone a considerable change as early as in 1920-25. Now reliance is no longer placed on purely handwork and consequently on the skill of the engraver. Mechanical processes are now employed for transferring a design to the surface of the copper roller. Engraving machinery is comparatively simple to operate as designs are now produced and multiplied by the use of Machines. In some cases photography is also used to transfer a design to the roller.

\*STATEMENT SHOWING DETAILS OF PRODUCTION OF PIECEGOODS DURING WORLD WAR II CENTREWISE (In million lbs.)

Centres	1939		1940		1941		1942		1943		1944	
	Total	Ave- rage (mon- thly).	Total	Ave- rage (mon- thly).	Total	Ave- rage (mon- thly).	Total	Ave- rage (mon- thly).	Total	Ave- rage (mon- thly).	Total	Ave- rage (mon- thly).
All India	900.5	75.0	915.0	76.2	1087.1	90.6	..	..	..	..	..	..
British India	738.0	61.1	734.0	62.8	898.8	74.9	..	..	..	..	..	..
Indian States	167.5	13.9	167.2	13.8	188.8	15.7	..	..	..	..	..	..
Province of Bombay	520.0	43.3	516.3	43.0	632.6	52.7	595.9	49.7	701.9	58.5	730.0	60.8
Ahmedabad	184.8	15.4	189.4	15.8	186.5	15.5	145.7	12.1	196.2	16.4	211.0	17.6
Madras	22.4	1.9	33.7	2.8	40.3	3.4	..	..	..	..	..	..
Bengal	43.5	3.6	44.8	3.7	49.8	4.2	..	..	..	..	..	..
U. P.	66.7	5.6	80.2	6.7	86.4	7.2	..	..	..	..	..	..
Ajmer-Merwara	7.0	.6	6.8	.5	6.4	2.5	..	..	..	..	..	..
Punjab	18.3	1.5	17.5	1.5	19.4	1.6	..	..	..	..	..	..
Delhi	25.6	2.1	28.6	2.4	30.3	2.5	..	..	..	..	..	..
C.P. and Berar	26.3	2.2	24.1	2.0	29.4	2.4	..	..	..	..	..	..

\* Figures are compiled from Cotton Spinning and Weaving in India upto 1942, but after that the Government stopped its publication; hence the figures from 1942 onwards are compiled from the Bombay Labour Gazette. Also see graph on p. 72.

mechanical devices introduced, that once more stimulated production of printed and coloured piecegoods.

From the figures of totals and monthly averages, given on the previous page, it will be seen that there was considerable decline in production of piecegoods in the year 1942, in spite of the fact that the production showed an increasing tendency through out the war period all over India.\*

It will be observed from the table that there is a marked increase in practically all provinces excepting U.P. Bengal seems to have increased its production of piecegoods. Indian States increased their production from a monthly average of 13.9 million lbs. from the year 1939 to 15.7 million lbs. for the year 1941. While in case of British India the increase is from 61.1 to 74.9 million lbs. in 1941. In case of the Province of Bombay, there is increase in the monthly average of production from 43.3 million lbs. in 1939 to 53.7 million lbs. in 1941 which went down to 49.7 million lbs. in 1942 due to political strikes; but it revived in 1943 and 1944 so that in 1944, it reached to a peak level of 60.8 million lbs. There is also seen a marked increase in the monthly average production of Ahmedabad except in 1942 when it was only 12.1 million lbs. which was lower than even 1939 figures due to complete closure of the mills for a period of three months due to political strikes.

The marked increase in production, as examined above should not create an impression that efficiency of Indian industry has increased due to the war. Compared to other countries even in the first post-war period, efficiency of Indian industry was lower as it was admitted "with only just over 60,000 looms Japan produces well over a thousand million yards of piecegoods per annum; with a total spindleage of less than 5 million it produces over 2 million bales of yarn per annum, whereas India with  $8\frac{1}{3}$  million spindles produces only  $1\frac{1}{2}$  million bales of yarn."† It should be noted that the increased production during this war is not due to the increased efficiency of the industry, of equipments or of labour; but due to the fact that the idle capacity and equipment of the Indian cotton textile industry has been

(Contd.) Engraving and electro-plating are both arts which are understood in India and making of designs is art, probably as old in India as in any part of the world." So there is no reason why printing industry should not make still more rapid strides in India. (Indian Tariff Board 1927, Report V.I, pp. 150-62).

\* Vide also Graph on p. 72.

† Indian Tariff Board Report, 1927, VII, p. 60

fully utilised by running double and treble shifts in a number of mills to meet with ever-increasing demands for civilian and defence needs. It can neither be attributed to better organization which is, in fact, deteriorated nor to rationalization from which the industry is still far off.

### Diversification of sorts:

Mr. A. H. Silver, in the Muniton Board Report stated that the purchases made by the Textile Branch amounted to approximately 2 crores of rupees per month in the latter half of 1918. Even in the World War First naturally the main Government requirements in India were of cotton textiles; and the whole of them with the sole exception of Mosquito Netting were supplied by Indian mills.

Standardisations of the various classes of cotton materials required by the army were made, and specifications suited to Indian conditions were effected. The effect upon the Indian industry of the placing of all Indian requirements in India might be seen from the figures of supply of some of the larger items during the year 1918 which were as follows:

	(In thousands)
Khaki Dyed Drills and Pugri cloth ..	46,500 Yds.
Grey & Bleached cloth .. ..	9,000 ..
Webbing & Tapes .. .. .	49,000 ..
Cotton ropes .. .. .	11,000 Fathoms.
Flannelette .. .. .	2,250 Yds.
Cotton Canvas Kitbags .. ..	2,000 Nos.
Kullas .. .. .	1,000 ..
Sheets .. .. .	500 ..
Pillow covers and cases .. ..	200 ..
Yarn and thread .. .. .	400 ..

In addition to these some ten thousand tents were supplied monthly. In some cases, the tents were made by mills which supplied their own Dosuti, but where the manufacture of tents was given out to contractors, the Board supplied them with Dosuti required, and this alone entailed the purchase of approximately 1,750,000 yards monthly. The handloom industry, it should be noted, was not much utilised though a bulk of the webbing and tapes was made by village workers.\*

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\* The monthly average of production of Buckingham and Carnatic Mills of Madras for Army requirements are given below. Unfortunately the mill could not supply the figures of the Second World War, which if given, would have provided an interesting study:— (Contd. on next page)

As against this in the recent war, all the Government requirement for defence services, as far as cloth is concerned, were supplied by Indian mills throughout the war period including mosquito nets and other sorts. The total requirements of the Government were about 1000 million yards in 1942-43 which were supplied by the Indian industry, but of course at the cost of production required for civil consumption to a certain extent.

The Indian mills, to meet the war demands had to evolve with the help of the Indian Stores Department several new fabrics—the water tube mixture to replace flex canvass, khaki twills, for shirtings and mosquito nettings. It should be remembered that piecegoods required for war purposes are different in character from those required for civilian use. In the latter, style, fineness in quality, and cheapness are most important. In the war, durability and capacity to resist wear and tear of troop movement is what is more important. Moreover, Khaki colour of the most particular shade is required in all drills for the army, and that is why three formulas have been circulated amongst the millowners in connection with dyeing of vegetable khaki colours. The heavy canvass required special reeds and folded yarns, and in this connection, it has been found that the doubling machinery in India is very much inadequate to import sufficient strength to the cloth. Hence as many as five foldings have been tried in Indian mills to adapt themselves more and more to war requirements.

The following table shows the production of cloth for war purposes by the Indian mills, and for export out of India and standard cloth produced by them during the month of February 1945. The table shows the predominant position of production for war requirements because from 828904 thousands of lbs. of total production about 23824 thousands of lbs. were purchased by Government—about 28.8 per cent of the total production.

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Khaki Drill	..	..	1500000	Yds.
Khaki Pugri cloth	..	..	250000	”
Dosutis	..	..	90000	”
Canvas duck	..	..	40000	”
Cotton Holland	..	..	80000	”
(for lining)				
Khaki tape 2”	..	..	50000	”
Khaki webbing	..	..	25000	”
Card for Identity Discs.	..	..	1200	Lbs.

Munition Board Report, 1919, p. 28.

*Varieties.	For war purposes.		For export out of India. (000 omitted)		Standard cloth.		Total all-India production of mill made cloth.	
	Lbs.	Yds.	Lbs.	Yds.	Lbs.	Yds.	Lbs.	Yds.
Grey cloth ..	11798	22040	6175	19777	3844	15465	46515	161616
Bleached cloth ..	5198	16477	937	3706	..	..	16032	69747
Coloured cloth ..	6828	17317	2125	8068	2776	76	17874	69998
Printed cloth ..	..	..	186	924	..	..	2473	15661
<b>All India Total ..</b>	<b>23824</b>	<b>55834</b>	<b>9423</b>	<b>32475</b>	<b>6620</b>	<b>15541</b>	<b>82894</b>	<b>317022</b>

Varieties.	For war purposes.		For export out of India. (000 omitted)		Standard cloth.		Total all India production of mill made cloth.	
	Lbs.	Yds.	Lbs.	Yds.	Lbs.	Yds.	Lbs.	Yds.
Coarse cloth (warp counts upto 36s) ..	23571	54669	9083	30372	3350	12475	75096	244682
Fine cloth (warp counts 36 to 48s) ..	60	65	283	1716	521	3066	5710	35886
Superfine cloth (warp counts 48s & above) ..	193	1100	57	387	..	..	2088	16454
<b>All India Total ..</b>	<b>23824</b>	<b>55834</b>	<b>9423</b>	<b>32475</b>	<b>3871</b>	<b>15541</b>	<b>82894</b>	<b>317022</b>

As far as the cloth available for civilian consumption is concerned, quality of cloth deteriorated during the recent war and the size of cloth was controlled. There were more than 50 thousand sorts produced before the war but as it will be observed later on, the Utility Cloth Scheme put a drastic check on the number of sorts with a view to increase the total production and introduced a type of rationalization in production.

### Per Capita Consumption during both the Wars:

The natural consequence of increased demand by Army coupled with cessation of imports and increase in exports; as compared to lesser increase in production, is scarcity of cloth. Consequently, increase in their prices and decrease in per capita consumption of cloth followed as is shown by the following table.

\* *Vide* "Cotton Textile Industry of India" published by Textile Commissioner.

Year.		Net balance of piecegoods available for consumption (total production minus export plus imports plus handloom cloth) (millions of Yds.)	Consumption Per capita.
1913-14	..	5146	16.28
1914-15	..	4537	14.35
1915-16	..	4348	13.37
1916-17	..	3856	12.16
1917-18	..	3597	11.34
1918-19	..	3267	10.27
1919-20	..	2801	8.80
*1920-21	..	*3964	12.42
1938-39	..	6640	17.94
1939-40	..	6170	16.67
1940-41	..	5970	16.07
1941-42	..	5500	14.20
†1942-43	..	4800	12.42

Deducting about 1000 million yards for defence services, the cloth available per capita is only 9.9 yards in 1942-43. Thus the situation was critical in 1942-43 and a cloth famine was expected by all, but the control measures taken even as late as in middle of 1943, partially averted the famine though dire scarcity was felt in deficit zones.‡

The above table clearly brings out the extent to which high prices restricted consumption from 1917 to 1923 and 1939 to 1943-44. In the year 1920, and 1942-43 per capita consumption went down to very low figures of 8.82 yards and 12.40 yards respectively. As compared to the per capita consumption of other countries, it is astonishingly low. Moreover it should be noted that per capita consumption does not mean that each man gets that much cloth. On the contrary, the vast masses of the population get still less because large quantity is hoarded by businessmen, middle, upper middle class, and rich classes of the community whose consumption is much more than that of an ordinary poor man.

### Production of Cotton Twist and Yarn:

The statement given on the next page brings out clearly comparative effects of the two great wars on production of cotton twist and yarn of Indian mills.

\* *Vide* Indian Tariff Board Report 1927 V. I, pp. 165-170.

† Based on the figures compiled by Mr. M. P. Gandhi.

‡ For a study in detail, *vide* Chapter "Scarcity and control during both the wars."

† CHART SHOWING PRODUCTION OF COTTON TWIST AND YARN IN THE INDIAN MILLS DURING THE TWO GREAT WARS (In Thousands of Pounds)

Counts.	Average of 1909-10 to 1913-14	1914-15	1915-16	1916-17**	1917-18	1918-19	1919-20	1914-15 to 1918-19 (average)	1939-40	1940-41	1941-42	1942-43
1-20	478535	*59000	531494	480166	446455	401860	431188	466952	668959	772486	994643	984397
21-80	146363	*58000	169744	171401	183667	189205	183637	174069	811393	311931	393118	315557
31-40	18699	..	18573	24080	24389	19189	17080	20987	157308	159295	171769	149509
Above 40	2655	* 2000	1963	4577	5842	4555	3560	3834	81755	28457	103327	65923
Unspecified	502	* 1000	651	346	223	231	275	385	15458	16987	19326	18510
Total	646754	*120000	722425	680570	660576	615040	635760	666227	1284873	1349156	1577178	1538796

†Compiled on the basis of figures given in the Review of Trade of India 1913-14 to 1942-43.  
\*These figures are of the following counts Nos. 1 to 25, 26-40, Above 40, and Unspecified.  
\*\*P. C. to total in 1916-17 1942-43

Counts.

1-20	..	70.55	64.2
20-80	..	25.2	20.6
30-40	..	1.5	9.7
Above 40	..	.7	4.3
Unspecified	..	.05	1.2
		<hr/>	
		100.0	100.0

It should be noted that the year 1942-43 was the year of troubles and strikes.

The total production of yarn, increased from 646754 thousand lbs. (1909-14 annual average) to 680570 thousand lbs. in 1916-17 declining to 660576 thousand lbs. in 1917-18 and to a low figure of 615040 thousand lbs. in 1918-19 after the war was over. It should also be noted that China was the main market for yarn which was being rapidly lost to Japan by this time; but thereafter it registered an increase so as to reach the figure in the inter war-period of 1349156 thousand lbs. in 1940-41, the first full year of the World War Second. The production showed an increase from 1234873 thousand lbs. in 1939 to 1349156 thousand lbs. in 1940-41 to 1577178 thousand lbs. in 1942-43. The maximum increase in the World War First being in 1916-17 which was of 33816 thousand lbs. more than in 1909-14 average, as against 1941-42 figures of 1577178 thousand lbs. which was 342305 thousand lbs. higher than production in 1939-40.

#### **Distinct features marked from the table:**

1. Even the figures of World War First as given in the table show that the production of twist and yarn between 1 to 20 counts showed a declining tendency throughout the war period which was 406860 thousand lbs. as against 478535 thousand lbs. of yarn the average of 1909-14.

2. The medium count production showed an increase as is seen from the fact that production of 21-30s. increased from 146363 thousand lbs. of yarn average of 1909-1914 to 189205 thousand lbs. of yarn in 1918-19.

3. While the production of higher counts i.e., 31-40 showed a definite increase from 18699 thousand lbs. of yarn (1909-14 average) to 24389 thousand lbs. in 1917-18.

4. The production of 40 counts and above also showed an increase from 2655 (1909-14 average) thousand lbs. to 5842 thousand lbs. in 1917-18 an increase of more than 100 per cent., but it showed a decline later on.

5. As against this, during the World War Second, the increase in all types of production is marked. In 1-20 counts it increased from 668959 thousand lbs. in 1939-40 to 984297 thousand lbs. in 1942-43, the year of strikes and troubles. The production of 21-30 counts increased from 311393 thousand lbs. in 1939-40 to 333130 thousand lbs. in 1941-42, and decreased owing to political strike to 315557 thousand lbs. in 1942-43; that of counts from 31-40, increased from 157308 thousand lbs. in 1939-40 to 159295 thousand lbs. in 1940-41 to 171769 thousand lbs. in 1941-42, but showed a decline in 1942-43 to 149509 thousand lbs. That of counts above 40 having shown an increase from

81755 thousand lbs. in 1939-40 to 103327 thousand lbs. in 1941-42, declined to 65923 thousand lbs. in 1942-43 due to political strikes and other causes.

6. The development during the lapse of a quarter of century in the production of higher counts is seen from the above statement. It is interesting to note from it that the percentage to total production of 1-20 counts decreased from 70.55 in 1916-17 to 64.2 in 1942-43 and that of 20-30s. decreased from 25.2 to 20.6; while that of 30-40s. showed an increase from 1.5 to 9.7 and that of 40s. and above showed an increase from .7 to 4.3 in 1942-43 and that of waste from .05 in 1916-17 to 1.2 in 1942-43. This shows the development of finer counts production in India which was undertaken particularly by upcountry centres of India, one of the most important of which is Ahmedabad. It should be noted here that the rise is in fact much more in the year 1941-42, the year 1942-43 being the year of disturbances.

It will be seen from the table given on the next page, that the average monthly production of cotton twist and yarn in all India increased from 105.4 million lbs. in 1939 to 128.3 million lbs. in 1941; in Indian States from 17.0 to 19.7 million lbs; in Province of Bombay from 49.0 to 62.6 million lbs. in 1941. In Bombay province it reached the higher figures of 70 million lbs. in 1944 an increase of 21 million lbs. compared to 1939 figures.

As far as Ahmedabad is concerned, the monthly average production increased from 15.3 million lbs. in 1939 to 16.4 million lbs. in 1941 but it decreased to a very low figure of 12.8 million lbs. in 1942 owing to the well known strike. But it once more rapidly increased to 18.8 million lbs. in 1944.

This shows the rapid development in production of cotton twist and yarn in India throughout the war period. In spite of this increase the country experienced an acute shortage of cloth and to relieve this the Government introduced Utility Cloth Scheme from June 1945, with a view to increase production by deteriorating its quality.

### **Effects of the Utility Scheme on quality of Cloth:**

According to Schedule A of "Textile Industry Control of Production Order 1945" issued on 18th May 1945 which came into force from 1st June 1945 laid down the maximum number of counts of yarn which the producer may produce.

\* DETAILS OF PRODUCTION OF COTTON TWIST AND YARN DURING WORLD WAR II, CENTREWISE  
(In million lbs.)

	1939		1940		1941		1942		1943		1944	
	Total	Aver- age (mon- thly)	Total	Aver- age (mon- thly)	Total	Aver- age (mon- thly)	Total	Aver- age (mon- thly)	Total	Aver- age (mon- thly)	Total	Aver- age (mon- thly)
All India	1264.8	105.4	1275.1	106.3	1539.4	128.3	..	..	..	..	..	..
British India	1060.6	88.4	1073.2	89.4	1300.7	183.4	..	..	..	..	..	..
Indian States	204.2	17.0	201.9	16.8	237.0	19.7	..	..	..	..	..	..
Province of Bombay	588.6	49.0	576.1	48.0	751.4	62.6	723.9	60.3	847.4	70.6	840.	70.0
Ahmedabad	183.5	15.3	179.0	14.9	196.4	16.4	153.7	12.8	220.9	18.4	225.	18.8
Madras	172.2	14.3	188.6	15.7	197.2	16.4	..	..	..	..	..	..
Bengal	47.0	3.9	54.9	4.6	61.7	5.1	..	..	..	..	..	..
U. P.	122.8	10.2	123.3	10.3	149.6	12.5	..	..	..	..	..	..
Ajmer-Merwara	13.8	1.1	11.7	1.0	13.3	1.1	..	..	..	..	..	..
Punjab	16.7	1.4	16.7	1.4	214.9	1.8	..	..	..	..	..	..
Delhi	34.8	2.9	35.9	3.0	38.8	3.2	..	..	..	..	..	..
C. P. and Berar	62.6	5.2	52.9	4.4	63.2	5.3	..	..	..	..	..	..

\*Compiled from the figures of Monthly production given by Cotton Spinning and Weaving in Indian Mills upto 1941. For Province of Bombay and Ahmedabad from 1942 onwards they are compiled from the Bombay Labour Gazette.

Size of plant with reference to the No. of spindles installed and in working order.	No. of counts
1-10000	3
10001-20000	5
20001-30000	7
30001-40000	9
40001-50,000	11
For every additional 10000 spindles or part thereof	1

The producer is required to utilise not less than 90 per cent of his entire weaving energy as expressed in loom hour for the production of utility cloth.

By the introduction of this scheme, a type of rationalization in production was introduced. Hitherto as already stated a number of varieties of cloth was produced which made it difficult to increase the production. By the introduction of the scheme, the sorts were drastically reduced and the production was expected to reach the figures of 4600 million yards in 1945 as was stated by Krishna Raj M. D. Thackersey, the Chairman of the Textile Control Board.

The fundamental drawback of the scheme is that it has affected the quality of finer counts cloth. In the long run, if the order is continued, the deteriorated quality will affect the goodwill of finer counts mills like that of Ahmedabad. Still however, the ever increasing demand for cloth cannot be overlooked. Hence increase in production has become a necessity. This phenomenon has assumed greater importance owing to the fact that India will have to meet demands from countries like China, Burma and even Japan till they rehabilitate, and re-equip their industries.

There is no fear of over-production at this stage but over a period of one year other countries are likely to be equipped sufficiently well to compete India in her export market. Indian cotton textile industry will have to look to quality rather than to quantity of production at that time.

## CHAPTER V

### TRADE IN COTTON, PIECEGOODS AND YARN DURING THE TWO WARS

Preliminary—The two wars and the imports of cotton piecegoods—Export market of Indian piecegoods—Its temporary character—Suggestion regarding steps to be taken to retain it in normal times—Trade in Cotton, Twist and Yarn—Conclusion.

Trade in piecegoods and cotton twist and yarn has undergone considerable changes during the first and second world wars leaving permanent effects on the Cotton Textile Industry. The industry is generally quick in seizing the opportunity, as will be seen in the following paragraphs; but it is equally lethargic in retaining and permanently exploiting it. When the industry tried to keep its own market there have been many instances where the Government have been apathetic to the needs of the industry.

The statement given on the next page gives an interesting comparative study of the effects of the two great wars on imports of cotton piecegoods. It will be apparent that the imports of total piecegoods declined from 2616.8 million yards—the annual average of 1909-14 to 2118 million yards in 1915-16 to 1891.7 million yards in 1916-17 and to the lowest figure of 1110.8 million yards in 1918-19, thus showing a decline of about 60 p. c. as compared to the pre-war average. It should be noted here that this decline was particularly noticeable regarding imports from United Kingdom, but there was a marked increase in imports from Japan which very rapidly began to substitute her goods for those of the United Kingdom taking full advantage of the opportunities provided by the war. A comparative statement of the imports of piecegoods from various countries is given on the page 104. It is seen from the statement that imports from United Kingdom decreased from 2,549,330 thousands of yards the pre-war quinquennium annual average (1909-10 to 1913-14) to 1,676,059 the war average (1914-15 to 1918-19). As against this imports from Japan increased from 3,128 thousands of yards, the average of 1909-1914 to 97,589 during the war years (the average of 1914-15 to 1918-19). The share of Japan, as is clear from the table, went on increasing while that of the United Kingdom could not reach the pre-war average. The share of Japan was 393,265 thousands of yards in 1939-40 while

\*STATEMENT SHOWING IMPORTS OF PRINCIPAL CLASSES OF WHITE, GREY AND COLOURED GOODS (In million of yards)

Description.	Average of 1909-1918-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20	1939-40	1940-41	1941-42	1942-43	P. C. fall Col. 6/1
<b>Grey Unbleached.</b>												
Dhories, Sarees and scarves	646.6				398.0	304.3	348.2	65.0	30.9	6.7	..	
Jaconets, Madapolams, Mulls	28.2				62.7	48.9	49.7	2.9	0.3	..		
Long Cloth and Shirtings	522.2				122.5	139.6	114.5	165.4	110.8	17.1		
Sheetings	.. 6				30.2	53.5	17.8	0.3	27.3	34.5		
Drills and Jeans	..				**11.8	13.7	1.8	0.3	1.8	..	0.1	
Other Sorts	**83.0				..	16.8	2.3	1.0	0.8	0.3	0.1	
Total	1331.0	1920.2	1148.0	847.0	625.5	596.9	538.3	235.7	171.6	61.3	0.2	60
<b>White Bleached.</b>												
Dhories, Sarees, and scarves	70.6				41.6	35.8	37.9	0.8	..	0.1		
Jaconets, etc.	208.2				104.8	133.9	119.9	75.4	58.5	17.9	2.0	
Long Cloth and Shirtings	129.1				118.3	65.9	77.3	44.0	38.0	16.5	1.4	
Nainsooks	199.4				150.2	27.1	59.1	1.0	0.3	0.1	..	
Drills and Jeans, Checks, spots, and Stripes	..				..	..	3.3	2.4	1.8	1.3	0.2	
Twills	..				..	..	3.9	1.4	0.3	0.5	..	
Other Sorts	.. 47.0				32.4	23.9	14.4	5.8	2.0	1.9	1.5	
Total	654.3	604.2	611.0	589.8	442.3	286.6	322.0	133.7	97.0	39.3	5.8	74.4
<b>Coloured Printed or Dyed.</b>												
Dhories, Sarees, etc.	95.8				40.5	21.4	23.5	8.4	2.3	0.9	..	
Cambrics, etc.	102.3				50.8	29.3	29.5	15.1	7.9	4.8	1.4	
Shirtings	108.7				60.8	24.7	28.0	38.0	46.7	20.3	1.5	
Prints and Chintz	169.4				191.0	70.0	48.9	4.7	2.7	..	..	
Drills and Jeans	21.0				12.8	16.3	7.1	75.1	89.1	35.3	0.2	
Checks, Spots, Stripes, Twills	..				..	..	7.5	4.5	1.7	..	..	
Other Sorts	129.5				23.5	10.8	7.5	11.4	1.7	3.7	0.8	
Total	631.5	494.8	859.0	454.9	395.6	227.3	208.3	209.7	178.3	81.0	7.5	64.0
Grand Total	2616.8	2419.2	2118.0	1891.7	1523.4	110.8	1083.6	579.1	446.9	181.6	13.0	62.5

\* The figures compiled from the Review of Trade of India 1913-14 to 1942-43.

\*\* Includes the figures of Drills and Jeans.

that of United Kingdom was 144,562 thousands of yards. This shows clearly that Japan occupied the predominant position in the imports of piecegoods and the figures of the years 1940-41 clearly show the difference of about three hundred and twelve million yards. But there was a very rapid decline in imports from Japan in the year 1941-42 when it reached the lower figures of 135,684 thousands of yards as against 31,212 thousands of yards from United Kingdom. The imports from Japan absolutely stopped in 1942-43 due to its being declared an enemy country.

#### **Imports of Principal Classes of Piecegoods.**

The precipitous fall in imports during the inter-war period is well marked by the fact that imports fell from 1063.6 million yards in 1919-20 to only 446.9 million yards in 1940-41 and later on in 1941-42 it fell to 181.6 million yards and in 1942-43 to the lowest figure of 13.0 million yards.\* It should be noted that the tremendous fall in imports in the year 1941-42 and 1942-43 particularly was due to the total war and consequent dire scarcity of shipping tonnage and pre-occupation of United Kingdom and Japanese industries in producing war requirements. On the other hand as pointed out in the previous chapter, production showed a rapid increase throughout the war excepting in the year 1942-43 when due to political strikes, production went down; but in the year 1943-44 and 1944-45 it once more showed an increase. Nevertheless, it should be remembered that this heavy fall in imports has operated as an important cause which brought about scarcity of cloth in the country.

As far as the imports of Grey bleached goods are concerned the decrease throughout both the wars is alarming. It went down from 1331 million yards—the 1909-13 average to 1320.2 million yards in 1914-15, to 847 million yards in 1916-17 to 625.5 million yards in 1917-18 and to a lower figure of 583.4 million yards in 1918-19 as against this during the World War Second the imports fell from 235.7 million yards in 1939-40 to 171.6 million yards in 1940-41 to 61.3 million yards in 1941-42, and to a negligible quantity of 20,000 yards in 1942-43.

The import of white bleached goods also recorded a heavy fall as is seen from the fact that it fell from 654.3 million yards, the annual average of 1909-10—1913-14 to 604.2 million yards in 1914-15 to 442.3 million yards in 1917-18 and to a lower figure of 286.6 million yards in 1918-19; but showed recovery in 1919-20 when its import in-

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\* Vide statement on p. 87.

creased to 322 million yards as contrast to Grey unbleached goods which showed actual decline in the year 1919-20.

As against this during World War Second, the total imports of white bleached goods declined from 133.7 million yards in 1939-40 to 97.0 million yards in 1940-41 and to the lowest figures of 5.3 million yards in 1942-43 a fall of about 128.5 million yards as compared to 1939-40 figures.

As far as the import of coloured and printed goods is concerned, it fell from 631.5 million yards in 1909-14 (average) to 350 million yards in 1915-16 and to 395.6 million yards in 1917-18 and to the lower figure of 227.3 million yards in 1918-19 and to the lowest figure of 208.3 million yards in 1919-20.

Comparing these figures with those of the World War Second it will be found that imports decreased from 209.7 million yards in 1939-40 to 178.3 million yards in 1940-41 and to the lowest figure of 7.5 million yards in 1942-43 showing a decline of 202.2 million yards or 96 per cent as against 64 per cent in 1918-19 compared to the figures of average of 1909-14.

#### **Analysis of the table in detail:**

**Grey-bleached:** Some important observations can be made by study of the table in detail.

The import of Dhories and Saries recorded a fall in 1918-19 as compared to the average of 1909-14—198.4 million yards, that of Jaconets of 79.4 million yards, that of long cloth of 362.9 million yards; but that of sheets recorded a rise from 0.6 million yards to 53.8 million yards, i.e., of 52.2 million yards mainly from non-belligerent countries like Japan. The complaints regarding unfair competition of Japan in case of sheetings in the years of depression were recorded by the Indian Tariff Board of 1927. In fact there was little import of Drills and Jeans throughout the war period which also recorded a fall.

During the second war the import of Dhories and Saries fell from 65.0 million yards in 1939-40 to 30.9 million yards in 1940-41 to 6.7 million yards in 1941-42 and totally stopped in 1942-43, an alarming fall indeed. The import of Jaconets was absolutely negligible in 1939-40 but it was totally stopped in 1942-43. Imports of Longcloth and shirting fell from 165.4 million yards in 1939-40 to 110.8 million yards in 1940-41 and to 17.1 million yards in 1941-42 and absolutely stopped in 1942-43. Drills and Jeans imports fell from 0.3 million yards in 1939-40 to the insignificant figures of 0.1 million yards in 1942-43.

**White bleached:** The import of Dhoties, Saries and Scarves fell from 70.6 million yards to 35.8 million yards in 1918-19, a fall of 30.8 million yards, that of Jaconets from 208.2 to 133.9 in 1918-19, a fall of 64.3 million yards and that of Longcloth and shirtings fell from 129.4 million yards—the annual average of 1909-14 to 65.9 million yards in 1918-19, a decrease of 63.5 million yards. The imports of nainsooks fell from 199.4 million yards the pre-war quinquennial average to 27.1 million yards in 1918-19, a fall of 172.3 million yards. The import of drills and jeans was only in 1919-20 when it was 3.3 million yards in the same year the imports of checks and twills were 3.9 and 6.2 million yards respectively.

As against this during the recent war white and bleached Dhoties and Saries recorded a fall from 0.8 million yards in 1939-40 to 0.1 million yards in 1941-42 and completely stopped in 1942-43; that of Jaconets from 75.4 million yards in 1939-40 to 58.5 million yards in 1940-41 and to the lowest figure of 2.0 million yards in 1942-43. Imports of Longcloth and shirting recorded a fall from 44.0 million yards in 1939-40 to 1.4 million yards in 1942-43, that of nainsook fell from 1.0 million yards in 1939-40 and completely stopped in 1942-43; and that of Drills and Jeans fell from 2.4 million yards in 1939-40 to only 0.2 in 1942-43. The imports of checks recorded a fall from 1.4 million in 1939-40 to nil in 1942-43 a fall of 100 per cent; that of Twills fell from 2.9 to 0.2 million yards in 1942-43.

**Coloured and Printed:** The import of Dhoties and Sarees fell from 95.8 million yards the annual average of 1909-14 to 21.4 million yards in 1918-19—a fall of 74.4 million yards; that of Cambrics fell from 102.3 million yards, annual average of 1909-14 to 29.3 million yards in 1918-19—a fall of 73.0 million yards. The imports of shirtings fell from 105.7 million yards—the average of 1909-14 to 24.7 million yards in 1918-19—a fall of 81.0 million yards; that of prints and Chintz fell from 159.4 million yards in 1909-14 to 70 million yards in 1918-19, a fall of 89.4 million yards that of Drills and Jeans fell from 21 million yards in 1909-14 the average, to 16.9 million yards in 1918-19; that of Twills fell from 26.8 to 10.8 million yards in 1918-19; while the imports of coloured checks and spots made its appearance in 1917-18 and fell to 5.3 million yards in 1918-19.

The import of coloured Dhoties during the World War Second fell from 8.4 million yards in 1939-40 to nil in 1942-43; that of Cambric fell from 15.1 in 1939-40 to only 1.4 in 1942-43; that of shirting from 58.0 in 1939-40 to 1.5 million

yards in 1942-43; that of prints and chintz from 4.7 million yards in 1939-40 to an insignificant figure of 0.2 million yards in 1942-43 and that of Drills and Jeans fell from 75.1 million yards in 1939-40 to 0.8 million yards in 1942-43. The imports of checks, spots and stripes during the recent war fell from 4.5 million yards in 1939-40 to 0.5 million yards in 1942-43; and that of twills fell from 11.4 million yards in 1939-40 to 0.8 million yards in 1942-43.

It will be apparent from the above discussion that--

- (a) India was dependent on foreign imports during the World War First.
- (b) Rapid decline in imports between 1919-20 and 1939-40.
- (c) Considering the decline in imports and increased production in India, it will be found that even before the recent world war India was independent as far as her clothing requirements were concerned.
- (d) In many sorts the imports were completely stopped and in other sorts they were insignificant due to grim war situation during the year 1942-43.
- (e) This serious decline in imports was one of the causes of scarcity of cloth in this country. No country was there to export cloth to India because Japan was absent from the field of competition as she joined the battle-field on the side of the Axis. As against this Japan could export more and more cloth during and after the World War First.

#### **Exports of cotton-piecegoods:**

We have already discussed country-wise imports in the beginning of the chapter, and we have studied above the imports of cotton piecegoods during the two wars. In the following paragraphs we shall discuss the exports of piecegoods during the same period.

The exports of total piecegoods increased from 89.2 million yards in 1916-17, to 149.1 million yards in 1918-19 which was 59.9 million yards more than 1913-14 figures. This decrease in exports after the peak figures of 263.8 million yards was due to Japanese competition, and gradual revival of United Kingdom trade, though it could never reach its pre-war magnitude. But in the post-war year once more it showed an increasing tendency; but after 1922-23 the export trade began to decline rapidly for some years.

As against this during the recent war the total export of piecegoods increased from 221.4 million yards in 1939-40

**\*\*Statement showing exports of piecegoods during the two Great Wars**  
(in million yards)

Description	1918-14 (pre-war)	1915-16	1916-17	1917-18	1918-19	1919-20	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
<i>Grey &amp; Bleached:</i>												
Shirtings & long cloth ..	2.2	6.0	14.0	7.8	5.3	8.6	11.4	30.4	66.8	67.8		
Chadars & Dhories ..	7.6	5.9	12.5	8.1	6.0	11.2	3.5	6.2	4.0	5.8		
T. Cloth												
—Domestics ..	21.6	25.3	92.7	35.3	24.1	31.1	0.1	..	0.4	1.0		
Drills & Jeans	6	1.2	1.6	1.0	1.1	1.5	1.6	10.0	13.5	15.0		
Other Sorts ..	12.2	16.0	38.3	26.6	19.2	24.6	76.8	133.1	292.7	339.4		
Total ..	44.2	54.4	159.1	78.8	55.7	77.0	98.4	179.7	374.4	429.0		
Coloured Piece- goods ..	45.0	59.0	104.7	110.6	93.4	119.6	128.0	210.4	396.7	390.1		
Grand Total	89.2	113.4	263.8	189.4	149.1	196.6	221.4	390.1	771.1	819.1	461.0	278.23*

\* Six months' figures (quoted by Mr. M. P. Gandhi in his Annual 1945)

\*\* The figures compiled from Review of Trade of India from 1913-14 to 1942-43.

to 771.1 million yards in 1941-42 and to the higher figure of 819.1 million yards in 1942-43, thus showing an increase of about 500 million yards compared to the year 1939-40, the unprecedented export in the history of the export trade of cotton piecegoods. This tremendous rise in export was distributed among various countries adjoining India, namely, East Africa, Australia, Burma (upto 1942) and China and other countries which purchased through the Eastern Group Conference.

The total export of Grey and bleached goods increased from 44.2 million yards in 1913-14 to 159.1 million yards showing an increase of 114.9 million yards. But the export went down in 1918-19 when it reached the low figure of 55.7 million yards because of increasing Japanese competition. These fluctuations in exports of various types of piecegoods were not seen during the recent war. It is remarkable to note that there was a galloping increase in exports of practically all kinds of piecegoods as is seen from the fact that the total export of grey and bleached goods during the war increased from 93.4 million yards in 1939-40 to 179.7 million yards in 1940-41 to 374.4 million yards in 1941-42 and reached to the peak level of 429.0 million yards in 1942-43.

Export of coloured piecegoods showed a steady increase during both the wars. It increased from 45 million yards in 1913-14 to 104.7 million yards in 1916-17; it once more increased to the peak level of 119.6 million yards in 1919-20, when it was 74.6 million yards more than in 1913-14 figures. This shows that at least in the immediate post-war period India could keep up its market of coloured goods.

Its rise during the recent war is also very remarkable. It increased from 128.0 million yards in 1939-40 to 210.4 million yards in 1940-41 to 396.7 million yards in 1941-42 and to 390.1 million yards in 1942-43 which was 262.1 million yards higher than export of 1939-40.

It will be observed from the table that the export of shirtings and longcloth increased from 2.2 million yards in 1913-14 to 6.0 million yards in 1915-16 to the peak level of 14 million yards in 1916-17 but showed a decline later on when it reached to 7.8 million yards in 1917-18 and to the lower figure of 5.3 million yards in 1918-19 though in the post-war period it showed a recovery of 8.6 million yards in 1919-20. This fluctuation in the export of shirtings and longcloth during the World War First was not seen during the recent war. Its exports during this war showed once more a galloping increase.

Export of shirtings and longcloth increased from 11.4 million yards in 1939-40 to 30.4 million yards in 1940-41 to 66.8 million yards in 1941-42 so as to reach the peak level of 67.8 million yards in 1942-43.

Exports of Chadars and Dhoties increased from 7.6 million yards in 1913-14 to the peak level of 12.5 million yards during the last war in 1916-17. After showing a decline to 5.9 million yards in 1915-16 once more it recorded a low figure of 8.1 million yards in 1917-18, and lower figures of 6.0 million yards in 1918-19; though in the post-war period it showed an increasing tendency.

The exports of Chadars show the same fluctuating tendency during the second war. In fact it is interesting to note that its exports in the inter-war period declined so as to reach a low figure of 3.5 million yards in 1939-40. Its exports during 1940-41 was only of 6.2 million yards and in 1941-42 it was 4.0 million yards; but showed an increasing tendency in 1942-43 when it rose to 5.8 million yards.

Export of T. cloth Domestic shows a fluctuating tendency during the World War First but on the whole it always exceeded the pre-war figures. As against this its exports reached to a very insignificant figure during the World War Second.

This is seen from the fact that exports of T. cloth and domestics increased from 21.6 million yards in 1913-14 to 25.3 million yards in 1915-16. Then after it jumped to the peak level of 92.7 million yards in 1916-17 the highest during the World War First, but it declined to 35.3 million yards in 1917-18 and to a lower figure of 24.1 million yards in 1918-19—the last year of the war. Nevertheless it showed a tendency to increase in the post-war year of 1919-20 when it reached to 31.1 million yards. Its export during the recent war increased from 0.1 million yards in 1939-40 to only 0.4 million yards in 1941-42 to 1.0 million yards in 1942-43. Thus the fall in the exports of T. cloth in the inter-war period was remarkable.

Exports of drills and jeans were of slight importance during the First World War when the maximum exports were only of 1.6 million yards; but its exports throughout the recent war were considerably higher than during the last war. The maximum exports during the recent war were 15 million yards—about 13.4 million yards more than the maximum of the last war. A gradual increase in its exports is seen during both the wars.

The exports of drills and jeans increased from 0.6 million yards in 1913-14 to 1.2 million yards in 1915-16 and

to 1.6 million yards in 1916-17 but it showed a little decline to 1.0 million yards in 1917-18 so as to increase to 1.5 million yards in 1919-20. During the World War Second its exports increased from 1.6 million yards in 1939-40 to 10.0 million yards in 1940-41 to 10.5 million yards in 1941-42 so as to reach the peak level of 15.0 million yards in 1942-43.

The export of other sorts also showed the maximum increase in the year 1916-17 after which for a period of two years there was a decline though compared to the pre-war figures they were considerably higher. As against this, exports during the recent war were ten times more than during the last war. (339.4 million yards in 1942-43 as against only 38.3 million yards in 1916-17). There was a galloping increase in its exports upto 1942-43 after which, as in case of all other sorts, it went down due to various control measures necessitated by the scarcity felt in the country.

The export of other sorts increased from 12.2 million yards in 1913-14 to 16 million yards in 1915-16 so as to reach the peak level of the First World War—38.3 million yards in 1916-17. But it declined to 26.6 million yards in 1917-18 and reached to a lower figure of 19.2 million yards in 1918-19. Nevertheless in the post-war year of 1919-20 it increased to 24.6 million yards. As against this we see the rapid increase in its export during the recent war when it rose from 76.8 million yards in 1939-40 to 133.1 million yards in 1940-41 to 292.7 million yards in 1941-42 so as to reach the peak level of 339.4 million yards in 1942-43.

The study made in the above paragraphs shows that there is a world of difference in the magnitude of effects of the two great wars on the trade in cotton piecegoods; though the tendency during both wars, namely of increase in exports and decrease in imports is common. But the important point to be noted is that the imports which occupied an important place in the trade of cotton piecegoods during the World War First was lost in the inter-war period and export trade assumed importance during the recent war. This is borne out by the fact that the total imports of piecegoods which was of 2,616.8 million yards the pre-war quinquennial average of the World War First fell to only 7.5 million yards in 1942-43; while total exports which was of 89.2 million yards in 1913-14 increased to 819.1 million yards in 1942-43. This necessitates the study of export-markets of the Indian piecegoods during both the wars.

\*\*\*STATEMENT SHOWING EXPORT OF PIECEGOODS TO VARIOUS COUNTRIES DURING THE TWO GREAT WARS. (In million yards)

Countries.	Average of 1909-10 to 1913-14	1914- 15	1915- 16	1916- 17	1917- 18	1918- 19	1919- 20	1939- 40	1940- 41	1941- 42	1942- 43	1943- 44
Persia (Iran)	7.3	5.8	13.6	46.4	57.7	28.5	34.4	..	..	11.0	56.0	..
Asiatic Turkey	..	4.6	13.7	29.6	30.4	30.2	52.1	..	..	..	..	..
Straights-Settlements	..	15.0	17.7	20.3	17.9	19.2	20.1	23.0	84.0	52.0	..	..
Aden and Dependencies	..	10.5	19.4	58.6	17.0	16.0	15.0	..	1.0	26.0	42.0	..
East African-Protectorate and other African Ports including	..	..	..	..	..	..	..	..	..	..	..	..
Egypt	21.7	16.6	21.0	44.9	19.6	24.0	21.7	33.0	96.6	190.0	164.0	..
Ceylon	..	6.8	9.9	10.6	11.2	13.0	18.0	23.0	31.0	34.0	53.0	..
Australia	..	..	..	..	..	..	..	..	23.0	75.0	114.0	..
Iraq	..	..	..	..	..	..	..	..	..	24.0	90.0	..
Anglo-Egyptian Sudan	..	..	..	..	..	..	..	..	..	7.0	19.0	45.0
Burma	..	..	..	..	..	..	..	110.0	122.0	79.0	..	..
Palestine	..	..	..	..	..	..	..	..	..	46.0	30.0	..
United Kingdom	..	..	..	..	..	..	..	..	13.0	14.0	1.0	..
Other countries	..	7.9	18.1	34.3	35.7	18.0	35.3	..	(Apx.)	..	**201.8	**218.0
Total	..	67.2	113.4	244.7	189.5	148.9	196.6	196.0	327.0	771.0	819.0	..

\*Includes figures of Dependencies and Mauritius.

\*\*Including exports to Turkey, China, etc., separate figures not available.

\*\*\*Compiled on the basis of figures given in the Review of Trade of India 1913-14 to 1942-43.

**Export-market of Indian piecegoods:**

The export market of Indian piecegoods usually develops under war-time conditions, but it is difficult to retain them in the post-war period when keen competition from various countries is felt. A reference to the figures given in statement on page 96 will make the first part of the statement clear. It is interesting to note that export of cotton piecegoods to Iran increased from 7.3 million yards in 1909-14 (five years' average) to 57.7 million yards in 1917-18 which declined due to Japanese competition to 28.5 million yards in 1918-19 though it showed a revival in 1919-20 when it reached to 34.4 million yards. Export to Asiatic Turkey increased from 12.5, the pre-war quinquennium average, to 30.4 and to 52.1 million yards in 1917-18 and 1919-20 respectively. Thus in the post-war year it showed a rise of about 40 million yards. Export of cotton piecegoods to Straits-Settlements increased from 14.0 million yards the pre-war quinquennium average to 17.9 million yards in 1917-18 to 20.1 million yards in 1919-20. Exports to Aden and Dependencies increased from 10.3 million yards to 58.6 million yards in 1916-17 but declined in the very next year to 17 million yards in 1917-18 and to the lower figure of 15.0 million yards in 1919-20. Exports to Africa increased from 21.7 million yards, the pre-war quinquennium, to 44.9 million yards in 1916-17 and declined to 19.6 million yards in 1917-18; but it showed a tendency to rise in 1918-19 and 1919-20. But then once more it showed a decline and African market was lost in the later years of the post-war boom.

Exports to Ceylon increased from 9.6 million yards to 11.2 million yards in 1917-18 and to 18.0 million yards in 1919-20; to other countries from 14.9 million yards in pre-war quinquennium to 35.3 million yards in 1919-20 after showing a decline to 18.0 million yards in 1918-19.

As against this, certain new markets were developed in the Second World War. The new markets acquired were in Australia, China (included in the figures of other countries) Iraq, Anglo-Egyptian Sudan, Burma (after 1935 Act) and Palestine; but the markets of Straits-Settlements and Burma were totally lost after 1941-42 when Japan occupied them.

As against the exports in World War I, exports in World War II increased to Persia from a negligible quantity to 11 million yards in 1941-42 and to 56 million yards in 1942-43. In case of Turkey the figures are not stated separately, but seem to have been incorporated under the caption 'Other

Countries.' Exports to Strait-Settlements increased from 23.0 million yards in 1939-40 to 52 million yards in 1941-42 but were absolutely wiped off in 1942-43, to Aden and Dependencies they increased from a very insignificant figure in 1939-40 to 26 million yards in 1941-42 and to 42 million yards in 1942-43 showing a rise of about 84.5 per cent compared to the previous year. Exports to Africa increased from 33.0 million yards in 1939-40 to 190 million yards in 1941-42 but declined to 164 million yards in 1942-43. See the marked rise in exports to Africa as compared to the World War I in which case the quantity was only 44.9 million yards while in World War II it was 190 million yards in 1941-42. Exports to Ceylon increased from 23.0 million yards in 1939-40 to 34 million yards in 1941-42 and to 53 million yards in 1942-43. Australia was a new market for India during World War II whose offtake increased from a negligible quantity in 1939-40 to 75 million yards in 1941-42 and to 114 million yards in 1942-43—a rise of 52 per cent compared to the previous year. Exports to Iraq increased from 24 million yards in 1941-42 to 90 million yards in 1942-43; exports to Anglo-Egyptian Sudan increased from 7.0 million yards in 1939-40 to 45.0 million yards in 1942-43. Exports to Burma increased from 110.0 million yards in 1939-40 to 122.0 million yards in 1940-41 but decreased to 79 million yards in 1941-42 and were wiped off in 1942-43. Upto 1941-42, therefore, Burma was one of the best markets for Indian piecegoods; but in 1942-43 it was lost owing to its occupation by Japan.

Palestine was another new market for Indian piecegoods as India exported 46 million yards in 1941-42. These exports declined to 30 million yards in 1942-43—a decline of 16 million yards compared to the previous year. Export to United Kingdom—a novel feature during World War II—recorded a decline from 14 million yards in 1941-42 to 1 million yards in 1942-43.

Considerable quantity of export is recorded to other countries. It increased from nil in 1939-40 to 201 million yards in 1941-42 and to 218 million yards in 1942-43.

The problem presented by this table is of the export market for Indian piecegoods. We know that the Indian capacity of production is increasing and it will further increase to an enormous extent if proper and planned expansion of the industry is undertaken. The question thereafter created will be of over-production unless and until the outlets are available. These very important markets which are opened to India during war time must be re-

tained in future when competition from various countries will have to be faced. Goodwill established during war time, if kept by better quality and competitive prices, will be helpful to achieve this purpose. Owing to reasons discussed above one need not feel jubilant over this achievement. It should also be pointed out that a large quantity of exports were only temporary and were forced. Serious criticism was levelled against these exports by well-known persons like Sir Shree Ram, Sir Ness Wadia, and Mr. Kasturbhai Lalbhai but without any avail. This was clear from the reply of Sir Azizul Haq to a question put by Mr. R. C. Neogy on March 8th, 1945 in the Assembly. "It is correct that in January 1943 Sir Shree Ram, Sir Ness Wadia and Mr. Kasturbhai Lalbhai criticised Government's export policy . . . They were, however, a minority in a meeting of 27. . . ." It was finally revealed that exports had not been undertaken at the request of the Indian Textile Industry and trade. This reason also came out on February 13th, 1945 when Sir Azizul told Mr. Neogy that "All foreign countries do not state their requirements to the Government of India but quotas are determined in accordance with a global planning scheme which is discussed with His Majesty's Government and subsequently considered by the Combined Production and Resources Board, Washington."\* Unfortunately it has been found that Indian Cotton Textile Industry has totally failed to keep its hold in foreign markets. It is clear from the following extracts from a letter from the Government of India to the Association that the Government did try to show the millowners the possibility of developing and establishing trade relations with Africa. But the greatest difficulty, as was pointed out by the Indian Merchants' Chamber of Commerce, was of inadequate shipping facilities.† The Indian Tariff Board also recommended extensive use and appointment of Trade Commissioners; but in the absence of patriotic officials and popular Government at the centre all officials appointed could not get appreciable success in their efforts. Perhaps the same question of retaining the export markets is to arise after World War II. We have noted above that exports from the country have been at the risk of nudity in the country. But facing facts as they are, it should be an aim of the industry to produce to the extent that it may leave sufficient exportable margin. The market acquired under such circumstances and at such a big sacrifice should not be

\* *Modern Review*, May 1945.

† *Bombay Mill Owners' Association Report*—1919.

allowed to be lost. Its retention is absolutely necessary to solve the future problem of expanding industrialization of the country.

**Suggestions regarding steps to be taken to retain it:**

Extensive market research by experts should be carried out as regards the exact nature of demand, peculiarities of the population, their tastes, and matters appealing them the most.

Manufactures should be of as fine quality as possible with due consideration of the economic position of the population. Scientific advertisements and expert sales agencies should be established in those countries.

The quality of goods exported should be uniformly maintained to acquire goodwill. So far, this has been a fundamental defect with the Indian industries. Continuous attempts should be made to establish permanent connections with foreign consumers.

Systematic organizations should be created immediately to tackle the above mentioned matters with proper help of the experts. They should be asked to work under an organised plan of development of the export market and should at the same time be equipped with sufficient staff for their difficult work in foreign countries.

"The need for continuing export from the industry's point of view is conceded, but it is felt in certain quarters that exports should be made during war time **only** if there were remote chances of the new markets captured during wartime being retained after the cessation of the hostilities. It was argued that in the war also the same troubles arose and the acquired markets were lost. This was because the cost of production in the post-war years would tend to be high owing to rigidity of the factors of production, to adjust themselves according to general level of prices. The purchasing power of the overseas markets was not so much as to afford higher prices."\*

So far as the prospects of the trade are concerned it may be stated that under the present circumstances, they are darkened less by the full possibility of Japan ceasing to be a formidable competitor for a long time to come. There are also possibilities of retaining Near Eastern and far Eastern China market in view of the collapse of Japan. It should be stated that for ensuring market a planned policy by the State is necessary and the policy will be suc-

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\* Quoted by Mr. M. P. Gandhi in "Cotton Textile Annual."

cessful only if there is a National Government that can work in the interest of the Indian nation.\*

### Trade in cotton, twist and yarn:

This trade was very important during World War I as large number of Indian mills were engaged in spinning only and few had weaving sheds. Bombay was its chief port exporting cotton twist and yarn particularly to China. China consumed good deal of yarn before the war; but due to conditions created by the war China's offtake began to dwindle; and it began to purchase more from Japan as compared to India. Moreover spinning industry also began to develop in China. This is clear from the following table.

†Year	Yarn export to China including Hong Kong from Japan (in million yards)	Yarn export to China including Hong Kong from India (in million yards)	Spindles in China
1900 ..	74.4	108.6	5,50,000
1901 ..	77.8	260.2	....
1910 ..	127.8	200.3	....
1914 ..	208.4	178.0	10,00,000
1918 ..	177.7	102.2	....
1924 ..	63.2	20.7	33,00,000

### \*Steps taken :

Later on in the war period the Government introduced an export scheme in 1944 by which maximum export was not to exceed the limit of 600 million yards and it was also provided that no cotton manufactures shall be exported to any country which does not have control over prices and distribution which was essential to establish goodwill of the Indian cloth among the consumers in foreign countries and avoiding profiteering by the middlemen or by the governments. (For details vide Chapter on 'Scarcity of Cloth and Controls during the two wars.')

An organization was formed, during the war, of the East African and Indian Mill interests whose function was to ascertain the requirements of East Africa beforehand. Authorised dealers were to be established within the importing country and steps were to be taken to ensure correct distribution of limited varieties. The Indian exporters were to supply the requirements of the country at agreed price. *Vide* Chapter VII 'Scarcity of Cloth and Controls during the two wars.'

† Pointing out the changes in exports of grey goods—from 33 million yards in 1914-15 to 157.1 million yards in 1916-17, decline to 52.4 million yards in 1918-19 and to 24.2 in 1921-22; an increase in coloured goods from 34.0 million yards. in 1914-15 to 104.8 million yards in 1916-17 and to 135.8 million yards in 1921-22,—the Indian Tariff Board stated, "Though there has been no doubt an increase in the exports of coloured goods, since war there has been no increase in exports sufficiently appreciable to compensate for the loss of the China trade in yarn." Pp. 99-103, Indian Tariff Board Report, 1927, V. I.

The table clearly shows the increasing competition of Japan in China trade. It also clearly points out the increasing independence of China in the sphere of spinning. The other important markets were Turkey, Straits-Settlements, Egypt, Aden and Dependencies, United Kingdom, East African Protectorates, Ceylon, Siam and a small quantity was also exported to other European countries. The table given above shows the decline of China market. In case of other countries, offtake increased during wartime from 16.10 thousand lakhs of lbs. in 1913-14 to 72.18 thousand lakhs lbs. in 1917-18 in case of Egypt; United Kingdom took 6.32 thousand lakhs lb. of yarn as against 3.02 thousand lakhs lbs. in 1913-14. In other markets there was not marked rise in the offtake. China took only 996.3 thousand lakhs of lbs. of yarn as against 1666.06 thousand lbs. in 1913-14.

A comparative study of the effects of both the wars on imports of cotton twist and yarn is made in the table given on the next page. It will be seen from the table that import of cotton twist and yarn has shown a very rapid decline in the inter-war period. The total imports of 44,171 thousand lbs. in 1913-14 declined to 19,400 thousand lbs. in 1917-18 and to 15,097 in 1919-20 after showing a rise to 380,195 thousand lbs. in 1918-19 and to 47,333 thousand lbs. in 1920-21. As against this during the World War II the decline was precipitous as it declined from 41,132 thousand lbs. in 1939-40 to 19,335 thousand lbs. in 1940-41 and to 945 thousand lbs. in 1942-43. This shows that trade in cotton twist and yarn declined ever since the war started, and in the period before the war whatever increase in export was there showed clearly that cotton textile industry in adjoining countries was making rapid strides. A general tendency of development of the industry in countries other than India is illustrated by China. It first developed weaving industry by importing yarn from India and Japan. Spindles, however, were installed during twentieth century so that in the year 1924 there were 3,300,000 spindles in the country. We should consider this point before becoming jubilant over the position of increased exports in some years of the wars. As seen from the statement of exports of cotton twist and yarn, it declined from 200,970 thousand lbs. the average of two years 1912-13 and 1913-14 to 129,685 thousand lbs., the average of 1914-15 to 1918-19. As against this the exports of cotton twist and yarn recorded an increase from 36,943 thousand lbs. in 1939-40 to 90,529 thou-

\*STATEMENT SHOWING EFFECTS OF THE TWO GREAT WARS ON THE IMPORTS OF COTTON TWIST AND YARN (In thousand Lbs.)

Counts.	1913-14 (pre-war Year).	1917-18	1918-19	1919-20	1920-21	1939-40	1940-41	1941-42	1942-43
1-20	..	355	7990	458	7591	844	1622	1370	126
21-25	..	..	461	340	432	..	1	..	..
26-30	..	978	2063	667	3757	209	106	6	..
31-40	..	10066	16785	6852	22842	3199	785	792	10
Above 40	..	3570	6734	4880	5020	7318	2387	686	204
Two-fold (double)	..	..	..	..	..	29547	13219	4051	..
Unspecified	..	4431	4062	1900	4244	15	1215	1626	605
Total ..	44171	19400	38095	15097	47333	41132	19335	8231	945

\* Compiled on the basis of the figures given by the Review of Trade of India 1913-14 to 1942-43.

## \*IMPORTS OF COTTON PIECEGOODS (IN THOUSAND OF YARDS)

Countries.	1909-10 to 1913-14 average.	1914-15 to 1918-19 average.	1919-20 to 1923-24 average.	1939-40	1940-41	1941-42	1942-43
United-Kingdom	.. 2549380	1676059	1186889	144562	56146	31212	11854
Netherlands	.. 23748	12755	11460	689	..	..	..
Belgium	.. 4122	551	821	53	1	..	..
Switzerland	.. 5257	2498	3275	4471	1271	803	34
Italy	.. 10517	9162	4297	828	102	1	..
Aden and Dependencies	.. 118	123	1168	5	374	..	3
Burma	.. ..	..	..	13973	6652	2480	68
Straights Settlements	.. 2008	903	1546	22	31	26	..
China	.. 798	892	2368	20086	13699	7563	..
Japan	.. 3128	97589	113399	393265	368062	135684	..
United States of America	.. 10486	7911	8421	628	489	1498	298
Other Countries	.. 7312	1599	2176	569	127	2272	788
Total ..	2616824	1810042	1335820	579151	446954	181539	13045

\* Compiled from "The Review of Trade of India" 1941-42; 1942-43.

sand lbs. in 1941-42. The increase is considerable in all types of yarn but much more in coarse yarn though there was a very marked increase in exports of counts above 40s; about 19 times or of about 789 p.c. in 1941-42 as compared with the figures of 1939-40.

The decrease in imports of yarn can be accounted for by the fact that large quantity of yarn required by the industry is manufactured in the country itself. This decrease in imports of yarn has resulted into higher prices of yarn which the handloom industry was required to pay. Consequently our handloom industry has not prospered so much if its condition is compared to the mill industry, the fact indicated to a certain extent by the Fact Finding Committee of 1941.

The table on the next page clearly shows the comparative export position of cotton twist and yarn during the two world wars.

In conclusion it should be stated that whatever criticisms might be forthcoming it cannot be in the interest of the industry to let go its hold over export markets. Equally it cannot reduce the countrymen to nudity to achieve the purpose. Hence the only solution regarding the future is to increase production with due regard to quality. This will be absolutely necessary for competing with other countries. No doubt political, economic and inherent defects with our industries will stand in the way of development and retention of the export markets. The need so urgently felt after the last war of some sort of export organisation is not, to a successful and considerable extent, realized so far.

\*Export of cotton twist and yarn by counts. (in thousand of lbs. )

Counts	Average two years.		1914-15 to 1918-19 Yrs (average)		1939-40	1940-41	1941-42	1942-43
	1912-13	1913-14	1914-15	1918-19				
1-20	1,96,459		1,24,697		27,450	46,608	49,876	
21-40	4,384		4,274		6,976	23,504	31,171	
Above 40	2		170		409	1,257	7,644	
Two-folds (doubles)	.....		.....		78	1,493	455	
Unspecified	125		544		2,035	4,857	1,383	
Total	2,00,970		1,29,685		36,943	77,719	90,529	

\* Compiled from the Review of Trade of India 1941-42, 1942-1943.

## CHAPTER VI

### FINANCIAL STRUCTURE OF THE INDUSTRY

**Preliminary**—A study of effects of the World War II on Balance-sheets of fifteen selected mills at Bombay—Defects in financial structure of the industry—A comparative study of the effects of the two wars on various items of a balance-sheet of eight selected mills—A study in detail of the financial position of the industry during World War II—Its future.

The financial conditions of the textile industry has undergone great changes, as it bound to, during the wars. A study of the balance-sheets of some of the leading mills will bring out this fact clearly.

#### **Effects of World War II on the financial structure of the Industry:**

For a study of the effects of World War II on the financial structure of the industry the following mills have been selected:—

Bombay Dyeing, Apollo, Central India, Colaba, Century, Elphinstone, Finely, India United, Kohinoor, Meyer, New Great, Sholapur, Simplex, Swadeshi and Tata Mills.\*

Before discussing actual facts and figures it will not be out of place to state here the defects in financial structure of the industry on the eve of World War II.

#### **Defects in financial structure:**

1. Greatest prominence was given to ordinary shares. This aspect was much criticised by the Tariff Board Reports and eminent economists like Dr. P. S. Lokanathan. Too much prominence to ordinary shares does not make for the stability of the industry. There was at the same time noticeable reluctance to get finances by raising of preference shares.

2. Long term finances were not available from Banks.

3. The mills at Bombay were overcapitalised and those at Ahmedabad were undercapitalised.†

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\* These are fairly representative mills as the total spindle capacity of these mills is one and a half million and loom capacity 81,000—being 12 and 15 per cent of the total spindlage and loomage in India. (The total all India spindlage and loomage being 10 million and looms 2 lakhs).

† The terms undercapitalization and overcapitalization are used in such different senses that it is necessary to explain them. A firm is said to be undercapitalised when the total capital invested in, and available for, the enterprise is inadequate to its total needs or when the permanent needs of a concern are sought to be met by the fluctuating supply of funds either from the public or from banks. Overcapitalization as the converse of undercapitalization means that there is a redundancy of real capital invested in the

4. Reserves capacity was very low.

5. The value of current liability exceeded the value of current assets.

6. The profit earning capacity was very low during the year 1939.

### Balance-sheet of the fifteen mills.

<i>*Liability</i> (In lakhs of rupees)				<i>Assets</i>	
	1939	1944		1939	1944
Capital .. ..	855	862	Fixed capital expenditure	2006	2088
Reserves and surplus ..	348	801	Less : Depreciation	847	1230
Current liability	864	1790	Fixed capital expenditure (net)	1159	718
			Current assets ..	846	2825
			Loss .. ..	62	Nil
				1939	1944
Surplus of current assets over current liabilities ..				-18	1035
				(Deficit)	(Surplus)

The amount of capital as shown in the above table includes amount of debentures, most of which were paid back particularly by Bombay Dyeing or were reduced out of profits.†

New share capital has been raised by way of preference shares by a number of mills. It will be shown later on that this phenomenon is noticeable during both the wars, most of the increase being either to capitalize fairly

concern in such a wise that a part of it might have been better and more profitably employed elsewhere. This may be brought about either by inflating capital during period of hectic boom and temporary prosperity by the issuing of bonus shares or may be the result of a changed set of conditions (as World War II). When at a time of high prices and good demand extension and expansion take place and machinery and plant are bought at high prices and it is found that the demand falls off and prices go down; the value of the capital therein ceases to have proper relations to the value of the assets of the concern. During the post war years India was witness to both kinds of overcapitalization, brought about partly by the addition of large bonus shares and by a revaluation of the shares on a new basis, and also by an expansion of investment at very high prices. Dr. P. S. Lokanathan's 'Industrial Organisation of India' p. 151 (Danger of overcapitalization is that the industry will have to pay interest charges on capital and will have to bear unnecessary overhead charges. Danger of undercapitalization is that it becomes a risky proposition and the industry shall have to borrow at any rate of interest in times of needs).

\* *Vide* Mr. H. T. Parikh's article "Finance of some Indian Mills" published in 'Commerce' dated 7th July 1945.

† The detailed analysis of the balance-sheet of the mill is given later on in this chapter.

the undercapitalized mills, or to provide for installation or extension of plants.

Reserves and surplus have recorded a striking increase of Rs. 543 lakhs. It is interesting to notice the fact that the reserves which were not even 50% of the paid-up capital before the war exceeded the paid-up capital by about 30 lakhs during the World War II. The reserves and surplus have increased from Rs. 348 lakhs to Rs. 890 lakhs. These reserves are largely in the form of compulsory or voluntary deposits with the Government under the provisions of the Excess Profits Tax Act. This has made for the strong financial position of the industry during World War II.

Capital and reserves on the liability side of the balance-sheet have to be read with the item of fixed capital expenditure on the asset side. It should be noted here that with the increase in the years of the existence of a mill, there will be an increase in the total capital expenditure owing to occasional replacements. Hence it is not related to the present day value of the plant. The provision for depreciation in the war period increased from Rs. 847 lakhs to Rs. 1,230 lakhs, showing an increase of 383 lakhs.

It will be noticed later that several mills which had failed to provide for depreciation due to their slender reserves, became financially strong enough to provide for depreciation during World War II. Ahmedabad Cotton, City of Ahmedabad, Phoenix, Simplex and India United Mills might be quoted as examples in the case. The prosperity of the industry was so much that the India United Mills could set aside Rs. 1 crore out of the profits of 1941 and 1942 as depreciation for previous years.

Some of the best mills like Bombay Dyeing, Kohinoor and Calico could make huge provisions for the purpose, thus further strengthening the already sound financial position. The strengthening of the financial position of the mills is reflected in the higher reserves and sufficient provisions for the depreciation of the block.

The fixed capital expenditure has decreased from Rs. 1,159 lakhs in 1939 to Rs. 718 lakhs in 1944. Before the war, the value of the block exceeded the value of paid-up capital but different is the case now. The paid-up capital during 1944 exceeded the value of the net block. In other words it may be stated that formerly capital plus reserves equalled the value of the block, while now the value of the block has gone down and capital has been increased so that the value of the block at present is less than the

value of the paid-up capital. Thus the reserves could be freely used in business as working capital.

### Liquid Assets:

The item includes stores, stock in trade, book-debts, investments, Excess Profits Tax Deposits and cash. The item of current liability includes those incurred in respect of goods and services, sundry creditors, taxation, dividends etc. Comparing both the figures we find that current liability was to the extent of Rs. 864 lakhs as against Rs. 846 lakhs, the item of current assets in 1939. These may be compared with the figures of 1,790 and 2,825 lakhs during 1944 revealing a net surplus of current assets of Rs. 1,035 lakhs which shows the strong financial position of the industry.

The item of 'cash in hand' has not been distinctly stated as the balance-sheets published by the mills do not include guilt-edged securities under the item of cash in hand. Hence any generalisation based on this information will be misleading.

The profits of the mills under consideration increased from Rs. 90 lakhs in 1940 to Rs. 295 lakhs in 1941 and to Rs. 1752 lakhs in 1943 and to a lower figure of Rs. 1305 lakhs in 1944 as is seen from the following statement.

1940	..	..	..	90 lakhs.
1941	..	..	..	295 lakhs.
1942	..	..	..	805 lakhs.
1943	..	..	..	1752 lakhs.
1944	..	..	..	1305 lakhs.

The profits earned by the mills in 1943 were due to the absence of control upto middle of 1943 and the run away prices of cloth unaccompanied with the equivalent rise in the prices of cotton. The following table showing the comparative index number of prices of raw-cotton and cotton manufactures explains the high profits earned by the mills.

\*(Base August 19th 1939 : 100)

—	1940	1941	1942			1943	
	Dec.	July	Apr.	Aug.	Dec.	Mar.	Apr.
Raw cotton . . . .	120	166	105	130	174	250	242
Cotton manufactures .	117	169	193	258	414	437	469

\* Figures are Capital's Index Numbers.

Compared to the base year, prices of raw cotton increased by 150 points while of cotton manufactures by 369. The average of the profits of five years of the 15 mills under discussion amounts to the figure of Rs. 851 lakhs out of which, the average rate of distribution of dividend for all the mills on ordinary shares was 16%. The total profits earned by these mills during 1940-44 (subject to taxation) amounted to Rs. 4248 lakhs. Out of these profits, Rs. 3188 lakhs were provided for taxation, Rs. 5.3 lakhs for reserves and the balance of Rs. 5.07 lakhs was used for the payment of dividends.\*

**A comparative study of the effects of the two wars on different items of Balance-sheet:**

For this purpose the basis of selection of the mills is little different. Eight mills in total are selected for the study out of which four have been grouped in first class and four in second class, on the basis of their financial position, profit earning capacity, and management from their inception to the present day. Out of the four mills in each class, two from each group belong to the two well-known centres namely Bombay and Ahmedabad.\*\* They are Bombay Dyeing, Kohinoor, Phoenix and Simplex from Bombay and Calico, Sarangpur Cotton, Ahmedabad Cotton and the City of Ahmedabad mills from Ahmedabad.

The following generalisations can be made by reference to the analysis of the item of capital as given in the following statement (p. 112).

**Effects of the two wars on the item of capital:**

A tendency to increase capital of the mills either during or after the war is marked. This increase is made either with a view to distribute the shares instead of cash by way of dividend; or to meet contemplated installation or extension of plants. Whatever increase is marked in Bombay mills and well managed Ahmedabad mills during World War II, is with a view to pay preference shares or bonus shares of various descriptions.

**Capital:**

It will be seen from the balance-sheet that paid-up capital of the Kohinoor mills increased from Rs. 18.58 lakhs in 1914 to Rs. 20 lakhs in 1921 and from Rs. 25 lakhs in

\* Vide Mr. Parikh on "Finance of Some Indian Mills" published in "Commerce", 7 July 1945.

\*\* Bombay Dyeing, Kohinoor, Calico and Sarangpur Cotton are put in first class and the rest in second class. The judgment of management being far from accurate, the method of random sampling had to be adopted for selecting the mills.

\* STATEMENT SHOWING A COMPARATIVE STUDY OF THE EFFECTS OF THE TWO GREAT WARS  
ON THE ITEM OF CAPITAL.

(Annas and Pies have not been taken into Account)

Capital	1914	1917	1918	1919	1921	1922	1939	1944	Name of the Mill.
<i>Bombay</i>									
Paid up Capital	Rs. 1858000	Rs. ..	Rs. 1858000	Rs. ..	Rs. 2000000	Rs. ..	Rs. 2500000	Rs. 4500000	Kohinoor.
Do. ..	1712000	..	3112000	..	6274500	..	6274500	6274500	Bombay Dye- ing. Simplex.
Do. ..	942500	1200000	1200000	1500000	2250000	..	*1400000	*1400000	Phoenix.
Do. ..	800000	..	800000	..	..	800000	800000	800000	Calico.
<i>Ahmedabad</i>									
Do. ..	500000	1000000	1000000	..	1965170	..	2199770	†5532908	Sarangpur Cotton. Ahmedabad Cotton. City of Ahmedabad.
Do. ..	464000	..	464000	..	464000	..	464000	1160000	
Do. ..	600000	..	600000	..	600000	..	600000	900000	
Do. ..	300000	400000	400000	..	400000	..	392375 (a)	392375	

\* The figures are for 1938-39.

† Practically half of the capital consists of Preference Shares (First, Second and Third).

(a) The position of the Mills was precarious upto 1940-41, when it was advertised for sale. The capital was reduced.  
(The above analysis has been made personally from the balance-sheets of the mills).

1939 to Rs. 45 lakhs in 1944. The second mill in whose case such an increase was marked is the Bombay Dyeing, whose paid-up capital increased from Rs. 17.12 lakhs in 1914 to Rs. 62.74 lakhs in 1921. World War II has not seen an increase in its paid-up capital. Simplex mill is in the same position, as during the post-war period its capital increased from Rs. 9.42 lakhs in 1914 to Rs. 22.5 lakhs in 1921. During World War II no increase has been registered. The capital of the Phoenix remained unaffected during the period.

In case of Ahmedabad paid-up capital of the mills has also increased during both the wars. This is amply proved from the fact that the paid-up capital of the Calico Mills increased from Rs. 5 lakhs in 1914 to Rs. 10 lakhs in 1918 and to Rs. 19.65 lakhs in 1921. As against this the increase during World War II was from Rs. 21.99 lakhs to Rs. 55.32 lakhs during the year 1944. The same tendency was also marked in case of Sarangpur Cotton, and Ahmedabad Cotton Mills. In case of the City of Ahmedabad mills there was no increase whatsoever in the paid-up capital. It should be noted that the increase in the paid-up capital was by issue of Bonus shares to the share holders.

#### **Reserve position of the mills during both the wars:**

The reserves of the Kohinoor Mills increased from Rs. 6.6 lakhs in 1914 to Rs. 8.7 lakhs in 1918 and to a higher figure of Rs. 16.85 lakhs in 1920, and to the peak level of Rs. 20.35 lakhs in 1921. As against this, during World War II, the rise was from Rs. 18 lakhs to Rs. 66 lakhs in 1944. The same tendency is also seen in case of the reserve position of the Simplex and Phoenix mills. In the case of Simplex mills the reserves increased from Rs. 3 lakhs in 1915 to Rs. 11.7 lakhs in 1919 and from Rs. 31.6 lakhs in 1939 to Rs. 68.58 lakhs in 1944. The case of Phoenix is different, as it shows decrease.

In Ahmedabad the reserves of Calico Mills increased from Rs. 11.33 lakhs in 1914 to Rs. 17.66 lakhs in 1918 and to the higher figure of Rs. 39.14 lakhs in 1921. The same tendency is observed during World War II when the reserves increased from Rs. 12.67 lakhs in 1939 to 16.38 lakhs in 1944. Very marked increase in the reserves is seen in case of the Sarangpur Cotton Mills as is seen from the table. It may be noted that even the City of Ahmedabad mills which had no reserves could provide for Rs. 0.115 lakhs in 1918 while the increase in the reserves was from Rs. 9.13 lakhs in 1939 to Rs. 13.6 lakhs in 1944.

**\*STATEMENT SHOWING A COMPARATIVE STUDY OF THE EFFECTS OF THE TWO GREAT WARS ON THE RESERVES POSITION OF THE SELECTED MILLS OF BOMBAY AND AHMEDABAD**

(Annas and Pies have not been taken into account)

Name of the Mill	BOMBAY									
	1914	1915	1918	1919	1920	1921	1939	1944		
Kohinoor	Rs. 660000	Rs. ..	Rs. 869882	Rs. ..	Rs. 1685000	Rs. 2085000	Rs. 1800000	Rs. 6605000		
Bombay Dyeing	Rs. †2661445	Rs. ..	Rs. 12789951	Rs. ..	Rs. ..	Rs. 22494977	Rs. 96099024	Rs. 41496226		
Simplex	Rs. ..	Rs. 30000	Rs. ..	Rs. 1175000	Rs. ..	Rs. 488144	Rs. 3161889	Rs. 6858280		
Phoenix	Rs. 1098089	Rs. ..	Rs. ..	Rs. ..	Rs. ..	Rs. 4168918	Rs. 5667651	Rs. 5876510		
<b>AHMEDABAD</b>										
Calico	Rs. 1188048	Rs. ..	Rs. 1765768	Rs. ..	Rs. ..	Rs. 3914169	Rs. 12668927	Rs. 16882340		
Sarangpur Cotton	Rs. 258028	Rs. ..	Rs. 840569	Rs. ..	Rs. ..	Rs. 2096881	Rs. 8417868	Rs. 6440185		
Ahmedabad Cotton	Rs. 1185019	Rs. ..	Rs. 1351081	Rs. ..	Rs. ..	Rs. 1664257	Rs. 1063282	Rs. 1638231		
City of Ahmedabad	Rs. Nil.	Rs. ..	Rs. 11527	Rs. ..	Rs. ..	Rs. 112591	Rs. †918787	Rs. 1368787		

\* Reserves include also the surplus provisions.

† The figures do not include the amounts set aside as Provident Fund, but they include the items of reserves plus Other Surplus Funds, Repairs Fund, Dividend Equalization Fund, Machinery Depreciation Fund. These are the combined figures of Bombay Dyeing Group—Dye Works, Spring Mills, and Textile Works.

‡ These are the figures of Reserves and Machinery and Building Depreciation Fund.

(The above analysis has been made personally from the balance-sheets of the Mills).

The next variable item during the war is the provision for Income-tax, Super-tax and Excess Profits Tax. The provision for taxation shows astonishingly high figure during World War II. Particularly this was because the Excess Profits tax was in existence for a period of only one year during World War I. As against this the Excess Profit Tax was imposed from 1940 during World War II. Very few mills maintained reserves for taxation and practically no mill under our consideration maintained such a reserve during World War I. During World War II reserve for taxation increased as follows in the mills under consideration.\*

(In Rupees, as. pies being omitted)

	1939		1944		
Kohinoor ..	1,75,000				87,11,186
Bombay Dyeing	4,50,000				173,76,475
Phoenix .. ..	....		41,50,000 (of the year 1943)		
	1939	1941	1942	1944	
Calico .. ..	6,02,295	30,80,196	55,30,491	37,07,039	

It is already seen that 75% of the profits of 15 mills of Bombay analysed previously was paid by way of taxation. Out of this 75% was paid by of taxation,—66.2/3 per cent went for Excess Profits Tax and the remaining for compulsory deposit under the E.P.T. Act and for income-tax. Apart from Excess Profits Tax the burden of income-tax and corporation tax was higher by 30 per cent over pre-war level of taxation. This burden strained severely the ways and means position of the mills and its was feared it would prove much more embarrassing in post war period.

#### Impact of the War on Finances (current and fixed).

There are four ways of raising finance resorted to by the Cotton Textile Mills. They get finances through issue of shares in case of long term capital, and through debentures, public deposits, managing agents and their relatives and some times through banks in case of working capital. Temporary use of the large amount of deposits received from selling agents of the mills is also made, as will be discussed later.

\* The provision made by other mills is not significant.

Public deposits do not play as predominant a part in Bombay as they do in case of Ahmedabad. In Ahmedabad a significant portion of the total finances is obtained through public deposits as is seen from the following table.

	*Ahmedabad		Bombay	
	Rs. in lakhs	P. C. to total capital	Rs. in lakhs	P. C. to total capital
Managing Agents ..	264	24	532	21
Banks .. ..	42	4	226	9
Public Deposits ..	426	39	273	11
Share Capital ..	340	32	1240	49
Debentures ..	8	1	238	10

† Figures for the year 1936 were as follows:—

In lakhs of rupees)	Bombay	Ahmedabad	Sholapur
No. of mills taken .. ..	56	73	5
<b>A—Mortgage :</b>			
Debentures .. .. .	170	....	44
<b>B—Secured Loans :</b>			
Banks .. .. .	119	58	35
Managing Agents .. ..	67	....	....
Others .. .. .	6	1	30
<b>TOTAL</b> .. .. .	<b>192</b>	<b>59</b>	<b>65</b>
<b>C—Unsecured loan from :</b>			
Managing Agents .. ..	679	329	12
Deposits .. .. .	128	528	15
Others .. .. .	82	123	1
<b>TOTAL</b> .. .. .	<b>889</b>	<b>980</b>	<b>28</b>
<b>GRAND TOTAL</b> .. ..	<b>1251</b>	<b>1039</b>	<b>137</b>

These figures amply testify the fact that Ahmedabad is largely dependent on deposit finances while Bombay on Share capital. Reference to the first table shows that debentures play an insignificant part in case of Ahmedabad while 10% of the total finances in Bombay is raised through debentures. World War II has created significant effect on the deposit finances of Ahmedabad Mills. Generally the mills have got an option to return the deposits when not

\* Vide Indian Banking Committee Report, 1931.

† Vide Bombay Textile Labour Enquiry Committee Report (Interim) —1938.

required by them. This option seems to have been exercised during wartime. The deposits are returned to the public and deposit finances from the relatives of the managing agents themselves show an increase, obviously with a view to take advantage of comparatively higher rate of interest available from their mills.

Debentures carrying charges on the fixed or the floating assets of the mills are either returned or re-organised. This is particularly seen in case of Bombay.

Increasing use of bank finances by way of overdraft is made to provide for extension or installation of plants in future.

### **Comparative study of the effects of both the wars on the finances of the eight selected mills:**

As it is observed from the statement given on the next page in case of Kohinoor, Simplex and Phoenix mills, there is a tendency to repay the loans on debentures. In case of Kohinoor mills there was no change in the amount of loans on debentures in the World War I, but during World War II the amount of loans on debentures of Rs. 4.6 lakhs in 1939 was redeemed. The Phoenix mills paid up the debentures in the year 1921. It is interesting to note that out of the four mills of Ahmedabad analysed in the statement, not a single mill had loans by way of debentures.

The amount received by way of fixed deposits in Bombay is insignificant as compared to Ahmedabad centre. In case of the Kohinoor mills the amount of fixed deposit decreased from Rs. 5.62 lakhs in 1914 to Rs. 3 lakhs in 1921. The amount of fixed deposits in case of Bombay Dyeing was insignificant. Same tendency was evident in case of the Simplex, Sarangpur Cotton, Ahmedabad Cotton and the City of Ahmedabad Mills. It will be interesting to notice the fact that in case of the Ahmedabad mills the deposits received from Agents and relatives has shown a marked increase. Comparatively more use of the overdraft from the banks is made by the mills in Bombay rather than in Ahmedabad.

### **Fixed capital expenditure:**

Most of the increase in the fixed capital expenditure has been made in the inter-war periods. During the war period installations and extensions of plant are not possible owing to absence of machine-tool industry and heavy and basic industry in the country.



*Ahmedabad*

<b>CALICO</b>									
..	Loans on Debentures ..	19,42,167	26,14,856	21,98,920	26,59,181	(b) 5,02,190	.....		
Do.	.. Fixed Deposits ..	.....	.....	.....	61,469	(c) 92,789	.....		
Do.	.. Agents & relatives ..	.....	.....	.....	81,688	Nil	.....		
Do.	.. Over-draft Bank-secured ..	.....	.....	.....	2,97,528	8,72,898	.....		
Do.	.. Other Finances ..	.....	.....	.....	.....	.....	.....		
Do.	.. Advances, Sales, Agents ..	2,100	.....	.....	.....	.....	.....		
<b>SARANGPUR COTTON</b>									
Do.	.. Loans on Debentures ..	.....	.....	.....	10,38,538	41,560	.....		
Do.	.. Fixed Deposits ..	7,90,418	9,30,512	3,91,158	4,76,986	(c) 12,85,526	.....		
Do.	.. Agents & relatives ..	.....	.....	.....	.....	.....	.....		
Do.	.. Overdraft, Bank-secured ..	.....	.....	.....	.....	.....	.....		
Do.	.. Other Finances ..	.....	.....	.....	54,864	1,08,391	.....		
Do.	.. Advances, Sales, Agents ..	.....	.....	.....	5,500	Nil	.....		
<b>AHMEDABAD COTTON:</b>									
Do.	.. Loans on Debentures ..	.....	.....	.....	.....	.....	.....		
Do.	.. Fixed Deposits ..	4,22,318	92,000	1,21,826	1,22,185	1,15,200	.....		
Do.	.. Agents & relatives ..	.....	.....	.....	7,98,981	2,84,104	.....		
Do.	.. Overdraft, Bank-secured ..	.....	.....	.....	3,70,761	Nil	.....		
Do.	.. Other Finances ..	.....	.....	.....	.....	35,089	.....		
Do.	.. Advances, Sales Agents ..	.....	.....	.....	.....	.....	.....		
<b>CITY OF AHMEDABAD</b>									
Do.	.. Loans on Debentures ..	1,88,201	5,97,726	11,86,012	10,855,578	48,821	.....		
Do.	.. Fixed Deposits ..	.....	.....	.....	597	8,08,017	.....		
Do.	.. Agents & relatives ..	.....	.....	.....	1,42,619	.....	.....		
Do.	.. Over-draft Bank-secured ..	.....	.....	.....	.....	.....	.....		
Do.	.. Other Finances ..	.....	.....	.....	11,044	.....	.....		
Do.	.. Advances, Sales Agents ..	.....	.....	.....	.....	.....	.....		

\* The amounts are borrowed for extensions and installations. The words "Others" includes agents' advances.  
 \*\* The figures for second war period are of 1988-39 and 1944-45 as the books are closed in the middle of the year.  
 \*\*\* Includes figures of agents' commission.  
 (b) The figures of 1940 were Rs. 52,97,726—to purchase Jubilee mills—then slowly reduced every year.  
 (c) Includes figures of Agents' commission.

(The above analysis has been made personally from the balance-sheets of the mills)

## Statement Showing the effects of the two Great Wars on the item of fixed capital expenditure.

(Annas and Pies are omitted)

Name of the Mill	1914	1915	1918	1921	1939	1944
<b>Bombay :</b>						
*Kohinoor .. .. .	Rs. ....	Rs. 8578070	Rs. ....	Rs. 3901890	Rs. 4148859	Rs. 4228819
**Bombay Dyeing .. .. .	Rs. ....	Rs. ....	Rs. ....	Rs. 5107081	Rs. 4714969	Rs. 4614852
Simplex .. .. .	Rs. 11648065	Rs. ....	(Not available)	Rs. 8737826	Rs. 5274592	Rs. 6187027
Phoenix .. .. .	Rs. 2744884	Rs. ....	(changed hands)			
<b>Ahmedabad :</b>						
Calico .. .. .	Rs. 2585049	Rs. ....	Rs. 2584879	Rs. 8308009	Rs. 18576253	Rs. 18826818†
Sarangpur .. .. .	Rs. 872077	Rs. ....	Rs. 1299074	Rs. 1470600	Rs. 4968867	Rs. 5488068
Ahmedabad .. .. .	Rs. 1393971	Rs. ....	Rs. 1479128	Rs. 1601297	Rs. 1681008	Rs. 1765758
Cotton .. .. .	Rs. ....	Rs. ....	Rs. ....	Rs. ....	Rs. ....	Rs. ....
**City of Ahmedabad .. .. .	Rs. ....	Rs. ....	Rs. ....	Rs. ....	Rs. ....	Rs. ....

\*The figures do not include value of land.

\*\*In case of these mills the item is not effected materially due to the wars.

†In 1942 the Jubilee Mills were amalgated with the Calico, hence the increase.

(The above analysis is personally made from the balance-sheets of the respective mills.)

In case of the Kohinoor mills the amount of fixed capital expenditure increased from Rs. 35.73 lakhs in 1914 to 36.01 lakhs in 1921. As against this during World War II the increase was from Rs. 41.43 lakhs in 1939 to 42.29 lakhs in 1944. In case of the Calico mills of Ahmedabad the increase even during the war period is very significant as is seen from the fact that it increased from Rs. 135.76 lakhs in 1939 to Rs. 183.27 lakhs in 1944. The increase in the inter-war period is from Rs. 33 lakhs in 1921 to Rs. 135.76 lakhs in 1939.

#### **Current Assets:**

The next group of variable items is of current assets, which includes stores, stock in trade, advances; but does not include cash. The item of cash is analysed separately with a view to point out some significant changes in the cash position of the industry.

It is seen from the table given on the next page that there is a marked increase in the value of the current assets, so much so that if the amounts of cash, investments, excess profit deposits are added, they exceed the amount of the current liabilities as has been already noticed in the beginning of the chapter where the financial position of 15 selected mills was examined. In case of the analysis of the eight selected mills made in the statement, it is seen that the value of current assets in case of the Kohinoor Mills increased from Rs. 15.23 lakhs in 1914 to Rs. 49.02 lakhs in 1921 while during World War II the increase was from Rs. 43.91 lakhs in 1939 to Rs. 108.2 lakhs in 1944. Same tendency was noticeable in case of the Simplex and Phoenix mills. In case of Ahmedabad the value of current assets of the Calico mills increased from Rs. 11.17 lakhs in 1914 to Rs. 22.62 lakhs in 1917, as against this during World War II the increase was from Rs. 42.11 lakhs in 1939 to Rs. 78.48 lakhs in 1944. Same tendency was noticeable in the remaining mills of Ahmedabad.

As far as the cash position of the mills is concerned it will be observed from the following analysis that during the years of war it is considerably augmented. The increase is much more marked during World War II.

In case of the item of investment lakhs of rupees are invested, particularly by the Bombay mills, in Government Securities, Trust Securities and Government War Loans. While the mills at Ahmedabad have not invested in Government Securities and War Loans to such a large

\*Statement showing the effects of the two Great Wars on the item of Current Assets of the selected mills of Bombay and Ahmedabad.

Name of the Mill.	1914	1918	1921	1939	1944
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Bombay :</b>					
Kohinoor .. .. .	1528541	4800552	4901644	4391628	10820510
Bombay Dyeing .. .. .	1545641	9454287	Not Avail- able	12374421	9382859
Simplex .. .. .	469976	Not avail- able	2573782	1326831	3779698 (1943)
Phoenix .. .. .	1811844	(changed hands)	2710738	2201330	6937823*
<b>Ahmedabad :</b>					
Calico .. .. .	1117672	2262904	2057296	4211051	7848120
Sarangpur .. .. .	730773	666616	567214	1992675	4018166
Ahmedabad Cotton .. .. .	482540	936768	849473	1090402	2510503
City of Ahmedabad .. .. .	141636	784120	456055	255902	602571†

**Kohinoor** :—The increase during the first war is more than three times; while during World War II it is more than two and a half times.

**Simplex** :—Increase during the first war was more than six-times as against this it is more than 2½ times during second war.

**Phoenix** :—Increase during the first war was more than twice and during second war it is more than three times.

**Calico** :—Increase during the first war was about twice and during second war was less than twice.

**Ahmedabad Cotton** :—Increase during the world war first was twice while during second war it is two and a half times.

**Sarangpur** :—Decrease during the world war first was by Rs. 163559; during World War II increased by more than twice.

**City of Ahmedabad** :—Increase during the first war was by 4 times, during second war by about twice.‡

extent. They have rather preferred to accumulate huge cash resources so as to meet with post-war difficulties. The huge amount of cash resources kept by the Ahmedabad mills are with a view to provide for installations of machinery in near future; because the Ahmedabad millowners have not as yet placed orders for machinery to an extent to which Bombay millowners have done.

In case of some of the mills considerable amount of cash resources are with the managing agents themselves as is the case of Calico and Ahmedabad Cotton mills.

\* The figures are of 1943;

† The above analysis is made by the author from the balance-sheets of the respective mills.

‡ In the above mentioned observations the years for comparisons are 1914 and 1921; and 1939 and 1944.

From the statement given on the next page it is clear that the item of investment increased from Rs. 9.4 lakhs in 1942\* to Rs. 26.7 lakhs in 1944 in case of the Kohinoor mills. As against this, cash in the mills increased from Rs. .09 lakhs in 1942 to Rs. 5 lakhs in 1944. In case of the Bombay Dyeing the investment increased from Rs. 2.48 lakhs in 1914 to Rs. 2.53 lakhs in 1921; as against this during World War II the investment increased from Rs. 71.65 lakhs in 1939 to Rs. 276.81 lakhs in 1944 including the excess profit deposit. Cash showed an increase from Rs. 24.8 lakhs in 1939 to Rs. 188.01 lakhs in 1944.

### **Effects of the two wars on the item of profit**

The analysis of the two mills one above margin and another below margin given on p. 125 points out the tendency of increased profit earning capacity, and the dividend policy adopted by the mills generally. It is seen that the well-managed mills declared as much as 26 to 30 per cent of the profit as dividend during World War I while the figures of dividend declined to only 11 per cent of the profit during World War II. In case of the below marginal firms the percentage of dividend declared ranged from 60 to 70 per cent during the first war while such mills could hardly declare even 6 per cent dividend during World War II. The frittering away of the earnings during World War I was highly criticised by The Indian Tariff Board Report.

From the above facts and figures it may justifiably be concluded that compared to the last war, during World War II the dividend policy followed by the mills appears fairly sound and the mills can hardly be said to have frittered away their profits. This is further proved by referring to the analysis of the 15 selected mills. In their case the annual average dividend on ordinary capital was 16 per cent during World War II.

Once more coming to the analysis of the earnings of the two mills during the two wars it is seen that the profits during World War II are  $14\frac{1}{2}$  times more as compared to the profits during the first war (1914-18). The profits earned by all the Bombay mills upto 1942 were as follows:

These indicate the degree of prosperity of the mill industry all over the country during the years.

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\* Investment and cash in 1939 being nil.

\*Statement showing a comparative study of the effects of two Great Wars on the items of investment and cash of the selected Bombay and Ahmedabad mills.  
(Annas and Pies have not been taken into account)

Name of the Mill	1914		1918		1921		1939		1944	
	Investment	Cash	Investment	Cash	Investment	Cash	Investment	Cash	Investment	Cash
<b>Bombay :</b>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Kobinoor .. .. .	....	50186	1023518	47027	423518	48382	....	....	2646156	501087
Bombay Dyeing .. ..	248192	5845	....	....	253605	11261	7165083	2487891	27681289	18901080
Simplex .. .. .	....	1984	....	....	145518	110558	....	41695	....	3741409
Phoenix .. .. .	....	47081	(Not available)	....	....	1214650	12275	2012	12275	66571**
<b>Ahmedabad :</b>										
Calico .. .. .	....	....	18140	92322	1924647	14016	43000	812880	61000	8615416
Sarangpur Cotton .. ..	....	5653	....	26297	....	8701	3000	181427	1403489	8619617
Ahmedabad Cotton .. ..	....	79917	61070	198416	23281	....	....	8488	....	2132255
City of Ahmedabad .. ..	....	1569	17500	7948	....	31821	....	888	....	1284185

\*The above analysis has been made personally from the balance sheets of the mills.

\*\* These figures are of the year 1943.

**\*Statement showing the comparative study of the effects of the two Great Wars on the items of Profit and dividend of two selected mills.**

*(Annas and Pies have not been taken into account)*

Name of the Mills	Item	1914-1918	1915	1919	1939-1944
KOHINOOR	Profit subject to depreciation ..	31,34,754	....	....	4,48,68,606
	Dividend ..	9,29,000	....	....	48,64,981
	P.C. of dividend to Profit ..	30	....	....	11
CITY OF AHMEDABAD	Profit subject to depreciation ..	....	32,353	1,42,201	25,60,097
	Dividend ..	....	20,000	1,00,000	56,703
	P.C. of dividend to profit ..	....	61	70	2.4

\* The above analysis has been prepared personally from the balance-sheets of the selected mills.

(In lakhs of Rupees)					
Year	Profits	Year	Profits	Year	Profits
1937	18	1939	29	1941	694
1938	21	1940	50	1942	—

It is interesting to note that compared with 1940, profits of 1941 worked about 1288 per cent higher.

As against this the detailed information regarding the earnings of the mills of Ahmedabad and their financial position is as follows:—\*

It is estimated that during the five years ended 31st December 1944, the Ahmedabad mill industry has made in aggregate Rs. 52 crores as gross profit from which the Managing Agents' commission and depreciation will have to be deducted.

Depreciation during these five years would be about Rs. 4.5 crores and the Agents' commission would amount to nearly Rs. 6.5 crores. That leaves Rs. 41 crores as net profit, subject to Excess Profits Tax and Income-tax. These taxes would have absorbed approximately Rs. 23.3 crores and Rs. 7 crores respectively, and after payment of same there would be Rs. 10.7 crores for reserves and dividends. It is estimated that the total amount paid as dividend for these years would be about Rs. 3 crores. This amounts to 6 per cent (approx.) of the gross profit, and 7.1/3 per cent of the net profit.

When such adjustments are made, the industry as at the end of the year 1944 will have added Rs. 7.7 crores to its reserve fund and Rs. 4.5 crores to its depreciation fund. Thus the consolidated balance-sheet position of the Ahmedabad Mill Industry as at the end of the year 1944, is as under:—

(In crores of rupees)

Capital paid-up .. ..	Rs. 4.8	(Block (Original value) ....	Rs. 19.0
Total reserves .. ..	Rs. 11.2		
Depreciation fund.. ..	Rs. 12.5		
<b>Total .. ..</b>	<b>Rs. 28.0</b>		<b>Rs. 19.0</b>

During the five years of the war, the previous capital debt of 3.2 crores has been wiped out and the industry at the beginning of the year 1945 started with a capital surplus of Rs. 9 crores. From the reserves of Rs. 7.7 crores, added during five years, sufficient amount will have to be set off

\* Figures from the Ahmedabad Millowners' Association's Circular dated 25th February 1945.

for depreciation in stocks. The normal pre-war stocks used to be about Rs. 3.75 crores which during five years has appreciated to nearly 7.5 crores. The difference, therefore, equal to this appreciation will have to be provided as possible loss when the pre-war level prices are reduced. Such an adjustment leaves with the industry about Rs. 4 crores as net war gains, and this amount was required as compulsory deposit. During these years the dearness allowance paid by the industry to workers would roughly amount to Rs. 22.5 to Rs. 23 crores which is equal to the amount of excess profit tax. It should be noted that there was not a single mill out of 61 mills working in Ahmedabad which suffered loss after 1941.

From the study of balance-sheets of the 15 mills during World War I, and that of the balance-sheets of 8 mills during both the wars, and the detailed study of the financial position of the Ahmedabad industry, the following conclusions may be arrived at.

(1) At the end of the first world war the industry did not come out with so much sound capital base as only the ordinary shares were used for raising capital. During the second war a number of companies have distributed, by way of dividends, preference share of various categories. A reference to the Mill Owners' Association (Bombay) chart reveals the fact that 26 out of 73 mills in Ahmedabad have their capital raised by the issue of preference shares.\*

(2) The banks, even to-day, refuse to provide for long term finance.

(3) At the end of World War I the Cotton Textile Industry emerged as undercapitalised while Bombay mill industry as overcapitalised. While during World War II Ahmedabad has tried its best to remove the charge of undercapitalisation.

(4) Profits were frittered away during and after World War I by distributing dividends; while during the second war the profits are many times higher but they are canalised and checked after 1943. Huge reserves as compared to World War I have been built up. But whether they are sufficient for complete replacement or re-organisation is very doubtful.

(5) The capital of the industry now exceeds the value of net block; and the value of current assets exceeds the value of current liabilities which shows the strengthened financial position of the industry.

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\* *Vide* The Bombay Millowners' Association Chart, 1944

(6) The profits have been augmented to an enormous extent and reserve provisions are made in such a way as to strengthen the financial resources of the industry in a far better and superior way than during and after World War I.

Such is the picture of the Cotton Textile Industry of to-day. The wars have no doubt fortified the industry. The peculiarity with the second war is that it has strengthened its capacity to face the future. Though at the end of World War I the President of the Bombay Millowners' Association was confident that the financial position of the industry was very strong, the depression did present a serious problem for the industry (depression of 1923-27). At present that future is not lying ahead of the industry. The question before us is whether the reserves built are sufficient to meet the post-war requirements of the industry. The industry no doubt is strong enough to survive the ensuing crisis; but there is no room for complacency or undue optimism regarding the capacity of the industry to rationalise itself to any great extent. Even complete replacement of the old machinery is rendered difficult due to a number of factors envisaged below:—

1. The war-time profits of the industry are not likely to continue in the post-war period when the difference between raw cotton and cloth prices would be lowered down while the reduction in wage level would be difficult.

2. The capital cost of replacement after World War I was double the pre-war level while it is 2½ times at present. It has been estimated that the cost of settling one loom and 30 spindles amounts to Rs. 7,500 against Rs. 3,000 in the pre-war days (1939-40).\*

3. Over and above the excess profits tax, the burden of income-tax and corporation tax is higher by 30 per cent. This heavy taxation along with the compulsory excess profit deposits with the government and pay-as-you-earn method of collecting taxes strains severely the ways and means position of the mills. This will create embarrassing problems in the postwar years.

4. The provision for depreciation which is at present allowed on the written down value of the plant for the purpose of taxation will affect the industry very seriously when capital replacement is made at the enhanced cost

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\* *Vide 'Commerce', 7th April 1945.*

**ruling to-day.\*** From the practical point of view, special depreciation allowances on new buildings, plants and machinery are very urgent. It should be noted that without such depreciation allowances replacement or rationalisation on extensive scale cannot be undertaken. It should be emphasised that in spite of huge gains made by the industry during the last five years, the industry will not have a smooth course in the post-war years without such relief.

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\* For details *vide* chapter on 'War-time Problems of the Industry.'  
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## CHAPTER VII

### LABOUR CONDITIONS DURING THE TWO GREAT WARS

#### World War I

**Preliminary**—Urgency of labour problem during the war—Increase in employment and consequent scarcity of labour.

**Defects of Indian labour**—Migratory character—Scarcity of efficient industrial labour—Methods of recruitment—System of fines—Hours of work—Loitering habits—Trying conditions of work in the mills—Low standard of living—The opinion of the Industrial Commission Report.

**Efficiency of Indian labour**—During and after the war—Causes of inefficiency.

**Housing conditions**—During and after the war—The adverse effects of bad housing and sanitation—Attempts to improve housing conditions.

**Wage**—Rates—Relation of wages—Standard of living and efficiency—Effects of the first war on the wage level—Question of allowances.

**Labour Unrest**—During and after the war—The war and the awakening—Causes of unrest—Growth of Trade—Unionism—Defects and later developments.

**Labour Legislations**—Factory Act of 1911—That of 1922, 1934, 1939—Workmen's Compensation Act, 1923—Trade Union Act, 1926.

**Industrial Welfare**—Necessity felt—Responsibility of the millowners—Various items of welfare activities during the first world war—Insignificance of the activities.

#### World War II

Increase in employment due to doubt and treble shifts worked by the mills—Scarcity of labour—Continuance of the defects of Indian labour.

**Housing conditions**—During this war—Problem of water supply—Suggestions for improvement—Steps taken.

**Wage**—Rates—Dearness allowances and bonuses from the beginning of the war in contrast to the last war—The allowances in Bombay, Ahmedabad and Sholapur—Consequences of dearness allowances—Decreased efficiency—Increased vices—Increase in standard of expenditure—Attempts to mobilise the increased earnings—Their failures—Amendments to factory legislations—Increase in hours of work—No practical effect of the same.

#### Labour disputes during the war period

Cordial relations owing to early co-operation of the millowners—Increased strikes in 1942 due to political movement in the country—Loss of man-hours—That of production—Observations from the table of disputes during the period—Disputes regarding dearness allowances and bonus of Ahmedabad mill hands—Bombay Industrial Disputes Act of 1938—Its criticism—Bombay Industrial Relations Act 1946—Its criticism.

Welfare activities during the war period.

**Labour conditions during the two Great Wars**

A study of the labour conditions during the two great wars will, in itself, explain the momentous tempo of labour awakening in the country in the inter-war period. There was a world of difference between the labour conditions prevailing during World Wars I and II.

Labour problems assumed greater importance during the war period owing to the increased employment, labour awakening and the consequent feeling of class consciousness.

**Scarcity:** According to the Industrial Commission Report, in the year 1916, there were 266 mills in India containing 6,839,877 spindles and 110,288 looms and employing on an average 274,361 hands daily, of these the Bombay mills employed on an average 118,303. During this period, owing to increased industrial tempo and increased activities in the cotton mills, and demands for men and materials from the military quarters, a serious scarcity of industrial and skilled labour was felt. An increased employment in the cotton textile industry is evidenced from the fact that average daily number of millhands employed, increased from 242,179 in 1912-13 to 255,624 in 1915-16, to 261,176 in 1917-18 and to 281,626 in 1919-20\* reaching the highest figures of 304,307 in 1920-21. The migratory character of labour was the fundamental defect of Bombay and Ahmedabad. At that time, the problem of absenteeism during the harvesting season and during the beginning of the month was serious necessitating a number of Badliwalas as extra employees. This shows clearly that there was an absence of industrial labour as such. This absence was particularly felt when there was a demand for labour from all quarters and hence scarcity of it was felt. The Bombay Millowners' Association showed a good deal of concern over the idea of industrial labour as will be clear from the following extracts of the presidential speech of the Bombay Millowners' Association.†

“Although our industry has been in existence for sixty years, no permanent hereditary class of operatives has been built up. Our operatives are agriculturists first and agriculturists last. The period of their employment in the mills fills only a small portion of their lives.....They work a certain length of time until they have laid by sufficient funds to return to their native country.....They

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\* *Vide* The Statistical Abstracts of British India, 1916-26.

† Millowners' Association's Report, 1918, p. xii.

arrive penniless and are at once enrolled by a jobber on the muster of one of the mills. They have to borrow money at exorbitant rates of interest either from their jobber or from some Bania in order to live and meet their daily wants until their first pay is realized. The outcome of this unsettled vagrant life is loss of skill, no incentive to work their best, a lowering of their physical stamina and a total lack of sympathy between themselves and their employer." The difficulties in the way of establishing industrial labour population are well described in the above mentioned para. The only remedies of the difficulties suggested at that time which might be applied even today were, better housing, higher wages, universal education, extensive welfare activities, which would enable to build up a permanent class of labourer. By these facilities and advantages of the industrial life only, the labourer would sever his connections with his lands. Sir Dinshaw Wachha opposed the suggestion on the ground that it was no business of the employers to house their operatives. The Industrial Commission Report also recognised the impossibility of all employers in Bombay housing their own operatives as a practical proposition. It should be stated here that but for the above provisions, the establishment of permanent labour force and removal of absenteeism is rather difficult. The system of recruitment of labour by sirdars was prevalent even at that time. Consequently oppression and exploitation of industrial workers was going on unchecked, there being hardly anything like labour awakening or trade unions to protect against such oppressions by the superiors. In many cases the factory workers never came into touch with their employer whose names he might not know even. He only knew that he was under the immediate supervision of an unsympathetic Foreman who had the power to dismiss him.\* This system with slight modifications of the powers of and oppression by the jobbers prevails even today. The drawback of the system is that it tends to convert into exploiter of labour the very man who might be expected to act as a labour leader.† The system is no longer necessary as there is more or less adequate supply of labour available in normal times in industrial centres. The situation can be smoothened by establishment of labour exchanges at industrial centres.

**Hours of Work:** By the Factory Act of 1911, restrictions on hours of work were introduced. Children were pro-

\* V. G. M. Brought on "Labour in Indian Industries" p. 111.

† Dr. Veera Anstey's "Economic Development of India," p. 116.

hibited to work more than 6 hours a day and night work for women and children in cotton spinning and weaving mills was also prohibited. For the first time the hours of adult male workers were restricted to 12 and more and more extensive provisions relating to health and safety were introduced. Provisions for factory inspection were elaborated.

**Loitering Habits:** One of the grievances of Indian employers had been that Indian millhands were incapable of steady and continuous work. It was also criticised by the Industrial Commission Report. "It was generally argued that millhands loiter away much of the time during when they are normally at work. One or two of the factory owners stated that the operatives did not actually work for more than 8 hours out of the 12 at present permitted by Factory Law; some witnesses said that if the hours were reduced, workmen would still waste so much time as seriously to reduce the present rate of production."\* The Indian Factory Commission of 1908 mentioned: "He is given to loitering and loafing away his time under various pretexts. Men are often found to be absent from their machines and spare hands have to be employed to attend to the machines of the idlers."\*\*

**Internal Conditions of the Factories:** The factories did not call for hygienic conditions of work, nor were there any rules and regulations regarding ventilation, fencing of machineries, or humidification in factories. Arrangements for dining sheds, bathing and latrine accommodation were practically absent. The problem of ventilation was rendered very difficult in large cities like Bombay where the mills are built in blocks of several storeys where roof light is not possible except on the top floor. To avoid breakages of threads and loss of materials, a number of artificial humidification plants were installed particularly in up-country mills. But rarely was there any restriction imposed by the Government as to use of impure water which is injurious to the health of the operatives.†

The Industrial Commission, while appreciating the efficiency of Bombay mill worker as compared to other places remarked: "The Bombay mill operatives, whether

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\* Industrial Commission Report, 1918, pp. 189-90.

\*\* Quoted by Messrs. Jethar & Bari, *Indian Economics*, p. 9.

† Insisting on the needs of domestic sanitation, the Report stated "the needs of domestic sanitation in large town are more pressing. The problem, not only on moral grounds but also on economic reasons, must be solved with the avoidable delay, if the existing and future industries of India are to hold their own against the ever growing competition which will be still fiercer after the war." P. 15.

owing to the training or not is more skilful and intelligent than the Bihari immigrants into Calcutta though probably no better educated, while he is more tolerant of uncomfortable surroundings than the Bengali labourers who possess relatively high degree of intelligence."\* It should be noted that the labourers consisted of the Decannies and Kokannies, small section of Kokani Mahomedans and Julhais with a few men from Central India. The first two classes were usually cultivators of holdings too small to afford them a subsistence and were heavily indebted to the village money lender. This habit remained even in the industrial cities wherein they borrowed from Jobbers and Pathans.

**Inefficiency of Indian Labourer:** No industrial edifice could be permanent which is built on such unsound foundations as those afforded by Indian labour under its conditions during the period. The margin which the efficiency of the Indian mill-hand left for improvement was so great that, if the problem could be successfully solved, the advantage to the Indian industry would have been very marked. Low wages, absence of welfare activities, long hours of work, absence of any joy of recreation, insanitary surroundings, improper ventilation, bad housing and illiteracy speak for inefficiency of the Indian labourer.† It should be noted here that, that country has the most efficient labour which is able to produce the best results both in quantity and quality of production at the lowest cost per unit. A comparative study of efficiency of Indian labour was made by Mr. S. M. Johnson of Muir Mills, Cawnpore. According to him, a powerloom weaver in Lancashire, working single-handed, attended four to six looms, and turned out from each an average of 78 lbs. of coarse cloth in a week of 55 working hours or 468 lbs. in all for a six-looms worker. A powerloom weaver in (Northern) India looked after, as a rule, only one loom and all he could turn out of a similar cloth in a week was due entirely to the quality of the labourer. While Sir Clement Simpson's estimate at Madras was 2.67 hands in an Indian Cotton Spinning and Weaving Mill equalled one hand in Lancashire Mill‡ Sir Alexander MacRobert, the then most popular industrialist and known as the Industrial King of Cawnpore sta-

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\* Industrial Commission Report, 1918, p. 15.

† Industrial Conference Report, 1905 (Benares). Inefficiency was also due to worn out machinery.

‡ *Vide* Indian Industrial Commission Report, 1918; Evidence V. II, p. 278.

ted that the English worker was 3.5 or even 4 times as efficient as Indian worker. Criticising the view of Sir Clement and others, Dr. Gilbert Salter pointed out that while Sir Clement's statement was arithmetically correct, it was somewhat misleading as a test of efficiency. The difference in output was due not to inferiority in the Indian worker—though a certain degree of inferiority did exist—but due to greater cheapness of the Indian worker. The Buckingham and the Curnatic Mills worked during and after the war for considerably lower hours than Lancashire mills and the looms also worked at a greater speed than in Lancashire. In those circumstances, the Manager found it economical to put four men to four looms. It should be remembered that in Lancashire it was worthwhile to put only one worker to four looms, while in India the wages were so low that it was not worth while to save that amount at the expense of running the looms at a lower speed and therefore the real difference between efficiency of a Lancashire and that of a Madras operative was very much overstated by the ratio of 2 and 2/3.

In spite of this statement, the charges of inefficiency were made by the industrialists and economists, which are studied later on in the chapter. It should be noted as Mr. Gilbert has pointed out, if the statement is read between the lines, that the inefficiency is not by birth wherein it would not be possible to improve the labourers and their efficiency. Given proper sanitary conditions, sufficient wages to give him a decent standard of living and sufficient technical knowledge, an Indian operative is as much efficient as any other of the world. One of the causes of inefficiency of the Indian worker at that time was bad housing conditions, a detailed study of which is made in the following paragraphs.

**Housing Conditions during World War I:** The conditions were more or less chaotic during World War I and were made worst by overcrowding in Industrial cities like Bombay due to greater demand for labour from industrial and military quarters to meet the war requirements. In Bombay, at that time, a worst type of chawl consisted of a three or four storeyed building placed back to back or separated by a narrow gallery of two or three feet width usually traversed by an open drain. The rooms on the ground floor were pitch dark and possessed very little ventilation and even the small openings which existed were closed by the inhabitants in their desire to secure privacy and to avoid the imaginary evils of venti-

lation. The courtyard between the two houses was very narrow and dirty, the water arrangement being insufficient and accommodation for latrines equally bad. A most insanitary smell hung round these buildings. The rents varied per room from Rs. 3 to 7; which was 10 ft. by 10 ft. with a small verandah. "The standard of comfort of tenants was so low that the overcrowding was added to by taking in boarders and lodgers, obviously with an intention to add to their income. Practically same was the condition of Municipal Chawls. There also securing privacy as well as to avoid draughts or rain was so difficult that they had to enclose the verandah with matting or sacking, and it was a habit with the tenants dwelling on upper floor to throw rubbish invariably throughout the day. This naturally leads to the presence of a large number of flies and adds to the unpleasant odour which seemed prevailing in most of the chawls. According to the Industrial Commission Report, 97 per cent of the working class families in Bombay lived in single rooms. The preponderant number of families in France and Belgium lived into two rooms, in Germany in three rooms and in United Kingdom and United States, in four or five rooms." The average rent of a single room in Bombay was Rs. 3-12-0 per mensem. 3,125 one-room tenements contained two or more families in 1921, and Bombay had been called "A foreign Wen on the face of India." Sir Stanley Reed, recognising the seriousness of the situation, stated, "we put the housing question first because the conditions in which our mill operatives live are disgraceful and we believe the worst in India.† Any one who knows the mill districts with their dirt and squalor, their greyness and their general air of insanitation will conclude at once that so far from blaming the mill operatives for migrating to his village, the moment he can afford to, we should rather admire his common sense. Bad housing and very expensive housing is the root cause of the migratory habits of the Bombay mill operatives. Until we have struck at the root, it is beating the air to discuss other contributory causes." Even then President himself showed the concern with the problem by stating that "better housing will mean better health, and better health will enable the operatives to stay longer at their work and reduce the attractions of

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\* G. Findlay Shirras, Report on Inquiry into Working Class Budget in Bombay, 1923.

† Millowners' Association's Report 1918, p. xii.

their Konkan villages."\* Consequent to the publication of the Industrial Commission Report, the Government formulated a scheme that was expected to house 1,00,000 workers with an expected contribution of rupees one crore from the Government to carry out the buildings programme.

A 50,000 tenement scheme was started for the working classes of Bombay and for the creation of funds for the purpose, a town duty of Re. 1 per bale was imposed. But after 1925 it was found that the labourers were reluctant to make full use of the same and a number of tenements were unoccupied. The housing conditions continued to be in deteriorated state, more or less upto the beginning of World War II when the situation was terribly worsened owing to the unprecedented overcrowding in the industrial centres.

#### Wages and Labour Unrest:

There was practically no rise in wages upto 1917 nor was there any labour unrest upto 1917 in spite of the fact that the seeds of unrest were sown in Ahmedabad and Bombay in the year 1918. In 1915, however, a rise of 3 per cent in wage level in Bombay cotton textile industry was given.

†Wage Rate of 1915 expressed in Index Numbers.  
(1914:100)

Cotton Textile	..	103
Woollen Textile	..	112
Jute Textile	..	101

#### Average rates of wages paid in Cotton Textile Industry.

	1914			1915			1916		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Card Room .. ..	12	11	5	12	13	0	12	13	7
Ring Throstle Room	12	0	0	12	6	8	12	6	8
Reeling Room .. ..	9	8	0	9	8	0	9	8	0
Building Room .. ..	16	0	0	16	0	0	16	0	0
Sizing Dept. .. ..	22	12	8	23	6	10	23	6	10
Weaving Dept. .. ..	31	0	0	33	8	0	36	0	0
Average .. ..	17	8	8	17	12	0	18	0	8

The increase in wages as will be seen from the above table was particularly marked in weaving department. But the year 1918 was marked with labour unrest parti-

\* Indian Tariff Board Report para. 66, 1927, Vol. I.

† Review of Trade of India 1915.

cularly in Ahmedabad Centre. It was due to withdrawal of 70 per cent plague allowance at the time when the prices were soaring up.\* This resulted in a deadlock between millowners on the one hand and the labourers on the other, who demanded a dearness allowance to the extent of 35 per cent on July 1917 pay which was Rs. 22. The whole strike was undertaken under the leadership of Shreemati Anasuya Sarabhai, the sister of the well-known mill agent Sjt. Ambalal Sarabhai, and Sjt. Shankerlal Banker. The strike received a sound moral and active support of Mahatma Gandhi. That together with the solidarity of the labourers compelled the millowners to grant the allowance. The dispute was settled through the arbitration of Prof. Anand Shanker Dhruva, thus opening a new way of settlement of disputes in the history of labour unrest of the country. It should also be noted that for the first time the Ahmedabad millowners took a concerted action of lockout and they were so strong in their stand that labour perhaps would have been defeated but for the moral and active support of Mahatma Gandhi whose principles of Non-violence and Self-sacrifice made for the labour awakening in Gujarat and provided an ideal instrument of self-sacrificing and non-violent strikes. It is interesting to go a little in detail of the demands put forward by the labourers. They required in consideration of the prevailing dearness, a rise of 50 per cent minimum and of 100 per cent maximum, as will be seen from the fact that minimum expenditure of a family with four members (in Ahmedabad) was Rs. 32 and that with six members was Rs. 44† while their pay was hardly Rs. 20 to 22 per month. At the same time the mills were earning lucrative profits owing to increased prices of cloth and yarn. The market price of cloth increased from Rs. 1-5-0 per lb. in July 1917 to Rs. 2-4-0 per lb. in April 1918 showing an increase of about 71.1/3 per cent. While the cost of production had gone up from Rs. 1-2-0 to Rs. 1-12-0 showing an increase of 55.5/9 per cent.§

The Millowners who used to take Rs. 0-0-3 as commission per lb. changed their practice and began to take 3½ per cent which was four times as much as the pre-war level. The natural product of this struggle was the Ahmedabad Textile Labour Association believing in capitalists' Trustee-

\* *Vide* "A Religious War" by Mahadev Desai, Navjivan publication.

† Figures from "A Religious War" by late Sjt. Mahadev Desai, pp. 108-9.

§ Figures from "A Religious War" in Gujarati by late Sjt. Mahadev Desai.

ship of labour, which was expected to look after the betterment of labour interest. The Association, as will be seen later on, became an ideal Association of India.

In the year 1917, a general strike was threatened in Bombay. It should be noted that the millowners were able, by a judicial step taken betimes, to prevent any great discontent among the operatives by raising their wages and by giving other allowances. But the millowners were not altogether unaware of the ensuing strifes and labour awakening as seen from their Presidential addresses.\* "Strifes of a prolonged and determined character between capital and labour are certain to take place. Labour all over the Globe will assume a radically different complexion from the Nineteenth Century. Labour was then a slave but now," the President continues, "labour will assert itself to be free and to be master of its own time, diligence and production. There are already straws accumulating which unmistakably tell us which way the wind of the coming new industrialism is blowing. Unrest, it is needless to say, is growing rampant everywhere though the war has kept it under restraint." A few mills had opened up cheap grain shops, but they met with comparative failures in 1917 owing to want of proper organization and want of co-operation from the labourers who preferred to go to the Bania's grain shop, who was their money lender as well.

In spite of these steps, trouble began on 27th December 1918 with an unexpected strike at one mill. As the strikers were unable to obtain their demands by persuasion and coercion, they forced a general strike which led to a complete stoppage of all the mills by the 11th of January 1919. By the middle of the month the strike assumed more seriousness and there were cases of lawlessness and rioting. Consequently the military had to be called upon. The then Governor of Bombay interfered in the matter and a settlement was subsequently arrived at by which the mills announced on the 21st January that they were prepared to give them a 20 per cent increase in the war allowance in consideration of high prices of foodstuffs. They also declared a bonus of Rs. 10, 15 and Rs. 20 according to the number of months of attendance in the year, but at the same time, they refused to pay anything for the strike days. Towards the close of the same year on the 1st December 1919, the Committee of the Millowners' Association issued a notice to members sanctioning the

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\* Presidential Address, Millowners' Association's Report, 1917.

payment on 7th February 1920 of a further bonus of one month's wages to all operatives who would be on the muster roll.

The biggest of the strikes experienced by the textile industry occurred at the beginning of 1920. This strike affected every textile factory in Bombay and in duration, it involved the stoppage of work for full one month.\* It was at this stage that the necessity of arbitration and conciliation board was felt by the millowners as was declared by the President "I would be only too glad to see some efficient machinery established by which disputes could be settled without prolonged strikes or lockouts, and would be glad to see our workmen so far educated and disciplined as to behave in an orderly manner during such emergency." The fundamental defect with the then leaders was regarding the manner in which they chose to bring their grievances to the millowners' notice. The defects were as follows:

(1) They never formulated their demands first but believed in declaring a general strike straightway with an erroneous view to bring the capitalists to their knees.

(2) The claim was generally put later on, and once the capitalists agreed to it, it would be multiplied.

(3) Mushroom societies sprung up which came forward and claimed to do the fighting for the labour. These societies were conducted by men whose names were never heard of before, either by the millowners or by the workers. Moreover most of the labour leaders were political amateurs.

There was at this time an organized society called the Labour Settlement League in which Sir Narayan Chandavarkar was interested. He tried his best to bring the matter to a compromise; but due to obstinacy of the millowners, no negotiations could be made between the two parties. Ridiculing the activities of Sir Narayan, the then President curiously enough remarked "who but must laugh, if such a man there be, who would not weep Sir Narayan were he". The strike could be settled only through the intervention of His Excellency Sir George Lloyd. Infuriated at the situation created by the prolonged strike, the President stated that "The millowners were, at no time, averse to consider the question of higher wages, but they had to resent unbusiness like manner of going on strike first without making any representations and then the method of fighting and negotiating chosen by labour. What

\* Presidential Address, Millowners' Association's Report 1919-20.

I want most is that political amateurs should not rush in between labour and capital for gaining notoriety". As a result of the strike, the hours of work were reduced to ten even before the resolutions of the Washington Conference were passed. So the year 1920 is very remarkable for the labour unrest being at its peak, the causes of which are discussed later on.

### Bombay during 1918-1925:\*

To recapitulate in brief the effect of World War I on wages of Bombay and Ahmedabad; the first joint action was taken by the Bombay Millowners' Association in January 1918 when a dearness allowance of 15 per cent was granted to all workers in all Bombay mills, irrespective of the fact whether the operative worked on time or piece rates of wages. The next increase granted was on the 1st February 1920 when 20 per cent extra was given to male workers on the time and piece rates and 40 per cent extra to male operatives on piece rates, the total percentages amounting to 55 and 75 respectively. On the 1st November 1920, the 55 per cent was increased to 70 per cent, then 75 and then to 80 per cent. There had been no changes in those percentages since the year 1921, the percentage of dearness allowance being maintained as a separate item on the muster.

In July 1925, the Bombay Millowners' Association notified for a reduction of 11½ per cent owing to increased cost and decreased prices of manufactured goods. This was followed by a strike. At the end of November, the Viceroy suspended with effect from 1st November 1925, the Excise Duty, hence the original standard of wages in Bombay was agreed by the Association in the postwar period.†

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\* The Bombay Industrial Disputes Committee, 1922 distinguished six main characteristics of Indian strikes—*e.g.* "frequency of strikes without notice, the absence of clearly defined grievances before striking, the multiplicity and the extravagance of the claims put forward after the strikes had begun, the absence of any effective trade union organization (except at Ahmedabad) which could formulate the claims of the strikers and secure respect for any settlement made, the solidarity of the employers and employed, and the capacity of the operatives to remain on strike for considerable period despite the lack of any visible organisation." *Vide* Report of the Industrial Disputes Committee, Bombay 1922, p. 2.

† "Being jubilant over the labour conditions", the President said "wages have been increased by 85 per cent since 1914, free medical aid has been provided, some mills provide cheap grain and cloth shops and the operatives can have loans on easy terms from co-operative societies. A good number of holidays is given and in case of accident or death, the families are duly compensated." (Report 1919 Presidential address. The statement is to be taken with a grain of salt, of course.)

**Ahmedabad during 1918-1923:**

As far as Ahmedabad is concerned, prior to 1917, no concerted action was taken by the Ahmedabad Association with regard to the granting of percentage increases and each mill did as it pleased. The differences in the rates between mill and mill, though wide, were not very abnormal. From December 1917 to 1921, the Managing Committee of the Millowners' Association or the arbitrators and the umpires chosen from time to time awarded increments to different departments in different proportions.\* They obtained an increase of 25 per cent in their rates in 1917. The weavers were awarded an increase of 35 per cent in 1918, and the spinners were given an increase of 85 per cent in March 1919. In the beginning of the year 1920, the Association decided upon an increase of 62½ per cent in wages to workers in sizing, calendering and engineering departments. At about the same time, increase was given from 10 to 62½ per cent to the workers in the yarn bundling department and to some workers in the cloth department. In the same year, the hours of work for spinners were reduced following the example of Bombay, from 12 to 10 in consequence of a strike. A further increase of 40 per cent was granted to winders, warpers and drawers, and 25 per cent to bobbin carriers, lorrymen, oilmen, workers in the blowroom and cardroom, and other low-paid time workers. In 1921, the arbitrators recommended that Blowroom and Cardroom workers should be granted an increase of 25 per cent of the previous year. In the same year an increase of about 15 per cent was granted to spinners on account of the high level of house rents and the dearness of foodgrains. In June 1923, an allround reduction of 15.625 per cent was introduced due to downward trend of prices.

**Sholapur.**

The first increases paid as dearness allowance was paid in kind. In the Laxmi and the Vishnu mills of Sholapur, full time adult operatives were given in January 1918, a right to purchase 12 seers of grain per month for Rs. 1-10-9.† Children or half timers being allowed to purchase six seers. From February 1919 onward, full time workers were allowed to purchase 20 seers of grain at a flat rate of Rs. 2 giving them an advantage which varied

\* *Vide* report on an Enquiry into Wages & Hours of Labour in the Cotton Mill Industry, 1926 pp. 167-8.

† *Vide* Wage Enquiry Committee Report 1926, pp. 167-8.

between Rs. 1-5-8 and Rs. 4-15-1 per head per month according to the fluctuations of prices in the grain market. The first increase in the basic rates in the same mills were granted during the year 1918. The next increases in cash rates were granted early in the year 1920. The rates of coolies were increased by 15 per cent, for Blowroom openers by 30 per cent, and for Frame tenters by about 10 per cent. In the Reeling department, they got 11 per cent, doffers 15 per cent and tarawallas or followers 10 per cent. Among women workers, reelers got an increase of 12½ per cent and winders about 10 per cent. Front and Back sizers were granted 20 and about 11 per cent respectively. The rates of two loom weavers were so adjusted as to give them an increase of about 20 per cent. Workers in other departments were also granted proportionate increases but the highest was of 40 per cent given to drawers in Draw-in department. Both the increases in cash rates granted in 1918 and in 1920 were consolidated with the rates prevailing in 1914. The first dearness allowance given in cash calculated as a percentage on the basic rates was granted in March 1920. Time workers received 15 per cent and piece workers 30 per cent. In November the allowance for "fixed" workers was increased to 30 per cent and for piece workers to 35 per cent. There was no change since then.

The study hitherto made shows clearly that the year 1920 was the peak year of the labour unrest, when there was volcanic outburst of strikes in all parts of the world. It was the year when Russian labour overthrew capitalism and Bolshevism was proved to be a success. A study of the back-ground of unrest will therefore to very interesting.

### **Why unrest in the post-war years?**

It should be remembered that Britain and America were far more advanced in industrialization. Therefore even during the first war, class hatred and class consciousness formed an integral part of the British and American labour creed. This unrest did not sway the Indian workmen before World War I. Unlike the present day, it was generally the case that the labour leadership was provisional proposition undertaken by educated class in anticipation of some good job. It was feared as early as in 1920 that class consciousness which was being very slowly infused in Indian Labour would be exploited for political propaganda and allied causes. This consciousness would be followed by processions, rioting assaults, police

intervention, arrests, firing, convictions and executions making for anarchy in the country. The period after the first war may be characterised as the period of strikes as the first weapon of redress rather than the last, hence a number of lightning strikes were the order of the day.

The war had caused a serious dislocation in the machinery of production and distribution throughout the world and therefore prices began to rise. But the rigidity of the most important factor of production, namely wages, is too well marked to be mentioned here. The wages lagged behind the prices. The Indian labourer with his low standard of living had no margin above the barest necessities of life on which retrenchment could be made. It may positively be stated that the operative was terribly worse off after the war in spite of all the allowances granted to him during and after the war. Also on account of long hours and insanitary dwellings he lost the chastening influence of home life. A morbidness was a natural consequence which disturbed the industrial relations to a considerable extent. After the first war and before and during the second, he no longer looked upon his masters as heaven born rulers and himself as a far more inferior creature. Being transfused by the authors of Western ideologies—particularly Russian—he began to develop class hatred from the “inferiority complex.” Now no longer, could he tolerate abuses, insults or physical punishments from his superiors. Increasing education and town life made them take up the common cause and develop a sense of justice. Political movements made great strides in the post war period which contributed no less for the labour awakening.

This shows that the war let loose all the forces of unrest. The static conditions of Indian labour gave way to dynamic forces infusing in the labourers the virtues and the vices of town life.

### **The growth of trade unionism—before and after World War I:**

Mr. N. M. Lokhanday was the first man to organize a conference of the Bombay labourers and draw up a memorial signed by 5500 workers setting forth their grievances for presentation to the Bombay Factory Labour Commission of 1884. Another petition for a reform in the factory conditions of Bombay was made in 1889 when Sunday was demanded as a holiday. In a mass meeting held in April 1890 which more than 10000 workers attended, two women addressed the meeting. The Millowners had to concede

their demand of a weekly day of rest. The first labour organization came into existence shortly after 1890 under the leadership of Messrs. Bengalee and Lokhande and the Labour Journal *Deenbandhu* or the "friend of the people" was started. It should be noted that there were many limitations of this organization, the defects being that it had "no roll of membership, no funds and no rules, Mr. Lokhande acting as a voluntary adviser to any mill hand who might go to him."\*

In the year 1910, the Bombay workers united themselves into an Association known as "Kamgar Hitwardhak Sabha" or Workers' Welfare Society under the leadership of Messrs. Nare Bole and Tarcherkar, which supported the reduction of working hours to 12 per day and urged the claims of workers for industrial compensation and education. Already in 1918, trade unions were organized in Madras under the leadership of Mr. B. P. Wadia. As far as Bombay is concerned, a number of labour organizations sprung up during and after the war. Their sole function was to conduct the strikes.† They were little more than strike committees consisting of a few officers and perhaps a few paying members. During and after the war period, Mr. N. M. Joshi's name figured often as the representative of labour. He represented Indian labour at the Washington Conference of 1919.§ This nominated representative of labour declared in the Assembly in 1921 that there were between fifty and one hundred unions with a membership of several hundred thousands, though the exact reliable figures were not available.

The movement experienced a slight setback in the year 1923 owing to the diminution in the number of strikes due to improved economic condition of the workers. At this time a strong organization of labour was established in Ahmedabad. The economic causes of labour unions began to subside which tended to weaken the movement. But the movement received stimulus after the Trade Unions Act of 1926 which contained protective clauses with a view to allow development of genuine associations. It was in the year 1926 that the Bom-

\* Report on the working of the Factory Act in Bombay for the year 1892, p. 15.

† Dr. P. S. Loknathan "Indian Journal of Economics" Conference Number 1940; article Industrial Disputes and Legislations."

§ *Vide* Conventions of the Washington Conference : General Principles Article 427 given below.

bay Textile Labour Union was formed. Trade Unionism on All India scale dated back as early as in 1920\* when regular sessions of the All India Trade Union Congress began to be held. By the year 1929, the Congress was captured by the Left Wing and the Moderates formed a separate association. Thus a split came up in spite of the advice of its President Sjt. Lala Lajpat Roy. When the Moderates seceded, the Congress became political minded with Communistic flavour. It brought forth later on a rival body called "The National Trade Union Federation." The latter body became the largest and the most representative union. The unification of the trade union movement was however effected in the year 1938, and in 1940 the Trade Union Federation was absorbed into Trade Union Congress when complete unity was achieved. At this time, it had on its roll 191 unions with 3,54,541 members affiliated to it.

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\* The President of the first Trade Union Congress stated : "Labour Organizations should not directly side with any particular party. The labour movement in this country being in its infancy, it may not prove beneficial to it to lose sympathy of any political party." Dr. Veera Anstey "Industrial Development of India", pp. 320-24.

Article 427, Washington Conference. First meeting of Annual Labour Conference 1919, laid down General Principles. "The guiding principles to be adopted are that labour should not be regarded merely as a commodity or article of Commerce. 2. That both employed and the employers have right of Association. 3. The payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country. 4. The adoption of an eight hour day or 48 hours week, as the standard to be aimed at, where it has not already been attained. 5. The adoption of a weekly rest of at least 24 hours which should include Sunday wherever possible. 6. The abolition of child labour and imposition of such limitations on the labour of young persons as shall permit the continuation of their education and assure their proper physical development. 7. The principle that men and women should receive equal remuneration for work of equal value. 8. The standard set by law in each country with respect to the conditions of labour should have due regard to the equitable economic treatment of all workers lawfully resident therein. 9. Inspectorates should be provided.

Following the recommendations of the Labour Commission some provisions of Washington Conventions were brought into force from 1st January 1935. By an Act a third group of adolescent between 15-17 years of age was created. The hours of work (maximum) were reduced to 10 hours per day. The principle of spreadover was introduced i.e. the period of the number of consecutive hours of work was limited to 13 in the case of adults and 7 in the case of children. The then provisions regarding control of artificial humidification were expanded. Certain provisions for shelters for rest in factories, rooms reserved for the use of children of female workers, First Aid appliances etc. were made. Certificates for fitness for children to work were to be issued by Local Governments. Inspectors were authorised to require Managers to remedy defects and faults in Factory, and limits regarding overtime and provisions for its payment were introduced.

### **Labour Legislations**

Beginning of labour legislations in India was made by the first Factory Act of 1881 which followed the recommendations of Factory Commission appointed by the Government at the instance of Manchester interests who were very jealous of the then progressing cotton textile industry. The provisions of the Act prohibited the employment of children below 7 years and between 7-12, the hours prescribed were 9 hours a day (maximum). The Act applied to factories employing 100 or more persons and using power. It also made provision for appointment of Inspectors by the Local Government.

Another Factory Act was passed in 1891. It raised the lower and upper limits of age of children to 9 and 14 respectively. This Act applied to factories employing 50 or more persons. The hours of work were reduced to 7 between 5 a.m. and 8 p.m. within which they must be complete. Employment of weaver in night time was prohibited and he could work for 11 hours only. They were also entitled to one and a half hour's rest. By the Factory Act of 1911, the hours of work for children were reduced to 6 per day. The hours of work for adult males being restricted to 12 hours per day in the cotton textile industry. Employment of women by night was prohibited, more extensive provisions for safety of health and safety of operatives were introduced.

During the year 1919, the hours of work were voluntarily reduced by the employers to 10 per day. Ahmedabad followed suit in 1930. After the war, following the recommendations of the Washington Conference of 1919, a new Factory Act was passed in 1922. By this all power-using factories employing 20 persons or more became subject to factory legislation—with an option with the local Governments to apply it to factories employing 10 or more persons. The lower and upper limit for children was raised to 12 and 15 respectively, and hours of work for them were reduced to 6 only. Night work for both women and children was prohibited (5 a.m. and 7 p.m., after that they could not work). The hours of work were reduced to 11 in a day and 60 in a week. More extensive provisions regarding safety and health were made with elaborate provisions for Inspectors. Local Governments were authorised to fix standards of ventilation and artificial humidification. Workmen's Compensation Act of 1923, Trade Disputes Act passed in 1929, the Bombay Trade Disputes Act of 1934, and the Bombay Industrial Disputes Act of 1938 are among important measures undertaken affecting labour

problems. The Bombay Industrial Disputes Act provided that either party must refer to the arbitration and conciliation machinery before going on strike. By an Ordinance during the second War period, a 14 days' notice by either party was necessary before going on strike.

### **Welfare Activities during World War I.**

Welfare activities, as far as India is concerned, include all general activities aimed at ameliorating labour conditions in general as distinguished from foreign countries. A number of Indian millowners instituted at that time and after, in consultations with the Government as discussed above, housing schemes. During the war period, cheap grain shops and co-operative societies were started by the millowners for helping labour during the period of higher prices. They also established later on, a few schools for half-timers and provided medical aid. "The Buckingham and Carnatic Mills, Madras (employing some 10000 workers) set an example as to what might be accomplished by means of welfare work. They maintained educational facilities, Workmen's Institutes, Library, Playground, Creches, and Kitchen". From 1919 onward, the Bombay Social Service League had undertaken the activities of welfare work with the support of the Mill Agents. This league had its branches at Bombay, Calcutta, Madras, Delhi, Ceylon, Mombasa, under the auspices of the Servants of India Society. It was established by late Mr. G. K. Gokhale to train national missionaries for the service of India and to promote by constitutional means the true interests of the Indian people. "It has even now its headquarters at Poona. The following functions were usually undertaken by the League:

- (i) The promotion of education by opening night schools, libraries and magic lantern lectures;
- (ii) Scouts' Corps and clubs ;
- (iii) The promotion of public health in urban and rural areas;
- (iv) Amelioration of working women's conditions;
- (v) Prison preaching;
- (vi) Demanding compensation for accidents to workmen;
- (vii) Recreation and sports for the working classes;
- (viii) Social work at Parel and Madanpura;
- (ix) Propaganda through the Social Service Quarterly.

Barring the activities of this Society, there was particularly an absence of welfare activities throughout India.

One should not conclude from the above description that welfare activities were in any way considerable as would ameliorate their conditions. In fact their condition was absolutely wretched, as discussed in the beginning of the chapter. Societies like this though qualitatively they could do some welfare activities, quantitatively they were insignificant. Since 1922, they began to hold an All India Industrial Welfare Conference.

It will be our endeavour now to study the Labour conditions during World War II and the various problems created by it e.g. the question of dearness allowances, bonuses, etc.

## **World War II.**

As compared with World War I, scarcity of labour was more acutely felt during World War II due to the working of the double or treble shifts by practically all textile mills specially after 1942. The Table given in the appendix shows the number of mills working double shifts in Ahmedabad with number of operatives. It should be noted that same was the case with Bombay.

These figures show that the maximum number of workers employed in night shifts in Ahmedabad centre were 577,046 in the year 1944, while the maximum number of mills run on night shifts in the months of April and May 1943 were 67. While these figures in 1939 were 310,148. The numbers employed monthly averaged 25,846 as against 48,088 in 1944. This is enough to show that due to tremendous demand for labour, severe scarcity was felt throughout the war period. The causes of the scarcity of labour may be stated as follows:—

- (i) Greater demand from military quarters for labour for digging, for construction of aerodromes and for aviation.
- (ii) Owing to increased industrial tempo, demand for labour from all industries which were directly or indirectly contributing to war purposes, particularly munition, iron, steel, and ship-building, increased.
- (iii) Indian labour, particularly in Bombay and to a certain extent in Ahmedabad, is recruited from adjoining agricultural areas in years when agriculture is not paying owing to decreased price levels; but due to the war, prices of agricultural

commodities rose by four to five times as compared to the pre-war level. Hence those labourers who went provisionally stayed there. As against this, at this very time demand for labour from all quarters sprung up.

The absence of industrial population is the fundamental cause of the whole trouble, as was felt in World War I. Industrialists have done rarely anything that could attract labour to establish their homes in the city though they have never failed to complain that "scarcity of labour is felt severely by the industry throughout the war period;" and particularly after 1942 when double and treble shifts were run by a number of mills, as seen in the above mentioned statement.\*

It is to be regretted that in spite of their experience of World War I and after, neither the Government, nor the millowners have done much worth mentioning to improve the conditions of labour. The condition of the present housing in Bombay, discussed later on, amply proves the statement that unless the workers are pulled by a number of attractions rather than pushed and compelled to work in the city due to one or other cause; they will never like to stay with their families in such insanitary, dirty and suffocating chawls. The situation is amply illustrated by the fact that the number of women per 1000 men in 1931 was 489 in Calcutta, 554 in Bombay, 696 in Cawnpore and 853 in Ahmedabad.†

### **Inefficiency of Indian Labour:**

It has been bitterly complained by the millowners in a number of personal interviews that in spite of exorbitant dearness allowances paid, the labourers have been careless to their work and their efficiency has deteriorated. The reason why this has happened, according to them, is that the increased earnings of the labourers are largely spent in vices of all description.

### **Housing conditions during World War II:**

Housing conditions of Indian labourers particularly at Bombay have been discussed in the previous pages. The problem has become still more serious during the second war owing to rapid industrialization of the country coupled with increased congestion and overcrowding in the big

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\* Personal interviews with the prominent millowners of Ahmedabad and with one of Bombay.

† "Industrial Labour in India" pp. 308-9 I.L.O.

cities. In spite of a lapse of a quarter century and in spite of so much talk about problem of inefficiency of Indian labour and its solutions suggested by a number of Commissions right from 1918-1939, rarely any well thought of plan of housing them has been executed. Even at present it is mentioned in some quarters that it is no business of the employers to house their operatives. This is indeed a short-sighted view.

It should be noted that the housing problem of the Indian labour is not created by the war. It has existed right from the commencement and development of the industry; but the wars have merely intensified it and made it more urgent. Overcrowding consequent to the demand of labour will be clear from the fact that in September 1939, the population of Bombay was 14,00,000 which has grown to the figure of 24,00,000 in 1944-45. This is at a time when there is not a single addition of room or a house in the working class area during the six years of the war.\* As against 8,00,000 living in one room tenement in 1939, and even then they were overcrowded, today they hold about 12,00,000 persons and about 2,00,000 persons consist of "foot-path" population in the city of Bombay, the Gateway of India. In an enquiry in a number of cases, three 'Chulas' in three corners of a room were maintained. The room accommodated three husbands, three wives and their seven children. Privacy in such a room is an impossibility. What about their discomfort, consequent morbidness, misery and sickness? How can our employers, industrialists and this Government can expect such labourers to be efficient? A study of their housing condition speaks volumes for the causes of inefficiency of Indian labour. Out of this increase in population in Bombay, as far as the cotton textile industry is concerned the number of the workers increased by 90,000.† This increase has contributed to already existing congestion and to 80 slums of the city. The serious problem of insufficient water supply is required to be faced by the workers owing to the system of quota of water supply introduced in many parts of the city of Bombay. The number of buildings in the city of Bombay

\* 1931 Census stated "at least 36 per cent of the population of this city suffered from overcrowding. Of all tenements 81 per cent are of one room, 256,379 persons live in rooms occupied by 8 to 9 each, 80,173 in rooms of 19 persons each and 5094 in rooms occupied by 20 or more persons in each room." This was in the years of depression, while in boom times, it is pitiable.

† Figures taken from "Housing Indian Labour," by Mr. Kanji Dwarkadas, p. 8.

is 55000 wherein the population of 24 lakhs reside. The chawls are consequently built close together and even back to back to make full use of available space. This blocks both air and light. The approach to many chawls is provided by narrow winding lanes from which emanates the most unhealthy and intolerable smell. There are not sufficient latrines and the flush system is generally out of order.\* "The worst offenders for these most insanitary and unhealthy tenements are the private landlords who have no consideration or sympathy or humanity to give the slightest thought for the comforts of their unfortunate tenants."† In most of these chawls electric lighting is not provided and the old style smelly and unhealthy sweet oil or kerosene lamp is used by the working classes. Kerosene in most cases was not available during the war period excepting in black market at a very high price due to cessation of imports from Burma and other places. Practically all labourers of Bombay and Ahmedabad were compelled to use dimmy sweet oil lamps. The price of sweet oil which they were required to pay was 100 per cent higher than what they paid in the prewar days. Apart from this there are a number of rooms both in Bombay and at Ahmedabad where it is pitch dark even in the broad day light. Owing to this reason, the child mortality is as high as 250 per 1000 children born (during first year of their existence). Infant mortality in relation to the number of rooms occupied is clear from the following table. The figures of 1926-27 are given below :

No. of Rooms.	Births		Deaths of Infants		Mortality Per 1000	
	No.	P.C.	No.	P.C.	Births Registered	
1 Room & under	11615	53.6	5688	83.0	1927	1926
2 Rooms	1736	8.0	352	5.1	490	577
3 Rooms	392	1.8	87	1.8	203	254
4 Rooms or more	174	0.8	34	0.5	222	295
Hospitals	7764	35.6	680	9.9	195	163
Homeless & not recorded	4	..	16	0.2	88	107
<b>Total</b>	<b>21685</b>	<b>100</b>	<b>6857</b>	<b>100</b>	<b>816</b>	<b>889</b>

### Suggestions for Improvement:

The employers should recognise their own responsibility to house their own labourers. They must have a far

\* "No light, no ventilation, and no fresh air but plenty of smoke from Chulas and plenty of smell from latrines and rubbish heap collected for months and months together." Kanji Dwarkadas, "Housing Indian Labour."

† *vide* the same Brochure.

sighted view of the whole problem. The Government is more responsible for whatever conditions exist at present. The employers cannot shirk off their responsibility by stating that it is no business of employers to house their operatives. No doubt, the State has greater responsibility, but in a country where popular Government has begun only recently, the responsibility falls also on the employers. The question of finance faces both the Government and the employers when the schemes of better houses are suggested, but there is no financial problem when they finance the gigantic wars! I see no reason why they should fail to finance a scheme for housing of labour which will improve the efficiency of labour, which will contribute to bettering the efficiency of the Indian industries, which will, in their turn, contribute more and more in the coffers of the Government (by way of taxes etc.)\* Lord Wavell, criticising the excuse of expenses said "... nothing is so expensive and ruinous to a nation as disease, dirt and misery which can be avoided".

**To achieve the aim of better houses:**

(1) new houses should be built on the open spaces of the city whether in Ahmedabad or in Bombay;

(2) existing old houses should be demolished completely, and altogether new dwellings of two rooms plus a kitchen should be provided. It is the minimum necessity for a family to live in;

(3) the slums should be demolished and buildings of not exceeding one storey should be built on them following a proper Town planning scheme prepared by a Committee consisting of expert engineers, employers, workers, Government and municipal representatives. Co-operation of public workers should be obtained for clearance of slums. The present labour leaders may well be advised to institute a programme of slum clearance and real activities relating to upliftment of labour rather than indulge in narrow power politics.

**Steps taken:**

Tripartite Labour Conference appointed in 1944-45 the Standing Labour Committee to deal with the problem. The committee has done nothing else so far, except appointing a sub-committee which consists of two representatives of Central Government, two of provinces, two of Indian States, and three representatives each of employers

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\* *Vide Industrial Problems of India*, by P. C. Jain, p. 264, (1945).

and employees including those of municipalities and municipal workers. The Committee does not contain in its fold expert engineers. In a nut-shell, it may be stated that wherever better houses have been provided by the employers as in the cases of Nagpur, Madras, Cawnpore, Jamshedpur and Ahmedabad, absenteeism has decreased, and their return to the villages are only on rare occasions.

Good houses mean the possibility of home life, happiness and health; bad houses spell squalor, drink, disease, morality, crime, and in the end, demand hospitals, prisons, asylums, in which we seek to hide away the human derelicts that are largely the results of society's own neglect.\*

#### **Wages—Pre-war days:**

A move for introducing legal minimum wage and increasing the existing level of wages was made by the Congress Ministry in Bombay by appointing the Bombay Textile Labour Inquiry Committee in 1937 which submitted its report in 1940 when the Congress had resigned. The Ministry stated in their memorandum of August 1937 that "they were examining the possibility of devising measures for setting up minimum wage fixing machinery to meet special requirements; their objective being the satisfaction of 'at least the minimum human needs' of the industrial worker."† Accordingly the committee was asked, among other matters, to make recommendations regarding the establishment of a minimum wage and the methods of automatic adjustment of wages in future. Before any step could be taken, the internal and external political situation worsened as the world struggle had already begun.

#### **Effects of the War on wages:**

Unlike World War I, the labour during the second war was awakened, its leaders had considerable experience over a number of years and a few were intellectual stalwarts. Consequently, as soon as the index number of prices began to go up and the cost of living began to increase, demands for dearness allowances were made by all the strong labour organizations. This will be seen from the fact that after the preliminary procedure before going on strike resulted into a failure, strike was declared on 26th December 1940 by the Ahmedabad Textile Labour Association, but it was averted by their agreement to refer the

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\* Indian Economics by Prof. Jather & Beri, Vol. 2 p. 96, Edi. 1941.

† *Ibid.*, p. 105.

matter to the arbitration of the Industrial Court which was instituted under the Bombay Industrial Disputes Act of 1938. In Bombay, the Girni Kamgar Union called a strike which failed, as the Millowners' Association who had accepted the recommendations of the Board of Conciliation in favour of the grant of a dearness allowance at a flat rate of two annas per day, carried on a successful counter propaganda. Later on, the Millowners' Association fixed the dearness allowance payable for a few variations upto the cost of living index number of 248 as approved upto December 1943.

The approximate amount of dearness allowance paid to the operatives of Ahmedabad amounted to Rs. 2107, up to July 1945 per operative\* and Rs. 22.5 to 23 crores during the war period upto December 1944. While only Rs. 1168 per operative were paid in Bombay upto April 1945. The effect of the war on the earnings of the labourers of Ahmedabad is very well judged from the following statement and that of Dearness Allowances given in the Appendix.

#### Wages in Principal Occupations in 1939

Occupations.	Monthly wages for 26 working days.				Rs. a. p.		
Drawing Tenters	..	..	..	..	30	5	4
Slubbing Tenters	..	..	..	..	33	10	2
Inter Tenters	..	..	..	..	32	14	0
Roving Tenters	..	..	..	..	29	8	7
Siders (single side)	..	..	..	..	28	11	9
Siders (double sides)	..	..	..	..	38	12	10
Doffers (Ring & Frame)	..	..	..	..	20	3	2
Grey Winders	..	..	..	..	16	5	10
Colour Winders	..	..	..	..	19	10	6
Reelers	..	..	..	..	16	2	9
Weavers (two looms)	..	..	..	..	43	12	2

The effect of the war is not on the wage level as such but it has been through dearness allowance paid to them by linking it to the cost of living index numbers which are prepared by the Bombay Labour Office. In case of Ahmedabad, 96 per cent of the rise in index number is paid by way of dearness allowance (before October 1945), while in case of Bombay it is 75 per cent to 76 per cent, and in the case of Sholapur, still lesser percentages. In case of India States very insignificant amount is paid by way of dearness allowance.

\* Acknowledgment: Mr. Natwarlal Desai, the Editor, Commercial News, Ahmedabad.

Comparative figures of dearness allowances paid to operatives of the Cotton Textile mills in Ahmedabad and Bombay are given in the appendix.

A reference to the statement relating to Ahmedabad shows that the dearness allowance increased from Rs. 8-11-0 in December 1941 to 71-0-9 in December 1943, the maximum amount of dearness allowance paid during the war period. The allowance, it should be noted, was paid at a flat rate to all the employees irrespective of their grade or scale of wages. The earnings of the labourers of Ahmedabad were also augmented by bonus paid to them from 1941 to 1944 as shown below:

Year	Bonus Equivalent to	Approximate Average Amount Rs.
1941	.. Wages for 1½ months	.. 52 8 0
1942	.. Wages for 2½ months ....	.. 87 8 0
1943	.. 20 per cent of Annual earnings ..	84 0 0
1944	.. 20 per cent of annual earnings (According to the Award of the Industrial Court dated 11th Octo- ber 1945) .. .. .	....

As against this, comparing the statement of the dearness allowance, paid to the Bombay operatives, it will be observed that from January 1940 to July 1945, the approximate amount paid to each worker was Rs. 1,168, the maximum being Rs. 33-14-0 in the months of September and October 1943.

Thus comparing both tables of Ahmedabad and Bombay, the strength of the Ahmedabad Textile Labour Association is well evidenced, while weakness of labour organizations is considered to be the main cause of lesser amount of dearness allowance received by the labour at Bombay. This question of fabulous amount of dearness allowance received by textile labourers raises certain very important problems.

In ordinary circumstances, wages, standard of living, and efficiency are intimately related to one another both as cause and effect. In spite of that low wages also imply low labour cost which is often possible in certain trades employing low grade manual labour. The employers in that case may remain unconcerned about the workers' efficiency. Equally it is conceivable that an increase of wages may have little effect in improving the standard of living of the workers and their efficiency. But over a long period

of time, the security of a reasonable standard of earnings for the worker is an essential requisite of industrial efficiency. So increase in wages as such, and that also for a certain period, does not in fact result into increase in efficiency. But sometimes reverse is the case. The increased dearness allowances have created the problem of decreased efficiency of labour. Though it cannot be proved with definite evidence as comparative figures of efficiency of Indian labour before and during the war are not available; but in personal interviews with some prominent mill-owners, I was able to observe that their usual complaint was that owing to increased earnings, the worker has become more careless in his work and his efficiency has actually decreased. It was also complained by the mill-owners of Ahmedabad that such a vast difference in the dearness allowances paid to Ahmedabad workers and to Bombay workers tells heavily upon the competitive ability of Ahmedabad mills and the natural consequence of such a high labour cost and heavy taxation of the industry is that there is a definite shift marked in the location of the industry—towards the Indian States.

Secondly, with the increased earnings, they have increased their standard of expenses rather than that of living. Money received by them is spent in visiting cinema shows with first class and box tickets, in wine and other vices. \*No doubt, recreation is necessary but extravagance by the persons who have earned money with hard labour is intolerable. It is also feared that in the later post war period, when dearness allowance and bonus are stopped, the labourers will not be in a position to maintain such a high standard of expenditure. Vicious habits are likely to endanger industrial relations in future. Their indebtedness is surely reduced but it cannot be said to have been wiped off, the exact comparative figures being not available.

†This does not mean that dearness allowance to such an extent should not have been given, as some of the local millowners opined. Their argument that increase in labourers' earnings is dissipated in drink or leads to greater

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\* Personal observations—Press Reports.

† One millowner openly stating the strictly profit motive with which he was running his mills said the labourers could give efficient work only if they are paid something less than what is required by them. Giving an illustration, he stated that if a man requires Rs. 30 per month and he is paid Rs. 29 per month, then and then he will work hard to get a rupee more. Well this is a typical capitalist's view which exhibits the greatest danger of modern industrialism which is criticised to have been built upon the corpse of humanity.

idleness on the part of the labourers instead of raising their standard of living and that consequently there is no improvement in their efficiency—can be disposed of in the words of Prof. A. C. Pigou:

“It is true that at any given moment the taste and temperament of persons who have long been poor are more or less adjusted to their environments and that a sudden and sharp rise of income is likely to be followed by a good deal of foolish expenditure which involves little or no addition to economic welfare. If, however, the higher income is maintained for any length of time, this phase will pass, whereas if the increase is gradual, the period of foolishness need not occur at all. In any case to contend that the rise of income among them would not promote economic welfare in any degree, is to press paradox beyond the point upto which discussion can reasonably be called upon to follow.\*”

A proper planning by employers and labour associations was necessary so as to direct best use of their increases by mobilising them into a fund which might be utilized for introducing a number of labour welfare activities and for providing against hard days. Some extra contribution by the employers and the Government would have created a huge fund for introducing unemployment and social insurance schemes, and at the same time it would have served as an anti-inflationary measure. Thus, it would have been possible to control dissipation of their earnings which would have been utilised for their physical and social benefits. An attempt was made to create a fund of this type by the Ahmedabad Millowners' Association in 1941. It could not materialise owing to lack of co-operation from the Labour Association of Ahmedabad. On enquiry, it was found that the millowners demanded control on the management of the fund which the Labour Association was not prepared to give owing to obvious distrust of the capitalists. A type of counter game was played when the Textile Labour Association laid down a scheme for opening a co-operative bank for the labourers as late as in 1944. It could not materialise at all. It is really difficult to understand as to why Labour Association which is considered as the best in India and which champions the cause of labour, failed to co-operate with the employers. Co-operation of both the parties is necessary in such schemes as the savings will have to be mobi-

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\* “Economics of Welfare” by A. C. Pigou, p. 58.

lised from the very sources of earnings. The Labour Association, therefore, cannot ask the Millowners to have their hands off the matter altogether. It has been complained more than once by the President of the Millowners' Association of Ahmedabad that voluntary steps of labour upliftment taken by them are looked with distrust and prejudice by the Labour Association. We are not here to have a post mortem examination of the charges, but there are all possibilities of their being, if not wholly, at least partially true. If it is so, the Labour Association should always co-operate with all the activities which are genuinely intended to better the interests of the labourers. This type of co-operation will add to the fair name of the Association.

### Labour Disputes and Strikes:

The year 1942 witnessed a number of general strikes due to economic or political discontent among the operatives. The general strikes reached to an unprecedented figure of 694 in 1942. It will be clear from the table given below that the strike in 1942 involved 773 thousand workers with a loss of 5.7 million working days.

### Industrial Disputes:

Year	No.	Men involved.	Working days lost.
1938	.. 390	4,01,000	91,99,000
1939	.. 406	4,09,000	49,93,000
1940	.. 322	4,53,000	75,77,000
1941	.. 359	2,91,000	33,31,000
1942	694	7,73,000	57,80,000*

Most of the 694 strikes in 1942 were in the cotton textile industry and the engineering industry. The causes were more of a political rather than of economic nature.

As far as the cotton textile industry is concerned, in Bombay, the Girni Kamgar Union called a strike in March 1940 which failed as the Millowners' Association who had accepted the recommendation of the Conciliation Board in favour of the grant of two annas per day carried on a successful counter propaganda. Still however, early in November 1941, about ten mills (which were the members of the Association) were served with a notice by their operatives asking for (a) a bonus, (b) an increase in dearness allowance, and (c) an increase in basic wages.† The matter was examined by the Committee of the Millowners'

\* Review of Trade of India 1942-3, p. 24.

† Bombay Millowners' Association's Report 1941, pp. 41-43.

Association, who decided to make the following recommendations to the General Body of Members. (1) That (a) war bonus equivalent to two annas in the rupee on their total earnings in the period from 1st January 1941 to 31st December 1941 be granted to all cotton mill workers, (b) That bonus should be calculated on earnings exclusive of dearness allowance, (c) The women on maternity leave shall have the advantage of inclusion of maternity allowances to the wages for calculating their bonus.

(2) It was to be paid on 21st February 1942, and

(3) Proper notices declaring it were to be put on the mill premises. Later on, the Millowners' Association fixed the dearness allowances payable for a few variations upto 248 (Index Number) as approved upto December 1943. In spite of all these steps, a series of strikes occurred in the year 1942 as is stated by the Vice-President of the Bombay Millowners' Association.

\*"In Bombay city alone, there were 27 strikes in 1942 resulting in a loss of 224,000 man-working days, as against 15 strikes and 1,63,000 man-working days in the preceding year. Almost all the strikes in 1942 were in contravention of the Bombay Industrial Disputes Act. In addition, there were stoppages aggregating to about 9,25,000 man-working days for political and other reasons, thus bringing the total loss of production in man-working days to 11,49,000 in 1942." These many strikes were there in spite of the operation of the Bombay Industrial Disputes Act and the Ordinance under Rule 81A of the Defence of India Rules, discussed later on. Excepting the long general strike of about three months and more, there were no strikes in Ahmedabad excepting preparations for strike which were averted due to timely co-operation of the millowners and satisfactory decisions of the Industrial Court. "Whatever disputes arose in connection with dearness allowances and bonus were settled through arbitration and conciliation machinery. Settlement of such dispute was arrived at in September 1945, in which case the Labour Association got only a partial success as dearness allowance was reduced by 20 per cent. According to the original Award Rs. 5 per 11 index numbers were given; while according to new award, in the middle of 1945, it was reduced to Rs. 4 per 11 index numbers.†

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\* *Vide* Presidential Address, Report, Bombay Millowners' Association, Year 1942. Sir V. N. Chandavarkar is quoted above.

† Acknowledgement—the Textile Labour Association, Ahmedabad.

The Association, however, got success in the bonus case wherein 20 per cent of the annual earnings of the year 1944 were to be awarded as bonus according to the award dated 11th October 1945.

### **Bombay Industrial Disputes Act 1938:**

A reference to this has been made in the above paragraphs. It was made use of many times during the war period, hence a study in brief will be necessary as far as the provisions regarding disputes are concerned. By this Act, a permanent Industrial Court was established. The Labour Commissioner, according to the Act, is the ex-officio Chief Conciliator. The acceptance of award from the conciliation or the arbitration machinery is not compulsory. But all the disputes have to be submitted for peaceful settlement before lockouts and strikes can be declared. The trade unions have been divided into Representative, Registered and Qualified with special privileges with the former. Payment of a small monthly subscription is made compulsory for membership.

The following steps should be taken before a strike or a lockout can be declared. A notice has to be given first. Negotiations regarding the proposed change will then take place, and if an agreement is arrived at, it will be registered. If no settlement is arrived at, the contending party has to submit the statement of its case to special officials. An industrial dispute is then recorded in a register. Then the conciliation machinery has to be made use of. The Chief Conciliator, thereafter, submits a full report to the Government. In the case of failure, as a final step, the Government can refer the whole case to the Board of Conciliation.

The labour leaders opposed the measure as it was considered to be against the best interests of labour. But the measures have served a good deal to remove misunderstanding and thus to improve industrial relations, particularly in case of Ahmedabad.

The most important war time measure that affected the labourers was issue of an Ordinance by the Government. On January 21st 1942, the Ordinance was promulgated which provided that if, in the opinion of the Central Government, it is necessary for securing the defence of British India, public safety, maintenance of public order or the efficient prosecution of war, or for maintaining supplies and services essential to the life of the community, the Central Government may, by a general or special order, prohibit strikes or lockouts in connection with any trade dispute

and may refer any trade dispute for conciliation or adjudication and may enforce the decision of the adjudicating authority.\*

This order created a considerable hue and cry as the instruments of strikes and lockouts were practically usurped by the Government, more or less on the lines of Bombay Industrial Disputes Act. The Department of Labour passed an order dated August 21, 1942, which made 14 days' notice essential before going on strike or declaring a lockout. When dispute has been referred to a Court of Enquiry or a Board of Conciliation, under the Trade Disputes Act of 1929, or under Rule 81A of the Defence of India Rules, no person shall remain on strike and no employer shall declare a lockout during the period from the making of the reference until the expiry of two months after the conclusion of the proceedings upon such reference.

It will be seen that this was the first All India step that provided scientific solution of disputes.

#### **Bombay Industrial Relations Act, 1946:**

The Congress Ministry rushed through the measure in 1946 with a view to minimise industrial disputes.

According to the Act provisions are made

- (i) For approval of unions. The qualifying period is reduced from six to three months and minimum membership is reduced from twenty-five to fifteen per cent;
- (ii) For auditing of the accounts of the Unions.
- (iii) For labour-courts.
- (iv) According to the Act maximum duration of conciliation proceedings has been very much curtailed.
- (v) Provision is made for setting up joint committee of representatives of employers and employees on various occupations and undertakings in an industry with a view to establish direct touch between employers and employees.
- (vi) Government discretion for references of disputes to the industrial court is considerably widened by the act.
- (vii) The Act reduces penalties for an illegal strike.
- (viii) The Government can set up a court of enquiry when it is considered desirable.

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\* *Vide Industrial Problems of India* by P. C. Jain, p. 257.  
Article by Dr. Boolchand "Industrial Disputes."

- (xi) The maintenance of a record of conditions, wages and convention regarding labour in each undertaking will be compulsory.
- (x) The Act expands power and duties of labour officer.
- (xi) It introduces minor changes in a number of clauses to surmount legal flaws.

It should be noted that the measures were severely criticised by the press and the public on the ground that they were gone through very hurriedly. The labour unions and millowners opposed the measures on different grounds.

A strike-wave in fact swayed the Presidency affecting production of cloth.

### **Labour Welfare Activities during the War:**

The labour welfare activities are undertaken by (a) Labour Associations and Public, (b) Government Labour Office (c) and Employers.

The Ahmedabad Textile Labour Association is the first in the field of all the possible welfare activities. They are as follows: About four "Vikas Mandirs" or social centres are opened in workers' localities. They are being availed of by an increasing number of workers. These centres, it is interesting to note, are also utilised as important nerve centres of the labour movement in the city.\* About ten Physical Culture centres are run by the Association in various labour areas and about 290 persons attended them. It is a matter of regret that out of the labour population of about a lakh, only 290 took the advantage. It was in the year 1939 that adult education among the labourers began to spread owing to support given by the Congress Ministry. About 57 classes were conducted by the Association for males and 21 for females, but only a few took advantage. Later on the adult education scheme received a set back after the resignation of the Congress Ministry. A medical Hospital is run where both indoor and outdoor patients are treated. The labourers also took part in the civic activities of the city and sent their representatives in the local Municipality and to the Provincial Legislative Assembly. The Association has got its weekly and monthly organs, *Majur Sandesh* and *Sarvodaya*.

A reference to the social activities of the Association given in detail at the end, together with the above description will give one to understand that qualitatively as a model the activities are excellent.

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\* The Annual Reports of the Textile Labour Association, Ahmedabad 1939-42.

The Government Welfare Department at Ahmedabad and Bombay also run welfare centres. They have spacious buildings, playgrounds, facilities for indoor and outdoor games, exercise, magic lantern shows and libraries.

Some employers with foresight and imagination arrange for some welfare facilities in their own mills. In World War I, Buckingham and Carnatic Mills provided the only solitary illustration. During the second war, a few others could be added to the list—the Century Mills, Bombay, the Calico Mills, Ahmedabad, and a few others. Many mills maintain dining sheds and facilities for latrines and urinals also. The question of efficiency is well connected with diet. To meet with this requirement and to promote the recreation facilities in the mills, canteens are opened. Spacious arrangements for canteens of various types exist in British and American Factories. India, compared to these industrially advanced countries, has done practically nothing to provide such facilities. The difficulties in opening such canteens in the mills of Bombay particularly are (i) difference of food among various labourers as they belong to different province, (ii) narrow distinction of castes, (iii) it is feared they will kill the happiness of home life and the institution of joint family will be affected consequently.

It has been a usual complaint of those who are experienced in labour welfare activities that the labourers are not enthusiastic to avail themselves of the provided facilities. This is due to long hours of work. A worker has got neither ability nor intention after a hard work of 9 to 10 hours to take interest in these activities. Reduction of hours of work to 8 is the only way to remove this monotony of their lives and turn them into human beings fully active to the facilities of education and recreation provided to them. If the country is so very much backward in labour welfare, what to talk of social insurances!

This review of the labour conditions during the two great wars brings us to the conclusion that after a lapse of 25 years, the labour conditions have not improved as they should have; though politically and economically labour is more conscious than it was during and after the first World War I. The complaint of inefficiency of Indian labour will continue till the Government, employers, and labour Associations determine to act together on planned welfare schemes.

**CHART OF ACTIVITIES**

Revised chart of activities adopted for the administration of the Textile Labour Association, Ahmedabad:

**I. ELECTIONS & MEETINGS:**

- (1) Elections under the Constitution:
  - (a) Departmental Unions,
  - (b) Ward Unions,
- (2) Meetings under the Constitution:
  - (a) Advisory Committee,
  - (b) Central Executive Committee,
  - (c) Executive Committees of constituent unions,
  - (d) Joint Board of Representatives of constituent Unions,
  - (e) Board of Representatives of constituent Unions,
  - (f) Ward Union meetings.
- (3) Other meetings:
  - (a) Standing Committees,
  - (b) Special Committees,
  - (c) General Meetings,
  - (d) Mill Meetings,
  - (e) Ward Meetings,
  - (f) Staff Administrative Meetings,
  - (g) Miscellaneous Meetings.

**II. MEMBERSHIP FEES:**

- (1) Collection:
  - (a) Departmental Unions:
    - Group A
    - Group B
    - Group C
  - (b) Ward Unions.

- (2) Recording:
  - (a) Departmental Unions,
  - (b) Ward Unions.

**III. UNION DEVELOPMENT:**

- (1) Propaganda and Organization:
  - (a) Departmental Unions,
  - (b) Ward Unions
- (2) Vigilance:
  - (a) Departmental
  - (b) Ward

**IV. CONDITIONS OF WORK & DISPUTES**

- (1) Conditions,
- (2) Complaints:
  - (a) Departmental Unions:
    - Group A
    - Group B
    - Group C
  - (b) Ward Unions.
- (3) Action under the Bombay Industrial Disputes Act,
- (4) Arbitrations,
- (5) Labour Legislation.

**V. TRADE BENEFITS:**

- (1) Victimization Benefit,
- (2) Legal Aid:
  - (a) Industrial
  - (b) General
- (3) Strike Aid
- (4) Help in compensation of accidents.
- (5) Employment Aids:
  - (a) Secondary Occupations,
  - (b) Other aids.

**VI. SOCIAL CENTRES:**

- (1) Recreation,
- (2) Health,
- (3) Instruction:
  - (a) Libraries and Reading Rooms,
  - (b) Visual Education,
- (4) Miscellaneous.

**VII. SOCIAL BETTERMENT:**

- (1) Education:
  - (a) Day Schools,
  - (b) Night Schools,
  - (c) Adult Literacy classes,
  - (d) Nursery School,
  - (e) Girls' Hostel,
  - (f) General.
- (2) Medical Aid,
- (3) Cheap Credit and savings,
- (4) Work for backward communities,
- (5) Cheap stores,
- (6) Welfare work among women,
- (7) Miscellaneous.

**VIII. CIVICS:**

- (1) Civic conditions,
- (2) Municipal Complaints,
- (3) Labour representation in the Municipality.

**IX. INFORMATION BUREAU:**

- (1) Library,
- (2) Cuttings,
- (3) Bibliography and reference.
- (4) Investigations,
- (5) Compilation.

**X. PUBLICITY:**

- (1) Periodical
  - (a) "Majur Sandesh"
  - (b) "Sarvodaya"
- (2) Miscellaneous.

**XI. RELATIONS WITH OTHER SECTIONS OF LABOUR:**

- (1) Local,
- (2) Textile Federation,
- (3) Other Centres.

**XII. OFFICE ADMINISTRATION:**

- (1) Constitution and Bye-laws,
- (2) Returns and procedure under the Govt. Acts and Rules,
- (3) Organisation of Work:
  - (a) Plan and Time studies,
  - (b) Distribution of work,
  - (c) Rules and instructions,
- (4) Staff,
- (5) Records,
- (6) Reports,
- (7) Other Arrangements,
- (8) Office Information,
- (9) Central Correspondence,
- (10) Cash,
- (11) Stationery, Stores and Stock,
- (12) Accounts.

**XIII. SUBSIDIARY ACTIVITIES:**

- (1) Press,
- (2) Studio.

**XIV. GENERAL.**

## CHAPTER VIII.

### SCARCITY OF CLOTH AND CONTROLS

#### 1.

Preliminary—Necessity of control during the war period—The double aspects of control measures.

#### 2.

### SCARCITY AND CONTROL DURING THE WORLD WAR SECOND.

#### A—To protect consumers.

Famine feared—Causes of the scarcity with illustrations and evidences—Controls in the horizon—Forward contracts in raw-cotton prohibited—Later developments of control over cotton contracts—Its effects in brief.

#### Cloth Control Order of 1943: Promulgated:

Organization of control—Constitution of Textile Control Board—Committees and their functions—Effects of the Control Order—Its criticism—Later development of the Control—Failure of the standard cloth scheme—Utility Cloth Scheme—Its provisions—Effects and criticism—Severe black-market—Counteracting measures.

Distribution Scheme propounded—Maps showing deficit and surplus zones—Later development of the scheme.

#### B—Control measures relating to exports.

To mobilise production for war requirements—Organisation of Control—Supply Department and the Cotton Textile Directorates.

Consequences of the cloth control—Aims and realisation of the measures.

#### 3.

#### General criticism of the control measures.

Absence of co-operation from the public—Full co-operation of industrialists—Piecemeal measures—Lack of co-ordination and comprehensive scope—Lack of adequate data and effective administrative machinery—Conclusion.

## CHAPTER VIII.

### “SCARCITY OF CLOTH AND CONTROLS”

Regulation of national economy during the war periods necessitates a number of control measures with a view either to mobilize resources for a total war, or to protect consumers from ensuing economic evils like profiteering, resulting from the rise in prices. The measures become essential in a society which is based on profit motive.

Wars of any importance have, in the past, been accompanied by increases in commodity prices, and the wars like the World War First and particularly the total World War Second cannot obviously be an exception to the general rule. The armament programme and consequent cheap money policy of Government created a strong tendency for prices to rise. This is well marked particularly in respect of food and cloth—the two necessities of life. If uncontrollable rise in prices is allowed as was done in case of the Central and Eastern European Countries during and after the First World War, it will result in loss of confidence in the currency and a flight to commodities. Hectic speculation based not so much on real scarcity but on either the expectation of scarcity or the fear of a future rise; and the consequent profiteering should be brought under control by any Government which has the interests of the people at heart.

1. Scarcity and Controls to protect the consumers:—  
Famine feared:—

The total war could not make the bureaucratic Government to think about the economic repercussions of their steps of entirely satisfying war demands without due regard to their effects on the normal civil consumption of cloth. This remark can be extended to practically all the necessities of life which were required directly or indirectly for contribution to the war-efforts. The vicious spiral of inflation which went on throughout the war period and which was found difficult to control, victimised millions of the enslaved countrymen as they found it very difficult to maintain their body and soul together in view of the increased cost of living unprecedented in the economic history of India. This is seen from the fact that the Index

number of wholesale prices increased from 95 in 1938-39 to 245 in January 1942-43\*. (Calcutta Index number of wholesale price—July 1914=100 base).

The scarcity of cloth was feared as early as in 1941 and the government authorities were not altogether unaware of the situation. They had their experience of the World War First and hence they promulgated the standard cloth scheme and there they ended. The scheme which was mooted in 1941 could not materialise for a long time. While, in the end of the year 1942, speculation gained ground and prices took a rapid upward trend. In the middle of 1943, the rise was as much as 400 percent in some cases.† Cloth famine could be seen on the horizon. Mr. Geoffrey Tyson pointed out the danger by observing facts and figures.

Pre-war production was approximately as follows:—

(Millions of yards)		
	4,000	Indian Mills production.
	1,500	Indian handloom production.
	700	Amount of Imports mostly from Japan.
<b>Making</b>	6,200	Million yards in all.
	200	For exports and re-exports.
	6,000	Million yards consumed in India in peace time.
<b>Position in the year 1942 :—</b>		
	4,000	Indian Mills production.
	1,500	Indian handloom production.
<b>From which</b>	5,500	Total production.
	1,100	Million yds. to government for war purposes
	4,400	Million yds. for consumption in India against a peace time total of 6,000 million yards.

“A further factor in the situation is the export of five hundred million or six hundred million yards which are earmarked for what we may call strategic exports to countries such as Turkey. It seems to me that in the end, control of prices and perhaps partial control of the industries, may prove necessary.” Mr. Tyson’s expectation came out to be true.

\* ‘Review of Price Control in India’ by S. U. Beri., p. 25.

† *Vide* “India Arms for Victory”, pp. 199-200.

**Causes of the scarcity of Cloth and Controls:**

Unprecedented rise in the prices of cloth and its subsequent scarcity were accounted for by the government's huge war demands and pre-occupation of the industry to cater for the war requirements\*. The industry devoted about sixty per cent of her capacity for war demands (including standard cloth production) as against 35 per cent in 1942 and 20 per cent in 1941. It was said that out of those 60 per cent, 25 per cent was to be utilised for the production of the standard cloth. We do not know, however, as to what actual capacity was utilised, but one thing was pretty certain that the standard cloth produced was without any regard to the taste and likings of the people. The cloth was therefore universally disliked and rejected. The purchase programme of the Cotton Textile Directorate for the year 1942 (February 1942 to January 1943) embraced an expenditure of Rs. 50 crores on the main purchase programme, and a further Rs. 25 crores on miscellaneous purchases.† This total of Rs. 75 crores represented a considerable sum of money. Government policy appeared to have been to order from the mills at as cheap rates as possible and allow the latter to charge higher prices for goods intended for civilian consumption. This gave the state dual advantage, in view of the fact that a large part of the war-time profits of the cotton industry were destined to be paid away in Excess Profits Tax. The war orders averaged about 1,100 million yards per annum in 1942-43, which was about 25 per cent of the total output. This was due to the fact that India was made the supply base for many theatres of the war.

**Decrease in production in the year 1942:**

The total output of cotton piecegoods in India during the year 1942-43 amounted to 4,109 million yards which was smaller by 384 million yards than that of the preceding year and by one hundred and sixty million yards than that of the pre-war year i.e. 1938-39.‡ The extent of reduction was greater in the case of grey and bleached piecegoods than in the case of coloured goods. The production of Dhoties declined from 1,455 million yards in 1938-39 to 713 million yards 1942-43, and that of Chadras from 75 million yards in 1938-39 to 36 million yards in 1942-43

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\* The rise in prices in some cases was as high as 400 per cent.

† P. 195, "India Arms for Victory"—Tyson.

‡ *Ibid.*

due to diversion of production for army requirements.\* From these figures, it is interesting to note that in spite of the tremendous increases in demand since the beginning of the war, the aggregate output of the particular types of piecegoods which were consumed by the masses showed actually a decline in 1942-43. This decline—a shocking decline, in production at the time of the boom period—is accounted for by the following factors:—

### **Strikes and labour troubles:**

The Deputy President of the Bombay Millowners' Association declared, that there were, "27 strikes in 1942 resulting into a loss of 2,24,000 man-working-days as against 15 strikes and loss of 1,63,000 man-working days in 1941. Moreover, there were stoppages of 9,25,000 man-working days for political and other causes." In case of Ahmedabad a peaceful strike for a period of three months was observed as a protest against the arrests of popular leaders—resulting in a loss of production of piecegoods by 34,05,000 lbs.†

(ii) Exodus from the city of Bombay and other port-towns owing to rumours of Japanese bombardment.

(iii) Disorganised handloom production owing to harsh repressory actions taken by the government particularly on the All India Cotton Spinners' Association and its organisers. According to press report in the year 1942, a number of their shops were either looted or destroyed thus creating a sharp decline in Khaddar supply and production.

### **Increased Exports and Decreased Imports:**

In spite of the shipping shortage exports from British India in 1942-43 were 819 million yards or more than 4-1/2 times as much as in the pre-war year, 1938-39. This factor made for the scarcity of cloth particularly because during this very period the production of cloth and imports considerably declined as seen above.‡ The fall in imports

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\* Figures compiled from "The Review of Trade of India" 1942-43 published in 1945.

† Compiled from "Cotton Spinning & Weaving in Indian Mills" and Bombay Government Labour Gazette.

‡ Ref. to the figures given by Mr. Geoffrey Tyson who has explained the possibility of shortage of cloth during 1943. Vide "India Arms for Victory" by Mr. Tyson.

was astounding as it fell from 647 million yards in 1938-39 to only 13 million yards in 1942-43.\*

The figures speak volumes for the dire scarcity of cloth experienced throughout whole of India generally and by Northern India and other deficit Zones particularly.

#### **Transport Difficulties:**

Whatever cloth was ready at hand could not be sent immediately and in time to the deficit Zones owing to shortage of waggons, and derailments in the August movement. This cause made for the tremendous upward trend and disparity in the prices of cloth between the surplus and the deficit zones. According to press reports, a dhoti or a sari—costing about Rs. 5/- per each in the pre-war days could rarely be had even at Rs. 30/- to 35 each in the deficit zones.

#### **Strikes in the big cloth markets:**

Strikes lasting for months together were undertaken by The Mulji Jetha Market of Bombay and The Maskati Cloth Market of Ahmedabad as a support to the movement and as an opposition to the repressive policy of the government. The unfortunate aspect of the strike was, that the big businessmen who went on strike, used to sell cloth by back-door at prices undreamt of taking full advantage of the scarcity created by the dislocation of the industry and thus betraying both the consumers who made for their prosperity and prosperity of the industry; as well as the political movement which they pretended to support.

#### **Rumours of controls and hoarding:**

The war situation during the year 1942 was very critical, and confidence of the people in the existing government was shaken owing to severe reverses suffered by the Allies on the Pacific and Burma fronts. This resulted into hoarding of all the possible commodities with expected scarcity and rumours about controls, particularly by the middlemen and upperclass consumers. The severity of the problem of hoarding is seen from the fact that the acquired portion of the seized cloth amounted to a big figure of 2,700 million yards of piece goods and 275 million yards of yarn, that could equate eight months' production of the mills.

As a result of all these factors the prices of grey shirtings in Bombay quoted at Rs. 9-13-6 per piece in April 1942,

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\* Compiled from the "Review of Trade of India" p, 24, Year 1942-42.

reached at Rs. 16/14/- in October and later by successive stages to Rs. 19/11/- in March 1943. At this level, therefore, it showed a rise of about one hundred percent. The rise in the index number of prices of indigenous cotton manufactures was from 189 in March 1942 to 429 in March 1943, a rise of about 127 percent.

The intensity of the situation is well evidenced from the following table:—

Name	Size or No. of cloth	Pre-war 31-8-39	Before August Movement 8-8-42	12-3-43	Percentage of increase compared to Pre-war figures.
1.	2.	3.	4.	5.	6.
<b>Dhoti 8 Yds.</b>					
Jahangir	.. Ghanraj	1 6 0	3 2 0	8 0 0	482
Ashok	.. 3008	1 0 0	3 0 0	6 14 0	587
Kadi	.. 3008 ..	0 15 0	2 14 0	6 8 0	593
Calico	.. Dinesh ..	2 0 0	4 4 0	10 0 0	400
Calico	.. Sansar Nauka ..	2 7 6	5 0 0	11 0 0	340
Kadi	.. 6008 ..	1 1 0	3 2 0	7 4 0	582
Arvind	.. Rajarani ..	1 11 0	4 4 0	9 0 0	433
Arvind	.. Vanraj ..	1 13 0	4 10 0	10 0 0	452
Arvind	.. Manranjan	1 11 0	4 2 0	3 0 0	374
Monogram	.. Shantikumar	1 5 0	3 12 0	7 12 0	490
Arun.	.. 5008 ..	1 1 0	3 6 0	7 12 0	629
Arun.	.. 4008 ..	1 0 9	3 2 0	7 0 0	559
<b>Saree</b>					
Jahangir	.. Sansarlila 9 Yds. ..	1 5 0	3 4 0	8 0 0	510
New Tex.	.. Bharti 5 yds. ..	1 3 0	2 6 0	6 10 0	458
<b>Coating—Poplin.</b>					
Laxmi Cotton	Poplin 3711	2 0 6	6 10 0	15 0 0	650
Ambica	.. Coating 4143 -yd.	0 11 0	1 3 0	3 5 0	381
"	.. 30995-yd. ..	0 9 0	1 0 0	2 12 0	388
"	.. 30031-yd. ..	0 10 0	1 3 0	3 6 0	440
Jagdish	.. 2403 ..	0 8 0	0 12 0	2 8 0	400
Calico	.. S. L. 20/36 Taka	10 0 0	14 0 0	37 0 0	270
Calico	.. Poplin B.211.20/29. Taka	5 0 0	10 0 0	26 0 0	396
<b>Shushi Yds. 24/29.</b>					
Kadi	.. No. 901 ..	2 8 0	5 0 0	17 0 0	620
Anant.	.. ..	2 8 0	5 0 0	17 0 0	620
Kadi-B.901	.. B.901 ..	2 0 0	3 12 0	12 0 0	500
Nagri	.. ..	2 1 0	3 14 0	12 8 0	506
Calico	.. ..	7 0 0	15 8 0	35 0 0	343

Name	Size or No. of cloth	Pre-war 81-8-39	Before August Movement 8-8-42	12-8-43	Percentage of increase compared to Pre-war figures
*1.	2.	3.	4.	5.	6.
<b>Chadra-Pair.</b>					
Jamnabhai	N. 1260 5 yds.				
	Plain ..	0 18 6	2 4 0	4 10 0	448
"	N. 72 Yds. 6	2 1 0	4 12 0	9 4 0	848
"	N. 55.260				
	Yds. 5				
	Bleached	1 4 0	3 3 0	5 6 0	380
<b>Longcloth.</b>					
Ashok	.. 36/40 ..	5 13 0	15 4 0	88 8 0	476
"	.. 38/40 ..	5 12 0	18 12 0	86 4 0	580
Jamnabhai	BBBB. ..	3 8 0	10 8 0	21 0 0	500
Rajnagar.	.. Voil, 20/34				
	38000. ..	1 12 0	3 8 0	13 0 0	642

This astounding rise in the price level and severe clamour for cloth by the commoners made vocal by poignant criticisms by the public and the press, opened eyes of the bureaucratic government and a series of control measures followed consequently.

This historical background of the control measures shows that the controls were in horizon and state interference—a war time nationalisation of the industry was feared at the middle of the year 1943. As a preliminary step of the control of the industry 'Forward Contracts' in raw cotton were prohibited for some time by an order of May 1, 1943. On 17th March 1943, Sir Jeremy Raisman, the then Finance Member, issued a stern warning regarding the gambling going in the Cotton market, "I must say that I have rarely seen a more disgusting speculation than that which has been provided by the Bombay Cotton market in the last few days. There was absolutely no reason whatsoever except the purest gamble and speculation for running the prices of this commodity up the levels it had reached. I want to say to the speculators and profiteers in Bombay that, if they indulge in this type of action, they will find that Government will mobilise the whole of its resources in order to defeat and crush them."

\* Acknowledgement : Mr. Natwarlal Desai, The Editor, "Commercial News", Ahmedabad.

The effect of the speech was remarkable as the prices fell from Rs. 645/- to Rs. 545/- per candy, and it reached to 510 towards the end of March 1943.

The cotton forward contracts and options Prohibition Order was issued on 1st May 1943 which prohibited (i) any forward Contract for the sale or purchase of cotton in respect of new crops and (ii) any option in cotton, and (iii) Forward Contracts in current crops were prohibited from May 20, 1943. The Contracts remaining open by the close of business on May 20, 1943 were permitted to be liquidated at rates fixed by government. Raw cotton prices were established on the basis of Rs. 500/- for fine Jarilla.

On 27th October 1943—Forward Contracts were partly allowed. The following contracts, accordingly, were excluded from the Ordinance:—

Forward Contracts entered into by the members of the East India Cotton Association were allowed provided that the price payable was not more than 550 rupees and not less than Rs. 400/- per candy, provided further that, "Every such member shall on each clearing day commencing from the 12th November 1943, deposit with the said Association, which shall in its turn deposit with the Imperial Bank of India, a sum (not carrying interest) which shall be not less than Rs. 25/- per bale on the net open future position of each such member regardless of the price of such contract."

This provision was regarding Bombay only, Karachi was not allowed to resume forward contracts.

By a press communique of 18th November 1943, the Government fixed the following floor and ceiling prices for the description given below. The first figure indicates the floor price, and the second, the ceiling price per candy of 784 lbs.

**Indian Cotton Contract Jarilla (¾ staple.)**

Bengal (Deshi)	..	Rs. 225 ;	Rs. 375 :
Oomra. (Deshi)	..	Rs. 225 ;	Rs. 375 :
Western Farm	..	Rs. 510 ;	Rs. 660 :
Tinnevelli	..	Rs. 485 ;	Rs. 685 :
Karunganney	..	Rs. 595 ;	Rs. 655 :
Sind N. T.	..	Rs. 575 ;	Rs. 725 :
Surat	..	Rs. 600 ;	Rs. 750 :
Gaorani	..	Rs. 575 ;	Rs. 725 :
Nandyal	..	Rs. 585 ;	Rs. 685 :
Compta	..	Rs. 500 ;	Rs. 740 :
Cambodia	..	Rs. 610 ;	Rs. 760 :
Dutch-American	..	Rs. 610 ;	Rs. 760 :

In the event of cotton reaching the ceiling prices named above, government will requisition such cotton, as is required by mills. The requisition price may be either the ceiling price or any price down to 5 percent below that ceiling price at the discretion of the Government.

This amounted to a virtual assurance of the supply of cotton at a fixed price to the industrial interests. Considerable agitation was carried on by the East India Cotton Association and other agrarian interests on the ground that the ceiling rates fixed by the Government were such as would protect mill interests at the cost of agrarian interests.

The recommendation of cotton sub-committees for fixing floor price of cotton at Rs. 550/- basis Jarilla  $\frac{3}{4}$ " at which the Government would buy cotton and a ceiling price at Rs. 700/- at which it could requisition were turned down while it accepted at the same time the recommendations of the industries sub-committee of the Cotton Textile Board in regard to ceiling prices.\*

This step of fixing prices of cotton only without simultaneous control of cloth and prices was heavily criticised as that resulted into patting the industrialists at the cost of the grower and the consumers—at least during the time lag allowed between the control of cotton prices and that of cloth and yarn prices. In fact this step was a means to an end, namely of controlling cloth and yarn prices. The Government may be said to be justified in controlling prices of cotton because thereby it could assure the industry of the regular supply of cotton at fixed rates. Then after any measure undertaken by the Government to control the productive and distributive aspects of the industry would meet with less opposition by the industrial interests which it could not disregard as the industry was the main source of supply both of army cloth and taxation.

So the real target of criticism is the time lag between these different measures of controls—which should have been minimised. This time lag between the different measures of control always results into inequity—a section of interest is unjustifiably penalised.

The Government of India sanctioned further trading in cotton during 1944-45 in East India Cotton Association, Bombay and Karachi only and subject to the condition that no trading shall take place in any future contract

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\* The reference to the organisation of these committees is made on P. 178.

stipulating delivery prior to March 1945. Ceiling and floor prices were revised as under:—

Indian Cotton Contracts in Bombay.	
550 .. .. .	350 per Candy.

For the 4F contract in Karachi—Rs. 57/10/- and Rs. 37/- per maund and also the deposit was to be put with Imperial Bank. The deposit was fixed at Rs. 12½ per bale on the net open position of each member regardless of price levels. The Government retained the power to requisition cotton for the use of mills in India when the cotton prices were at ceiling. Trading in options was continued to be prohibited. Thus the trading range was increased from Rs. 150/- in 1943-44 to Rs. 200/- in 1944-45 season. Provision was also made regarding the official buying of various types of cotton in the market. We may justifiably conclude that the official scheme for the support of raw cotton whenever the cotton prices touched the floors fixed, eminently became successful.

The second important measure was cloth control order promulgated on 17th June 1943 and amended on 8th December 1943. The order was a part of the government policy of introducing comprehensive control measures over the industry. The former scheme of Standard Cloth had totally failed. Mr. Hydari, (now Sir), the Secretary of the Department of Industries said in his speech to the Millowners during middle of 1943, "It is true that in September 1941, a scheme was launched to make cheap cloth available to the people in certain defined varieties. It has so far failed to provide cloth either in substantial quantities or at a low price."

Coming to the analysis of the order—A Textile Control Board was constituted under Rule 81(2) of June 17, 1943

**Provisions**

(1) The board consisted of 25 members who were to assist the Central Government through Textile Commissioner regarding matters connected with declaration and defining of classes and specification of cloth and yarn manufactured by mills.

(ii) It was also authorised to advise regarding fixation of maximum prices both ex-factory and retail.

(2) Stocks of cloth and yarn was to be declared not later than August 15, 1943 and they were asked to dispose of that stock before December 31, 1943.

(3) All cloth manufactured after July 31, 1943; and bearing the specially prescribed marking shall be disposed

to mills as millstores and raw cotton have considerable influence on the cost of manufacture of cloth.

(g) The Cotton Committee had to deal with the problems regarding raw cotton.

(h) The Cotton Movement Committee superseded the Cotton Movement Panel created by the Government in November 1942. It advised the Board regarding every aspect of cotton supplies and transport problems affecting the growers, merchants, consumers, exporters and railways. It had to see that the transport system of India was saved from the burden of all unnecessary and uneconomic movement. Accordingly general or special permits were issued for the movement of cotton by rail.\*

\* The latter development of the control measures :

The Cotton Cloth and Yarn Control Order of 1943 was superseded by another order named the Cotton Cloth and Yarn (Control) Order, 1945 No. TB (3) /45, dated New Delhi 21st July 1945, published by Bombay Castle on 20th August 1945 :—in the Bombay Government Gazette of August 23, 1945.

In this Order practically all the provisions of the Order of 1943 are kept adding thereto the subsequent amendments. The Important points from the Order are noted below :—

*Clause 10B.—2.* Every sale of cloth or yarn by a dealer ; except to a consumer shall be at a price either, F.O.R. station of despatch or ex-godown of storage at the buyers' option provided that the commission of Commission Agent shall be paid by the buyer. Such a commission agent was to be paid a commission of  $\frac{1}{2}$  per cent of the maximum price of the cloth or yarn, the subject matter of such sale. Manufacturer or dealer shall, without sufficient cause, refuse to sell cloth or yarn to any person.

*Clause 14 :—1.* Dealers were prohibited to buy or sell or to have in their possession (a) any cloth or yarn manufactured in India, before the 1st August 1943 ; (b) any cloth or yarn manufactured in India, and packed after the 31st July 1943 and before the 1st January 1944.

*By Cl. 15A :—*Arrangements were made for re-stamping of cloth lying with the dealers after the prescribed time with a small fee.

*Clause 18 :—*No manufacturer shall, without the permission of the Textile Commissioner, at any time hold—(a) stock of cloth exceeding the total quantity manufactured by him during the preceding three months or (b) stocks of yarn exceeding :—

- (i) In the case of a manufacturer of yarn above the quantity of yarn manufactured by him during the preceding two months;
- (ii) In the case of a person engaged in the manufacture of cloth alone the quantity of yarn reasonably required by him for manufacturing cloth for the next three months;
- (iii) and for the person engaged in manufacture of both, the sum total of the quantity of yarn reasonably required by him for the manufacture of cloth during the next three months surplus to his own requirements during the period.

*Clause 18A :—*The manufacturers were prohibited to sell or to agree to sell cloth or yarn to any person who is not a licensed dealer under the rules framed in this behalf by the Provincial Governments and (ii) did not as a dealer buy any cloth or yarn from him at any time during the year 1940, 1941 and 1942.

*By Cl. 22 :—*The Court is authorised to forfeit the cloth to His Majesty in respect of which it is satisfied that the contravention is made.

The control of this type was novice for India. We shall study some of the measures undertaken by the industrial committee which will show that the businessmen who dreamt of uncontrolled prosperity found their rampant profiteering withering away. The businessmen, however, were in no way less shrewd than the officials. They created the demon of Black Market to escape the control. This necessitated other severe measures.

The success of the above measure could be seen from the fact that there was a decline in wholesale prices by about 25 to 40 per cent. As far as fall in retail prices was concerned, it was insignificant compared with that in wholesale prices in their initial stages as time lag is always there between the two price-levels.

The first ceiling prices were fixed and stamped on August 19, 1943. It was agreed that cloth and yarn should be sold at those prices or at corresponding prices for other qualities. It was also agreed that a margin of 15 percent over ceiling prices should be allowed—exclusive of freights and other charges which should not be above 5 per cent.

The ceiling prices fixed at first were exorbitantly high and it did rarely anything except giving a large slice to the manufacturers. The Chairman of the Board replied that a mere comparison of prices between February 1942 and the ceiling prices would show that the mills stood to gain a great deal, but if the increase in cost of production was taken into consideration, there was no room for such feeling. Thus prices fixed for certain types of cloth purchased by Government for Defence services in substantially large quantities showed an increase in the period of August, September and October 1943 from 75 to 90 per cent over those on the period of February-March 1942.

The plea of increased cost of production was not altogether without foundation, but it in no way justified such a high ceiling price. Moreover the cost of production per unit in the beginning stages of the boom must not have been so much increased. This clearly shows that the ceiling prices were fixed without any regard to the interests of the consumers.

Afterwards, the prices were fixed at the end of each quarter keeping initial ceiling prices as base; and by applying the actual difference in respect of the increase or decrease in cotton, wages, stores, fuel and coal and war risk insurance charges. The figures admitted for the period August-September and October 1943, over February, March

and April 1942 were roughly 120; 68; 47; 32 and 2.44 percent respectively.\*

Taking them together the increase on account of cleaned cotton roughly worked out at Rs. 0/10/6 per lb. and on account of other elements roughly 40 percent of the basic price. Taking the above facts and figures, we find that the other ceiling prices fixed showed an increase varying from 80 to 92 percent over the market price on the period February-March-April 1942. It was heavily criticised that the consumer was completely ignorant of the existence of ceiling prices in several cases (b) The Stamping of ex-mill prices and retail prices assured the consumers that they are not cheated but it was argued that the margin of profits of 20 p.c. was little too high. The margin was kept at such a high level with a view to ensure willing co-operation of industrialists and get an increase in production to avert the then ensuing cloth famine.

A study of the measures taken upto 1944 shows us that they were with an intention to increase production of the industry and control the prices of cloth so that the consumers may not be exploited by the profiteers. The latter aim could not be achieved successfully through these measures. Rampant black marketing of cloth was the order of the day. This will be clear from the fact that in 1942 the acquired portion of the seized cloth amounted to a big figure of 2,700 million yards of piece goods and 275 million yards of yarn that could equate eight months' production of mills. These figures serve to indicate the trend of the business community—hoarding and black marketing. The Textile Control Board had allotted quotas to different Provinces dividing all into deficit and surplus zones. The distribution of cloth to the retailers and wholesalers was under individual provincial control.

It was also rightly criticised that the Stamp should have been in vernacular also—or in more than one language so that millions of people who cannot read English can read the prices. Cases of deceiving customers, taking advantage of their ignorance of English were not uncommon.

Though the policy of the board during the years 1944 and 1945 was to reduce the prices, it was criticised in press and public that prices could have been further reduced. Mr. M. P. Gandhi in his 1945 Annual opines—"The pre-war conditions cannot perhaps be taken as normal as the industry was passing through a depression, but even after allow-

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\* Mr. M. P. Gandhi's Cotton Textile Annual 1943, pp. 26-27.

ance is made for this factor, it could be said that the State rather than the consumer in the country is enjoying the greatest benefit under the present conditions."

2. It was also argued that the Cotton Textile Industry was the main source of taxation, hence any amount taken by way of excess profits tax is taken from the pockets of the consumers. This is a form of taxation which is very unpopular as it is indirect. The incidence of indirect tax falls upon all the people, poor and rich alike. It offends the canon of justice and equity. This is the reason why the policy of price fixation took a little change afterwards—they were then prepared to fix lower prices for coarser cloth and higher for finer cloth.

Severe cry for cloth even in the manufacturing cities continuously went on; hence the distribution aspect of the control had to be improved. The dearth of cloth was felt India-wide. Some new scheme had to be initiated so that production might be sufficient for the millions. A type of rationalization in production was necessitated.

#### **Later Development of the Control Measures:**

Under Defence of India Rules "Textile Industry (Control of Production) Order 1945" was promulgated on 18th May 1945, which came into force from 1st June 1945 substituting more or less the Standard Cloth Scheme by Utility Scheme. Clause 3rd, of the Order prohibited the producers from producing yarn of counts larger in number than the number of counts specified in Column 2 of the Schedule "A". Utility cloth means—cloth of the following varieties:

(i) Dhoties, Sarees, (printed included) (ii) Long Cloth, Shirtings, Chadars, and Domestics, Grey and Bleached (Printed Chints & Voils included) (iii) Shirtings, (iv) Voils and Mull, (v) Drills and Twills, (vi) Tussores and Coatings, including Coatings from cotton dyed warp or weft, all from single yarn (vii) Towels, grey and bleached, with not more than 5 per cent coloured yarn, and which complied with specifications as prescribed in the Order. Accordingly the number of warp threads per inch and picks per inch in the grey cloth for various counts of yarn used, should not be higher than those specified in the table given in the Order. The maximum reed in which a cloth may be woven, was to be determined by taking as an indicator the average of the warp and the weft counts with due reference to the table. The Order further required that the manufacturers shall utilise not less than 90 per cent of the civilian production for the manufacture of utility cloth. It was expected that

as a result of the introduction of utility scheme the production of cotton textiles would go up by 400 million yards per annum. The *Weekly Commerce* pointed out "What is more important is that when the scheme is in full operation, there will be a substantial increase in those varieties of cloth which are commonly used by the masses of the country, namely, Dhoties, Sarees, Long Cloth, Shirtings, Drills and Twills. The public, however, will have to put up with a reduction in the quality of cloth produced, but at the same time, they may have the satisfaction of paying slightly lower prices than now."

The main features of the scheme may be envisaged as follows: (i) Mills are restricted to spin only a limited number of counts, according to the number of spindles in stock; (ii) the mills are required to set apart 90 per cent of the looms for the production of utility cloth; (iii) they will be required at the request of the Chairman, Textile Control Board, to set apart 50 per cent of their maximum capacity in all widths of looms from 48" to 58" both inclusive for the production of Dhoties and Sarees; (iv) Mills are restricted to manufacture at one time not more than three sorts per 100 looms per month which include both Utility and Non-utility cloth, and (v) they are not permitted to change more than one sort per one hundred looms per month. (vi) To ensure the best use of all yarn woven by mills into cloth, no mill will be permitted to manufacture any utility cloth the maximum density of which exceeds the prescribed scale. Under this scale, there can be no utility cloth over 85s.

The effect of this scheme is that a type of rationalization in the quality of production would be introduced. This type of production can get success provided there is adequate and regular supply of coal, power, cotton, all essential consumable stores, and labour with its settled conditions to give uninterrupted production. No such scheme can get success unless it is executed with full co-operation of the industrialists and the consumers. The scheme is at present at its last legs owing to absence of co-operation from the consumers. The Chairman of the Control Board gave a warning that 'while a further reduction in picks might result in increased production, this advantage in the considered opinion of the Industries Committee would be more than upset by falling off in the durability of the cloth produced, and the consequent increase in the per capita consumption of cloth in the country.' This opinion was also pronounced by some of the millowners

whom I interviewed. Demanding an assurance from Government in regard to imports of cloth from abroad, while Indian mills are engaged in production of Utility Cloth, the Chairman said "Some of the mills have during the last few years, as a result of the recommendations made by the various Tariff Boards have diversified their production to a large extent to finer counts. They have spent huge sums of money on producing qualities of cloth which can match and in most cases replace imported cloth. It is therefore imperative that the Government of India should give an undertaking that no imports of cloth superior to those manufactured by cotton mills in India under the Utility Cloth Scheme will be permitted". So far no official assurance of the type demanded has been given.

The whole Scheme was heavily criticised from its very inception, and a demand for the removal of all types of control is made. The Utility Cloth has been more than once described as "Futility Cloth"\*.

#### Distribution Scheme:

We have already seen that the Board was authorised to issue licences. Accordingly, it issued many licences; but a number of them had to be cancelled during 1944 for the breach of the Order. The Textile Control Board consulted the Provincial Textile Commissioners, and propounded new scheme of distribution which came into force on the 1st March 1945. According to the scheme (i) the country was divided in surplus and deficit zones (ii) the supplies were made on the basis of per capita consumption and population (iii) the wagons were allotted so as not to exceed the quota

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\* "It was pointed out, under the guise of Utility Cloth some mills have watered down the quality of cloth to such an extent that even a lay eye is able to find a perceptible change and is disinclined to buy.

"Pointing out the piling up of stocks due to this cause at Cawnpore (155000 bales) and at Amritsar (16000 bales valued at 155 crores which is more than normal stock) *Commerce* states that "another factor which is said to be responsible for the piling up of stocks in particular centres is directing movement of cloth without paying adequate attention to the actual varieties of cloth required by each zone. It is claimed that if this defect could be removed, half of the present difficulties will be over... The real position at present is that there is a far larger quantity of coarse varieties of cloth than the effective demand for them and that scarcity is confined chiefly to finer counts. If that be so, the best that should be done is to reduce the percentage of productive capacity devoted to the manufacture of Utility Cloth from 90 to say 60 or 70. The second suggestion is that prices of coarser varieties should be substantially brought down so that the effective demand for that cloth could be raised." The demand is likely to go down also because of likely unemployment and reduction of dearness allowances, bonuses and probable downward trend of the general price level in future.

"Commerce" 18th October, 1945

fixed for the zone. (iv) Inspectors were appointed to see that the cloth did not go into the black market and the dealers were compelled to maintain the registers. (v) Arrangements were made to supply goods directly from the manufacturers to the retailers to save the overhead and middlemen's expenses with a view to provide cheap cloth to the consumers.

In spite of the scheme, a severe cry for cloth was coming from Bengal, the most miserable part of the country. In order to encourage the movement of cloth to Bengal, it was decided by the Government of India that they would cover marine war risk on cotton piecegoods from November 1944 to January 15, 1945 to the extent of 25,000 bales per month. There was also introduced a severe restriction on the despatch of cloth by luggage and by post since 1944. Carrying of yarn as personal luggage was also prohibited. According to press reports, the Order was evaded by despatching loosely stitched cloth under the name of garments. The Textile Controller was authorised to search such parcels at General Post Offices. Later on the despatch of garments was also prohibited. Now it is a known fact that the regulations regarding exports were evaded by attempts to send out cotton piecegoods from Bombay to Persian Gulf, Iran, Iraq and the neighbouring countries by country crafts.

The distribution scheme was explained by Mr. Krishna Raj M. D. Thackersey, the Chairman of the Textile Control Board, when he presided over its meeting on the 13th October 1944.

"The scheme envisages the allotment of a pre-determined quota from the available supply of cloth for the use of each province and state in India—based on consumption in normal years, adjusted as may be necessary according to the total quantities available. The number of wagons to be made available for the transport of cloth from main producing centres will be regulated in such a way as to restrict the maximum quantity which it will be possible for any one area to receive to that fixed, under the scheme with the assistance and collaboration of manufacturers and leading piecegoods merchants' association in the main producing centres. It is proposed to ensure that each area will in fact receive upto the quantity allotted to it by the use of transport permits for the movement of cloth upto the maximum stipulated extent....." ".In developing any scheme of regional distribution, it is of supreme importance for the control authorities in various zones to bear in mind the fact

that the trade should continue to remain substantially in the hands of those dealers who were engaged in it in the year 1940-42. All such 1940-42 merchants should be given a place and service to perform in the general scheme of distribution, such scheme being always arranged with the co-operation and assistance of the representatives of the main piece-goods' merchants' association on the main piecegoods distributing markets".\*

According to the scheme, the Punjab, Sind, Baluchistan, United Provinces, Bengal, Bihar, Assam, Orissa, C.P. South India and Rajputana were accepted as deficit zones and for proper distribution of cloth there, the permits were issued by the Textile Commissioner to the Millowners' Association or the merchants' associations who had formed a panel to deal with the matters.

In case of Ahmedabad, the Secretary of the Millowners' Association was the authority issuing the permits. All the details regarding transport and movement of bales were to be fixed up in agreement and consultation with the Regional Controller of Railway priorities and District Traffic Superintendent, B.B. & C.I. Railway. It was however provided that cloth delivered from a producing area into a deficit zone cannot be invoiced or charged at a price exceeding 4 per cent over the ex-mill price.

In April 1945, the Textile Commissioner directed all the manufacturers not to sell cloth of count 48s and above for export purposes and also export of cloth of counts between 36s and 48s was to be limited.

†The extract given in foot-note from the "Roy's Weekly" will show that as late as in the middle and latter half of 1945, the situation at some of the deficit zones was chaotic. Cases of ladies committing suicide owing to scarcity of clothes, officers coming in shorts or sarees were many times reported in newspapers. This shows the pathetic failure of the distribution aspect of the control measures. Cloth

\* Quoted by M. P. Gandhi in his 1945 Annual.

† "Suicide reports from Bengal have replaced those of starvation that poured forth from that province till recently. The reason is—fear of nudity. Women have been preferring death to nudity; others keep indoors, still others go about half-naked using napkins and kerchiefs.

Riots have broken out just for pieces of cloth and police firing resorted to. This is the plight of Bengal. . . . . At last 18 yds. per capita should be available at the present rate of production of cloth in our country. Where does India's production of 4600 million yds. go? The Government as well as private distribution agencies have earned a notorious record during 1943 famine."

Ref. Ro's Weekly, New Delhi July 8, 1945 under caption 'Casey's Dope.'

famine in Bengal is attributed to the fact that a part of its share was smuggled out to China through Tibet.

\*It was officially stated that since Assam was constituted an independent unit of Bengal deficit zone, the province of Bengal was entitled to receive during the seven months ended January last 120,000 bales of cloth, while it actually received about 179,034 bales representing an excess supply of 58,984 bales of cloth over the actual quota to which the province was entitled. Besides, Bengal was allowed to retain its own production of about 20,000 bales per month.

These figures show that there should not have been such an acute shortage in Bengal as it has been. Then the question arises as to why this cloth famine in Bengal arose?

As in many constitutional matters, the urgent need for co-ordination in control between the Central and Provincial Government was wanting. The central distributing and controlling authority, the Textile Control Board, had to distribute to zones but the local distribution had to be under-

\* Quoted by M. P. Gandhi in his 1945 Annual.

*Government's arrangements for distribution in the Province of Bombay :*

For the purpose of having proper distribution of cloth in order to give full advantage of the control measures to the consumers "The Bombay Cotton Trade Regulation Order 1945" was issued on 21st February 1945 which defined the "A" license holders and "B" license holders. For the purposes of this Order, there shall be six classes of dealers viz.,

- (i) "A" class dealer meaning a dealer who buys cloth from a manufacturer in mill packed bales or cases and sell it or store it for sale in such bales or cases.
- (ii) "B" class dealer meaning a dealer who buys cloth from a person other than a manufacturer in packed bales and sells it or stores it for sale either in packed bales or split bales.
- (iii) "C" class dealer meaning a dealer who does retail business and sells or stores cloth for sale to persons other than licensee.
- (iv) "D" class dealer means one who carried on business in cloth as an agent.
- (v) "E" class dealer means a hawker.
- (vi) "F" class dealer means a dealer not included in classes "A" to "E."

The fee for the various classes of licenses was fixed as under :—

A Class license	..	..	..	..	Rs. 500
B " " "	..	..	..	..	Rs. 500
C " " "	..	..	..	..	..
(a) " In Bombay city, Bombay suburban district and Ahmedabad city	..	..	..	..	Rs. 100
(b) elsewhere	..	..	..	..	Rs. 50
D Class license	..	..	..	..	Rs. 500
E " " "	..	..	..	..	Rs. 10
F " " "	..	..	..	..	Rs. 50

Moreover according to clause 17, every licensee was required 4 times a year to submit his stocks to the licensing authority as mentioned in form IX of the Order.

taken by the provincial governments. In Assam, Bengal, North West Frontier Provinces, and the Punjab, the then existing Ministries totally failed to effect proper distribution, which led to mal-practices and black marketing.

**The Method of Distribution:**

The Textile Controller proposed with the concurrence of the Board that the authorities in each area should in consultation with trade interests group the dealers in such a way that the number of "B" dealers actually handling the cloth of any deficit zone is not more than 2 per cent. of the number of bales allotted to that zone. The scheme meant that no quota holders or "A" dealers can sell or dispose of such cloth to anyone other than a "B" dealer or dealers nominated by the deficit zone to purchase cloth on behalf of the zone.

2. No "B" dealer can purchase cloth from anyone other than "A" dealer nor can he sell any cloth to any one other than a retailer.

3. No retailer can purchase cloth from any other than a "B" dealer and a retailer can only sell in retail, and

4. Bleachers, dyers and printers can buy a controlled quantity of cloth direct from quota holders on the strict condition that such cloth is returned to the same quota holders after processing.

This scheme is in operation in Ahmedabad, Cawnpore and Bombay. In case of Ahmedabad, the Maskati Market and Panchkuva Cloth Association undertook the responsibility of ensuring that the holders of the permits would be enabled to obtain the specified cloth.

The mal-distribution and the absence of rationing due to technical difficulties resulted in the prevalence of black markets. Meanwhile as Mr. M. P. Gandhi points out, "the piecegoods trade reported an acute scarcity of bleached lines, fancies, sarees and dhoties, mulls and shirtings in bleached lines more virtually extinct in the market. Rationing of dhoties had begun and rationing of cloth was introduced in Bombay.....Control is getting itself hopelessly logged in devising minute details for checking black markets and helping even distribution of available supply. In the matter of food equal ration may be justified but cloth is a different matter and the distribution should take into account the customs and requirements in different places." As a result of all these control measures the production increased from 4493.9 million yards in 1941-42 to 4858.9 million yards in 1943-44. The mill

consumption of cotton during 1943-44 was 4,319,300 bales against 4,033,800 bales in 1942-43.\*

### Control on Export:

One of the main causes of shortage of cloth was excessive exports as is seen from the following statement:

1940-41	..	390	million yards.
1941-42	..	772	" "
1942-43	..	819	" "
1943-44	..	461	" "
1944-45	..	278.23	" "

Thus it will be seen that the reduction in exports was necessary to ease the problem of scarcity. The Government by an ordinance levied an export duty of 3 per cent. in 1944 with a view to check the exports.

A press note was issued in February, 1945. Exporters were warned that pending further orders export of cloth with warp yarn 36 counts or finer against licenses already issued will be allowed only in those cases where cloth is proved to have been acquired for export prior to 6-2-1945.

These steps were necessitated by the prevailing conditions in the country. As a result of these measures, the exports did decrease as is seen from the above figures. As a part of the measures to reserve more cloth for home use, the following export scheme was propounded in 1944:

1. There should be no increase in the existing limit of 600 million yards for overseas countries, the quota of each individual country being kept by the other provisions of the scheme.

2. No cotton manufactures shall be exported to any country which does not have control over prices and distribution. It being an essential condition to establish goodwill of the Indian millowners among the consumers in foreign countries and avoiding profiteering by the middlemen or by the Governments.

3. There will be two sets of prices one for those countries which discriminate against India *vis-a-vis* other countries in tariffs, and in regard to the supply of essential goods such as food grains and long staple cotton needed

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\* An Ordinance No. XXXIV of 1944 levied an export duty of 3 per cent. with a view to restrict exports to meet with the shortage of cloth in the country. This measure, if continued for a longer period after the war, will hinder the export market of cotton cloth and yarn telling upon the competitive ability of the country. In the preamble, however, it was pointed out that it will be utilised to provide finance for the development of technical research and other matters relating to the textile industry.

by India and another for those countries which do not make any discrimination in these matters. The F.O.B. prices for discriminating countries will be ex-mill rates fixed for internal consumption plus 20 per cent. As for non-discrimination countries, the F.O.B. prices will be ex-mill rates fixed for internal consumption plus only 12 per cent. of the matter.

4. Officials authorized by the Textile Commissioner will inspect all goods due for export and certify them. The chief object being to ensure the fair name of the national industry in foreign countries by examining the goods as to whether they are according to specifications.

5. The exported cloth shall have to be stamped as 'for export only.'

6. The manufacturers will be prohibited to execute export orders if they are unaccompanied by export licenses.

This much control on exports is justified in view of the war situation.

#### **Organization of Control to Mobilise Production:**

Now we shall see the first aspect of the control "to mobilise production for government requirements."

It was not until 1916 i.e. two years after the outbreak of the World War First that the much criticised Munition Board came into existence; but it was not so late as far as the creation of the Supply Department of India was concerned.

The crisis of September, 1938 which produced the Munich settlement resulted in the war preparations in every country. Accordingly by July, 1939, plans had been formulated for the creation of the Department of Supply\* which commenced its activities from September, 1939. Right at the beginning the supply department discovered that it could lay down, no hard and fast policy and that development must largely be a matter of evolution, plentifully interspersed with the process of trial and error.

#### **Organization of Control for Government requirements:**

For an efficient distribution of war orders, a cotton textile directorate was created. At the conference of the millowners called on the 9th September, 1941, it was determined that a cotton textile advisory panel should be established. The former was created at Bombay. It had various sections: (1) Planning section that provided direct contact with the panel members and its sub-committees.

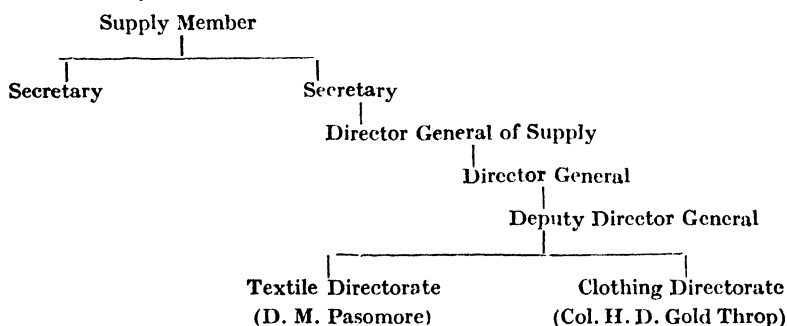
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\* India Arms for Victory—Mr. Tyson, pp. 20-32.

The actual contracts were placed by the Purchase section. (2) Technical section. (3) Laboratory section, wherein samples of cotton fabric yarn and sewing threads were tested. (4) Mill stores, machinery and technical section. This was the organization that procured war requirements of cloth for the Government with cooperation of the representatives of the entire industry.

The department maintained close contact with all the principal indenting departments of Government, mainly of course the Defence Department. Supply requirements were based on broad lines of strategy with which the department was not concerned. It delivered its purchases at depots and thereafter it had no further responsibility for the use to which they were put.

The orders were received by the Department well ahead. The responsibility of the Supply Department began with the placing of a definite demand whether in the form of an enquiry regarding production and delivery possibilities or of a firm indent and continued upto the final payment for goods delivered. The organization of the Supply Department did not differ from that of other departments of the Government of India. One of the members of the Executive Council was in charge of this department. He was responsible to the council for implementing the general policy of the Government of India in so far as the department was concerned. In his relation with the executive, that was with the officers of the Directorates-General whose business it was actually to carry out this policy and the work of the departments generally, the Member in charge was assisted by the Secretariat.



Director-General, Supply, Delhi, deals with miscellaneous stores that includes cotton and woollen textiles, leather, food, clothing, timber, chemicals and other miscella-

neous stores. The Cotton Textile Control Directorate was subsequently transferred to Bombay. There are six controllers of supplies in the main industrial centres in India—Calcutta, Bombay, Madras, Cawnpore, Lahore and Karachi. They have all powers of purchase. They are also assisted in their work by Circle Advisory Committees and commercial and industrial associations.

The organization of control for military requirements is well evidenced from the above chart.

The Textile Directorate was transferred to Bombay in the year 1942. The activities of the Department have already been discussed as far as the purchases of cotton textiles are concerned. It also maintained inspectorate to examine the quality of Government cloth produced at the factories as to whether they are according to the specifications.

This shows that the organization was more rational and efficient than the organization of the Munition Board of World War First. This time the Government tried, though conservatively, to make use of the intellectual capacities of the country other than the universally condemned Indian civil servants.

We have so far studied both the aspects of the control measures (i) to mobilise production for war purposes and (ii) to protect the consumers from high prices. I have endeavoured in the above pages to study the extensive cloth control measures together with their effects, exhaustively. Even at present the situation cannot be said to have been improved satisfactorily, the prices being very high, the scarcity is still being felt and the black market is not yet abolished. Burma, Japan, and other devastated areas are crying for cloth—at such a juncture India cannot be spared from the troubles of scarcity altogether. India will have to clad other countries till their industries are rehabilitated and reconstructed once more, and that is why the Government has declared that the cloth control measures are to be continued for two years more.

### **Consequences of the Cloth Control Measure:**

Before the Cloth Control Order of 1943 was instituted—the first official admission of failure of standard cloth scheme was made by Mr. Akbar Hydari—the Secretary of the Department of Industries in his speech to the mill-owners during middle of 1943. "It is true that in Sep-

tember, 1941, a scheme was launched to make cheap cloth available to the people in certain defined varieties. It has so far failed to provide cloth either in substantial quantities or at a low price."

By that time, the Cloth Control Order was promulgated which obtained only partial success—Mr. Vellodi, the Textile Commissioner said "Textile Control cannot any more than any other control succeed without the active cooperation of the public and it is extremely doubtful whether in this matter the members of the public in this country can be said to have realized responsibilities. If controls have been successful in other countries, let it not forget that the cooperation of the public and its sense of responsibility have played a large part indeed in such success."\*

The effect of the control order can be judged from the following table:—

† Prof. Dr. Dholakia gives the following figures :—

	Pre-war		Peak	Under Control.
	Rs.	a. p.	Rs. a. p.	Rs. a. p.
Grey drill .. .. .	0	7 1	2 10 0	1 7 0
Mull mull .. .. .	1	0 4	6 4 0	3 5 5
Leopard cloth .. .. .	0	8 2	3 14 0	1 11 0
20s yarn .. .. .	0	6 1	2 6 9	1 3 0

	Year 1943 :			
	‡ June	September	November	December.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Leopard Cloth (per lb.)	2 15 0	2 7 0	2 6 0	2 4 0
Grey drill (per lb.) ..	1 15 0	1 8 0	1 12 0	1 9 0
Bleached Long Cloth (per lb.) ..	43 8 0	38 0 0	39 0 0	36 8 0
Finlay High Society (per lb.) ..	26 8 0	27 0 0	29 0 0	27 0 0
Khatau voils (per yd.)	1 3 0	1 3 0	1 3 6	1 1 0
Jarilla cotton (per bale.)	550 0 0	465 0 0	454 0 0	464 0 0

In view of the report of the *Modern Review* stated elsewhere and a number of cases of nudum and suicide by women folks reported from Bengal and general scarcity of cloth experienced and high prices at which they

\* Quoted by Mr. M. P. Gandhi, p. 5, 1944 Annual.

† (Article in University Journal, July 1945).

‡ (Figures based on Harkisandas Lakhmidas' publication of January 1944.)

were sold and also in view of the demon of black markets still existing, the measures can be said to have achieved only partial success in the sense that the evils were checked and not destroyed.

The aims of the control measures were (i) to do away with the shadow of famine (ii) to rationalise production (iii) and have efficient and equitable distribution of cloth (iv) to ensure supply to the Government and to the consumers.

1. The famine condition did exist even after the control measures were in operation as is seen but a severe famine through out the country was partially averted. Exports continued to be in large quantities.

2. Rationalisation of production was introduced as late as in 1945 by introduction of the 'Utility Scheme'.

3. It did ensure sufficient supply to the government but it was rather at the cost of the consumers. So the consumers were not ensured the sufficient supply at all.

4. There could not be anything like efficient and equitable distribution of cloth. Rationing of cloth was rendered impossible owing to a number of varieties of cloth produced by Indian mills (5000 sorts).

5. A rapid decline in prices followed the control measures. In some cases it was much as 40 per cent. Minimum prices for 12 varieties were fixed; others to be fixed in relation to these twelve.

6. Production was accelerated and production costs were sought to be brought down by the timely control of prices for cotton particularly and bobbins, needles, stores, pickers, etc.

7. It was possible to unearth large hoarded stocks and cloth famine that once threatened the whole of India was not allowed to extend its jaws beyond Bengal.

8. Though the prices fixed were little higher in spite of quarterly revision and reduction, they were to some extent justified. If the ceiling prices were not sufficiently high to admit of a fair margin of profit for a below marginal unit (of normal times) in the industry and to allow them to provide for rehabilitation in the post-war periods, the aim of the Textile Control namely of maximization of production could not have been achieved.

9. The controls reduced the profiteering by the mill-owners but it did not affect the earnings of the industry to an appreciable extent till the year 1944-45

There were a number of causes that brought about only a partial success to the control measures. The mea-

asures as we have seen totally failed to protect the consumers from the clutches of the middlemen. Now hereafter it will be our endeavour to see the causes that brought about the failures.

### **Criticism of the Control Measures:**

Among many war time economic developments in India, perhaps the most curious was the sudden awakening of the Government of India in 1942-43 to the necessity for extension and intensification of economic controls. Total war of this type necessitates such comprehensive and fairly severe governmental controls over economic life.

It is not a matter of surprise for India, if the Government takes measures at the eleventh hour when the matter becomes either uncontrollable or has already been allowed to be a curse to the society for a fairly long period. We do not know how it came, but the new faith, that the economic controls are the most and the only efficacious remedy for our ailments—gained ground. The limit of control measures consequently were forgotten and irrespective of its efficacy or its repercussions, they were forced upon the business community, the industry and the people.

The application of economic controls requires three important considerations, the character of the substance to be controlled, the nature and degree of response to control and the efficiency of the measures or the procedure adopted for control.

The response, it should be noted, depends on co-operation and sympathy of the population regarding the objective and necessity of control and efficiency of the control measures depends on the administrative machinery evolved and operated for the purpose.

The question then arises—when is the widest public approval and cooperation available for working of controls; and when the administrative arrangements set up are well coordinated, impartial, equitable and free from corruption?

These conditions, which are essential for successful control measures in any direction at any place, are available when economy has reached a fairly high level of development of vigour. This in its turn depends upon the type of Government a country possesses. In a country with national government, it will be possible to have economy of such a high order.

Our examination of the nature of control measures in the foregoing pages leads us to the conclusion that many

of the necessary conditions for their successful operation are lacking and therefore too much store may not be laid by them.

**Absence of Co-operation from the public:**

Unfortunately economic controls worked in India have been essays in rigid governmental regulations and have therefore gone as far as such regulations without the backing of the widest public approval and support could go. A strong sense of heavy personal stake in victory which is necessary to bring out the best was practically absent in the people governed by an alien government. Mr. Vellodi's (the then Textile Commissioner) statement may be produced as an evidence of this fact. One advantage of cooperation would have been the extinction of corruption occasioned by these controls and the evasion would have been very much less with a vigilant and friendly people standing behind the Government. As far as the cloth control measures are concerned, the Government did obtain cooperation of industrialists naturally in exchange of actual protection of industrial interests throughout the period of control. This will be clear from the representation of the industrialists and that of the consumers on the Textile Control Board.

**Piecemeal measures:**

Indian control is formulated by introduction of a number of piecemeal measures. My interview with the prominent local millowners, Seth Vadilal Lallubhai, Seth Amritlal Hargovandas, Seth Ambalal Sarabhai and others revealed this fact. So the other notable features of economic control in India are that it has been a control without a comprehensive scope and control without coordination.

It has been a general experience of every person who goes in the bazaar that as soon as a commodity or a sort of cloth is brought under control, it will disappear from the market and will be obtainable in the black market only. So far as cloth control is concerned, only 12 varieties were controlled first, and the prices of other varieties were to be determined in relation to them e.g. formerly printed sarees were excluded from control hence they were available at exorbitantly high rates. When only some lines of production or a few commodities were covered by the control, the result was that violent repercussions were set up in the uncontrolled sectors which gravely undermined the efficacy of control itself.

In an interview with Seth Amritlal Hargovandas, B.A., LL.B., I was informed that they believed in the suc-

cess of control so far as its effect on the industry was concerned. It could not profiteer any longer. But it totally failed in its goal of protecting the consumers, because the middlemen successfully evaded the controls.

#### **Lack of Coordination:**

There were different units of administration, the Central Government, the Provincial Governments, the Indian States, and one may also add a number of districts whose activities were not properly co-ordinated. As in constitutional and other matters, even in controls, contradictory policies were followed, that made for the failure of the distribution scheme of the cloth control. So also Bengal was made to suffer by the mal and silly distribution by the League Ministry though sufficient cloth was supplied to the Province.

Another criticism that can be levied against all control measures is "economic control in India is a control without adequate data." Statistics is a mirror that reflects the real condition existing in the country, and without a proper insight in it, planning of production, consumption, prices or transport, is an impossibility. India is notorious for the dearth of statistical data. But our industry is saved from this criticism as good deal of statistics are compiled by the 'Millowners' Association of Bombay and other Government departments. Accurate and reliable statistical material is an indispensable preliminary for planning economic controls. Without that, control resolves itself into a leap in the dark.

Lastly an effective and administrative machinery was not provided to work out control measures successfully. We have got for all administrative purposes, the blessed I.C.S. who are criticised for their ignorance of public opinion and silly steps. This curse is still not removed though other intellectual civilians were employed during this time.

Examining the control measures of both the wars, we find that out of nothing India could have this type of organized control whatever might be its shortcomings. We hope that the experience of the World War Second will teach the future National Government to recognize the shortcomings before instituting such measures. We should not forget that mere National Government, as such does not mean the solution of all our economic problems. They will be there, but it will be easier for the Government to execute the measures due to the backing of the widest public approval and cooperation.

## CHAPTER IX.

### WAR-TIME PROBLEMS OF THE INDUSTRY

#### Preliminary

Control—Its peculiarity during the present war-production—Quality deteriorated—Shortage of dyes and chemicals—Substitutes tried—Shortage of machinery, machinetools and stores and substitutes tried—Problem of labour and allowances (in brief)—Coal shortage—Number of stoppages due to shortage of fuel and quantity of production lost—The allied problem of transport—The problem of taxation during the World War Second—Imposition of the Excess Profits Tax in time unlike the last war—The contribution of the industry—The difficulties created by them as pointed out by the Committee of the Bombay Millowners' Association—The theoretical aspect of the Excess Profits Taxation—Its pros and cons—Should it be removed?—Conclusion.

Every war demonstrates a number of problems, some of which have their tremendous repercussions on the otherwise bright future of the industry provided by the opportunities created by wars. This is the case with the cotton textile industry of India. Dependence of that industry on the foreign countries for regular supplies of dyes, chemicals, machinery, machine tools, and stores, technical labour etc., becomes at times, the fundamental factor, retarding the progress of the industry.

At this stage a question arises as to what would have been the position of India in the Globe, but for this economic and political slavery? There is not the least doubt about the fact that economically and politically free India would have been the greatest and the most powerful nation in the world considering its vast resources and industrial possibilities and its geographical situation. Each war fought outside her geographical boundaries, would have added to its wealth and prosperity. Even in the present situation as it is, but for the hitches created in her progress by the alien Government from time to time, India would not have been criticised to be a country which has lost opportunities.

We are not concerned in this study with innumerable problems created by the war which the poverty-stricken country with her hands tied, was required to face. We are, in fact, concerned with the problems required to be

faced by the Industrial India, particularly by the cotton textile industry of the country.

### World War Second

It has been declared by the belligerent countries that they fight to solve the problems—political or economic—but we do not know of any war that has solved these problems. On the contrary, every war has been the womb wherein a number of embryo of problems spring up. Economic, political and industrial life of a country will definitely be affected by one way or the other owing to them. The same was the case with our cotton textile industry which was required to face during the World War Second, problems, some of which were similar to the world war first and some peculiar. It was due to the fact that the second war was more expensive than the first. The second war was fought practically on the gates of India and it was during this war that India was made the supply base of many theatres of war. India's systems of expenditure and taxation, currency and exchange, banking and trade were put to a severe strain on account of the sacrifices she made for the victory of the cause for which the Empire and its allies fought. That is why need for reconstruction in her social and her economic and political institutions was urgently felt during and after the world war second.

As far as the cotton textile industry is concerned, the war created the problems which retarded the otherwise glorious progress and prosperity of the industry. Twenty-one years elapsed before the second world struggle broke out. Unfortunately for the industry, India was still deprived of her basic industries.

### Dyestuffs and Chemicals.

Table Showing Import of coal tar dyes.\*

	Quantity (000 lbs.)			Value in lakhs of Rs.		
	1940-41	1941-42	1942-48	1940-41	1941-42	1942-48
Alizarine .. ..	1155	1420	665	18	27	14
Congored .. ..	1091	799	298	17	15	7
Coupling dyes of the Naptual group ..	1437	1880	989	80	98	90
Vats .. .. .	1544	1510	628	172	182	128
Sulphur Block ..	3865	3062	1793	35	37	45
Others .. .. .	4238	5586	2193	133	145	114

\* See p. 201, foot-note.

Import from Germany and France was absolutely stopped after 1941 and that from other countries had a rapid decline as is seen above. It should be noted that imports from Japan totally stopped after 1942-43. As a result of this factor the price of dyestuff went very high. It was three to four times higher than the pre-war prices.

\* Imports of coal tar dyes.

	Quantity (000 lbs.)		
	1940-41	1941-42	1942-43
U.K. ..	2420	4170	3957
Germany ..	52	....	....
France ..	344	....	....
Switzerland	646	753	207
Japan ..	2005	705	62
U.S.A. ..	7230	5688	2293
Other countries	638	461	45

Figures of quantity are more representative than those of value which are inflated owing to increased war time prices. (Review of Trade of India 1942-43 Pub. 1945).

Chemicals :

(1) *China Clay* :—It is a necessary sizing and finishing material. It was released by the Government. (ii) Bleaching Powder and paste—some of the Indian factories produced it e.g. Dhrangandhra Chemical Works and other alkali works. Some mills manufactured bleaching liquor in liquid form by the help of electrolyser. (iii) Magnesium Chloride—Severe shortage was felt through. Calcium chloride was used as substitute. (iv) Zinc Chloride It was available though at higher prices.

(v and vi) Sago flour and Farina, Indian starch manufactured from wheat and maize was used by the Indian Mills. A number of factories cropped up in Northern India two big factories being in Ahmedabad district—The Anil Starch Works, and the Hindustan Colour and Chemical Company with the production capacity of 24 and 18-20 tons a day respectively. The starch produced was however considered to be upto the mark.

(vii) Soda Ash was Produced by Dhrangadhra Chemical Works. No substitute could be had. The rates were pretty high.

(viii) Tallow—Australian Mutton Tallow could be had with difficulty at inflated rates but inferior Indian tallow and Castor oil were used as substitutes. (ix) Epsom salt was available in sufficient quantities. (x) Caustic soda—the Imperial Chemical Industries distributed it in abundant quantity.

Import of Chemicals (in 000 lbs.)

1940-41	1941-42	1942-43
55599	54664	46729

Same was the case with chemicals which rose in prices but was supplied by I. C. I. in limited quantities. A number of substitutes were tried for various types of chemicals. One satisfactory aspect of the position of the chemicals, mill-works, machinery and stores was that the Government have not adopted the policy of Laissez faire in that respect.

Showing satisfaction to the situation, one of the prominent millowners said—“They are rigidly controlled by Government and obtained only by special lease orders issued by the control department. The Textile Control Board and the special committee have been assisting to a great extent in meeting the demand of the industry for particular type of the mill stores.

In a number of interviews with the responsible parties, it was found that dyestuff was available in a specified quantity from the Imperial Chemical Company according to quota fixed.\* It was also reported that the I.C.I. was handed over the distribution of huge amount of seized dyestuffs and chemicals. For the purpose of dyeing cloth needed for military purposes, vegetable dyes were used (manufactured from Myrabolan and other stuffs). It was also reported that deficit in foreign dyes could be procured from black market at exorbitant rates.

### Machinery & Mill work

The situation was little more severe during this time than it was in the last war. It was during this war period that machines and plants of particularly old Bombay mills are worn out owing to excessive pressure of operation. The mills were running double shifts to meet the excessive war demands for export markets. Imports became very difficult owing to impossibility of transshipment which was due to 'U' Boat and magnetic mine menace and also due to pre-

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#### \*Personal interviews :

(i) Shuttles and Bobbins were produced in India but the millowners were not satisfied. In their opinion hardly any Indian factory would survive the postwar period. The known factory in Gujarat is Metro Wood Works at Kalol and a few at Navsari but they are not on big scale.

(ii) Healds, Head-Cords, and Heald Warnish—English heald product had good reputation though Bombay has got some factories manufacturing them. Some of the English factories import the parts and do assembling work. They impress original brands, as it was complained by a local millowner.

(iii) Reeds—All were imported.

(iv) Pickers—Indian make was used and was found to be of good quality.

(v) Cotton driving ropes—Indian factories supply in sufficient quantities. Well known quality was 'M. Best Ropes.'

(vi) Roller skins—It was available in sufficient quantity.

(vii) Springs of all kinds—Tata manufactured them and was available insufficient quantities and about 75 local iron foundries helped in this regard.

(viii) Hoop iron and cotton rivets—Available here. The iron foundries helped in the manufacture.

(ix) Sprinkler parts—As it was not manufactured in India, shortage was felt.

(x) Leather, hair, and cotton belting—Not available here. American leather tasted. Shortage was felt.

(xi) Wine Filtering—Not available, imported from England.

(xii) Lubricating oil. Though it was imported from foreign countries, shortage was not felt.

The Textile Control Board helped the industry in procuring these materials through its committee meant for the purpose.

occupation of machine making industry for manufacturing munitions and armaments. Imports of machinery and mill work showed a decline from Rs. 1,371 lakhs to Rs. 1,053 lakhs in 1942-43.

	In lakhs of rupees.	
	1940-41	1942-43
Prime movers.	85	60
Boilers	36	43
Cotton machinery	137	183*

Whatever machinery that could be imported was insufficient considering the depreciation the old machinery had to undergo due to excessive work for a long period of six to seven years. In spite of the bitter experiences of the two great wars hardly any strides are made for the development of the machine tool industry in the country.

Even though the war is over, Lancashire is not in a position to export machinery of any large scale. It was reported that the Lancashire will take about two years to execute the orders. Moreover importation of machinery from America has been rendered difficult because the Reserve Bank is very conservative in releasing exchange. This attitude of the Government and the Bank was heavily criticised by public, politicians and the press.

The degree of difficulties experienced by the mills in procuring materials will be clear from the information received from a number of personal interviews stated on the previous page.

### Controls

The peculiar circumstances created by the World War Second and the consequent cloth famine in Northern India brought about a series of control measures after 1942-43. After the year 1940 and before the middle of 1943, the industry experienced unprecedented boom and earned huge profits owing to unchecked rise in prices. But after the middle of 1943, the controls on production and then on distribution imposed a check on the profiteering by the mills though the abnormal profits suffered a little set-back only in the year 1944. Nobody can deny the necessity of comprehensive control measures in war time economy of the country, but their continuance for a fairly long period do create problems and difficulties for the industry.\*\*

\* The increased figures are due to increased prices.

\*\* The measures are analysed in detail in the Chapter 'Scarcity and Controls' (Ch. VIII).

(1) Owing to control on varieties of products manufactured by introduction of schemes like Utility scheme, there is a shift in the sorts by the mills from finer to deteriorated types. The deterioration from finer cloth to lower quality—a recent development in industry—will be retained and it will be forced back to the coarser counts of the decades back. Consequently a set-back will be received by the industry. It will take time to equip the industry for finer cloth if once goodwill is lost.

(2) Owing to excessive pressure on machines for production of more and more piecegoods during the war period, the plants are worn out and deteriorated.

(3) The increasing production is likely to create dangers of over-production though at present the fear is considerably lessened because of the necessity of supply of cloth to various war-stricken countries including Japan and Burma.

(4) Normal channels of distribution have been practically upset by the control measures which are in no way desirable for the industry in future.

(5) Moreover the faulty distribution schemes and excessive exports by the Government have brought about discredit to the industry. It could survive in hard days owing to patriotic support of the people whose interests according to both the public and the press are betrayed by the industrialists during the war period.

It should be noted here that the industry cannot afford to lose the patriotic support of the people of India as it has to exist not on the tariff as such in future, but on the support of its own consumers.

### **Coal**

Concentration of coal in Bihar and Bengal is an important weakness of Indian economic system. This weakness became intolerable during the war period because large number of mills were required to be closed down owing to the shortage of either coal or that of wagons to bring coal. The demand for coal increased by leaps and bounds due to industrial tempo. While at that very time, the railway system had to meet heavy demands on account of the military and other traffic. Raising of coal is dependent on efficient labour. Serious reverses suffered by the allies in Burma created a panic in some parts of Bengal and Bihar. In Bihar because Bengal refused to supply rice, the staple food of the labourers who consequently began to migrate from the province. As a result of these factors the raising

went down from 29.5 million tons to 26 million tons. The prices of selected grade of coal increased from Rs. 5-4-0 per ton from April to Rs. 6-8-0 in November and Rs. 7/- in December 1942.\*

Owing to this situation, in March 1942, a Controller of Coal Distribution was appointed to take over the work of allotment of coal wagons from Chief Mining Engineer. Under the revised system of coal distribution which was subsequently adopted, Directors of Industries in different provinces were authorized to regulate the distribution of coal in their areas. Wagons were allowed to those who were recommended by the Director of Industries.

In spite of these steps taken by the Government, the mills had to be closed for shortage of fuel in 1945. In 1944, however, the situation was serious and it had already created serious troubles. The substitute of wood was utilized by them. The situation was however partially relieved later on.

Deploring this condition of the industry, Mr. Krishnaraj M. D. Thackersey stated as early as in October 1944: "The situation has considerably been worsened during the last month when during the cold weather the coal consumption in all the mills increased very greatly whereas about 60,000 tons of reasonable coal is barely sufficient to keep all mills to run in normal month, at least 90,000 tons of reasonable quality of coal per month is required to keep mills running during cold months from December to February. Last year mills were able during these critical months to draw considerably on their stocks but this year the stock level has fallen so low that this was not practicable. The loss of production during the month of December last is in the neighbourhood of 25 million yards which is the highest record. In the first place, the country is experiencing an acute shortage of consumers' goods including cloth. If proper facilities are not provided to feed markets with these goods in face of inflation which is moving at a quick pace, there is likely to occur a major economic crisis within the country. Secondly the closure of mills would mean diminution of demand for raw materials like cotton which, in turn, is bound to affect the interests of farmers. Last but not the least is the concern of the workers regarding unemployment that will be thrust upon them for no fault of theirs owing to lack of coal supplies. The situation is undoubtedly grave and unless urgent and drastic measures

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\* *The Review of Trade of India 1942-43*, p. 35.

are taken, I am afraid all our efforts to ensure satisfactory works of controls will be of no avail. I therefore submit in all sincerity to government that every effort should be made to rest on high priority basis immediate supplies to the mills either by stopping exports of coal, if they are still continuing, or by procuring more coal by any possible means."

The authorities themselves estimated the loss of production due to coal shortage in 17 months ended 28th February 1945 at 192 million yards which equalled to 2 per cent of the annual production of the industry. This clearly shows that there has been a very serious downfall in the programme of coal supply of the authorities themselves which alone amounted to about 246,000 tons. Moreover the stocks of coal with the mines had also been considerably reduced, compared with the previous 17 months which was of 141,000 tons. As a result of these factors, many mills in Sholapur, Ahmedabad, and other upcountry centres had to be closed down temporarily. Bombay was not affected as it depends upon Hydro Electric Power supply excepting that the holidays were staggered there. The number of stoppings in Ahmedabad owing to shortage of coal were as follows:—

Mill closed for scarcity of coal in Ahmedabad.  
 for 6 days from 9-1-45 to 14-1-45  
 for 6 days from 23-2-45 to 28-2-45  
 for 5 days from 1-4-45 to 5-4-45  
 for 6 days from 23-4-45 to 28-4-45  
 for 3 days from 24-6-45 to 26-6-45  
 for 4 days from 1-1-45 to 4-7-45  
 for 4 days from 23-7-45 to 26-7-46

Total.. 34 days.\*

These were the stoppings in spite of the revised coal programme for the year 1945-46 whereby in case of Ahmedabad monthly increase of 320 tons was given as compared to the year 1944-45. We may very well conclude that over and above the causes discussed above, lack of co-ordination between one Government department and another and inadequate planning are causes responsible for shortage of coal. This shortage created a peculiar and tough problem during the war. The situation was aggravated from the fact that when coal was available, wagons were not available, and when wagons were available, coal was not there.

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\* Compiled from various press reports.

## Transport

Requisition of a number of wagons, ships, loss of a good deal of tonnage owing to ever-increasing U boats and magnetic mine menace and consequent priorities and licenses were the fundamental problems relating to transport.

Consequently a dire need for wagons for procuring coal, raw cotton, and for distributing cloth to various deficit zones was felt. To meet this situation an officer was appointed, who was entrusted with the work of allocating wagons according to priority.

With a view to get revenue and reduce pressure on wagons, a number of surcharges were imposed as is seen from the fact that a surcharge of 25 per cent has been levied on all parcels, and priority and quota system was applied for allocation of wagons for transporting coal or raw cotton or manufactured cloth which is indeed a long and tedious process. The position was worsened after August 9, 1942 when there were derailments, strikes and a number of sabotages. These peculiar difficulties befell in the World War Second which have retarded the successful operation of economical factors, paralysing at the same time the stability of trade and commerce. As a result of these difficulties, however, the Bengal mills received a great fillip which could also share in the general prosperity of the industry.

## Labour

Fortunately for the industry, the labour was comparatively quiet throughout the war excepting after August 1942 when the millhands of Ahmedabad went on strike for a long period of three months and of other centres for shorter duration for political reason\*.

This quietness of the labour situation is ascribed to the increased dearness allowance and lucrative bonus paid to the millhands from the beginning of the war period. This will be clear from the fact that 96 per cent of the rise in the cost of living index number was repaid in Ahmedabad and about 75 per cent in island of Bombay. The maximum amount of Rs. 77 as dearness allowance having been paid in December, 1943, to the Ahmedabad millhands.

Little, however, was done to ameliorate social and economic conditions of millhands. Most of the dearness allowance received has been squandered away in wine and vices, so much so that irrespective of the satisfaction of their

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\* For a study in detail *vide* Chapter on "Labour Conditions during the Two Great Wars."

needs and provision for the future, they have finished with the whole of the dearness allowance. Thus it was complained by one of the millowners that "They have raised their standard of expenditure rather than that of living to such an extent that it will be impossible for them to keep the same in post-war period when they will not have the allowance."

It is reported that the lower efficiency of Indian Labour of pre-war days has further deteriorated owing to peculiar nature of Indian labourers who do not like to work efficiently when they get such a lucrative allowance. Consequently absenteeism has been increased. This creates sometimes serious problems of getting sufficient labour supply. This was a usual complain of the millowners during the present war\*. As against that it was reported by the Labour Association that the labourers were getting what they deserved and the grudges of the mill-owners were unwarranted because even in normal times, their standard of pay was less as compared to any civilised country of the world. If they get sufficient now then there should not be any ground for the millowners to grudge.

Apart from the scarcity of labour abnormally increased labour cost, the inefficiency of labour, deteriorated labour welfare activities were some of the problems related to labour which the industry was required to face.†

### Taxation

The problem of taxation relating to the industry was created by the imposition of the Excess Profits Tax right from the beginning of the war period. It is essentially a war measure as is clear from the fact that it strikes only the excess profits. It determines a particular base before the beginning of the war period, the gradation being advocated by economists on the ground of justice and equity. Because individuals as well as companies get a windfall profit as a result of the war for which the country has directly or indirectly to pay, it is justified if the state takes away large portion of such wind-fall gains.

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\* There might be some truth in this contention, but to me it seems that the cause of deterioration of Indian Labour during the war is different. What has actually happened is that many submarginal labourers have been recruited. Thus reducing the average efficiency of the old workers. This inefficiency is partly due to worn out machinery also.

† For a study in detail, *vide* Chapter on "Labour Conditions during the Two Great Wars."

If this tax is imposed in normal times, production will undoubtedly be affected. Even though there will be considerable strain on the profit earning capacity of the industry; it will be clear from the fact that out of the net profits revenue is so great and urgent that all considerations must be subordinated to this single purpose. Recognizing the importance of such measures during the war period, the industries affected did not oppose the measures. Accordingly the bill imposing Excess Profits Tax was passed in the year 1940. This tax is levied on excess profits in industry and business alone (a minimum of Rs. 36,000 accruing after 1st September 1939) leaving the profits of doctors, solicitors, accountants and insurance companies. The rate which was originally 50 per cent was raised to 66.2/3 per cent from 1941-42. In May 1943, the system of compulsory deposit with the Government to the tune of 13.1/3 per cent of the excess profit was introduced and this figure of compulsory deposit was raised to 19.1/62 per cent of the tax. If income and super taxes are added to this, practically the whole of 100 per cent of excess profit is thus taken away by the Government. This is why it has been aptly said that the industry has become tax-gatherers of Government.

It should be mentioned that the industry in Indian States was not similarly taxed and only the British Indian tax payer and cloth consumer were heavily pressed. This will be clear from the fact that out of the net profits of Ahmedabad mills during the five years ended 31st December 1944 amounting to 41 crores of rupees, 23.3 crores were paid by way of excess profits tax and 7 crores by way of income tax leaving a balance of Rs. 10.7 crores for reserves and dividends.\* As against this taxation in Indian States was insignificant.

It should also be noted that the provision of depreciation was allowed on a written down value of the plant for purpose of taxation as it was during the World War First. This measure would affect the industry very seriously if capital replacement is made at the enhanced cost ruling today.

Hardly any person can object to the imposition of such taxation measures but there is difference of opinion as to whether it should be continued in the post-war period.

The future taxation policy of the Central and Provincial Governments will react considerably on the future of the industry. The Government of India have not declared beyond a statement that the excess profits tax will end with

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\* Information gathered from personal interview.

the emergency that brought it into being. In spite of the statement it should be noted that no step has been taken to remove the excess profits tax, on the other hand, the sales tax and extra taxes will be necessary for reconstruction in the post-war period. To discuss this matter, the following representation was made in September, 1944 to the authorities by a committee of the Bombay Millowners' Association.\*

1. The expenditure to be incurred in recovering the industry to the post-war footing should be allowed as an expenditure and adjusted in the last excess profits tax assessment if such confusion took place within a reasonable period after the termination of the war or the removal of the excess profit tax whichever is later. Government's reply was that if during the excess profits tax chargeable accounting periods a mill that was converted from its pre-war state to the state necessary to meet the demands of war time conditions, were to be recovered to its further start, the cost of reconversion would be allowed as a revenue expense but that the question of expenses similarly incurred after the termination of the E.P.T. was a matter to be considered with many others when providing for the termination of the tax.

2. Mills had to defer until the end of the war repairs and renewals, which though due, could not be undertaken owing to resultant curtailment of production during the period of repair. In this connection, it has been stated that where an industry has set aside a special sum for repairs and renewals, that should be allowed as deduction for purposes of the E.P.T. even though it has not been utilized, on the understanding that if the amount has not been utilized within a reasonable time, it can be regarded as income in the last year of E.P.T. and assessed as such. To this suggestion of the committee, the Central Board of Revenue, had pointed out that deferred repairs were already provided for under S. 26(3) of the E.P.T. Act. The Government however evaded to give assurance to the effect that a claim for deferred repairs would be permitted.

3. The return of the industry from wartime production to a peacetime production may involve the scrapping of buildings and plant provided as a part of the war effort. The law already provided relief in respect of any loss incurred and it has been pointed out that the relief should not be

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\* Vide Bombay Millowners' Association Report—1944, p. 19.

confined to the cases where the equipment is actually scrapped but should also cover any loss of value in cases where equipment may continue in use by the Government.

4. Mills may hold at the end of the war stocks of various items which were carried at higher cost than will probably be justified by peacetime conditions. Stock of figures and valuations are carefully scrutinised by the Taxation Officer that they are not duly written off. It has been pointed out that if the valuation taken for the purpose of assessment in the last year of the Excess Profits Tax is not realised within reasonable period thereafter, the assessee could be given an opportunity for reopening the last E.P.T. assessment with a view to set off the losses arising from the drop in the valuation. Government noted the point but observed that its relevance depended upon the data to which the levy of E.P.T. was to be extended and the circumstances affecting the industry then obtaining.

5. The committee stated that the business might have debts owing to them from customers resident at present in enemy occupied territories. These debts had probably been written off as irrecoverable by the assessees but disallowed in their tax assessments on the ground that it was not yet definitely known that they were irrecoverable, and that any claim would be allowed when it had been finally ascertained that such debts were bad. The committee pointed out that these debts definitely referred to the period during the continuance of the E.P.T. Act. The Government stated that this provision was made in E.P.T. for the propose. E.P.T. was expected to be removed with the cessation of the war but in fact it has not been removed though the war is over since about 5 months. The Finance Member has stated in this connection that its removal will not make any material difference because income assessable to income tax will thereby increase. However, a welcome change in corporation tax has been introduced in the budget by which corporation tax is fixed at 3 annas in a rupee but profits not distributed as dividend and remaining in business are to be taxed at two annas. This is indeed a sound proposition which will help the industries of the country. The same should be the case with the provisions of the E.P.T. tax. Therein the authorities should allow the provision of a special depreciation allowance on the new buildings, plants and machinery. Such allowances have been granted in Great Britain. The then Finance Member accepting the need said in his last budget speech:—"Nevertheless we are con-

scious that restoration and expansion of the machinery of production will call for some new form of assistance and we feel that we are justified in adopting to Indian Conditions the measure of relief which has been announced in the United Kingdom. This will take the form of the grant of special depreciation allowance in respect of new buildings erected, and new plan and machinery installed after the 31st March, 1945. These allowances, will, in the year in which they are given, be an addition to the usual depreciation allowances. But the Government dropped the income tax amending bill which had in its text the above provision, because the Assembly rejected other portions of the bill. It showed with more emphasis that at present the fundamental problem related to the industry is that of replacement and extension. Owing to the pressure of the E.P.T. the industry has not been in a position to make provision for the future as it would have otherwise done. When a representation was made by the industrial interests, the Government declared that 13 per cent. compulsory deposit amount was sufficient for the purpose. In fact, in case of increased prices of equipment and machinery by about 2½ times more than pre-war prices, increased cost of labour and that of other factors of production, the provision can not be considered to be satisfactory.

Should the excess profits tax be removed?

Looking from the industrial interest of the country, the answer must be in the affirmative. Criticising the present policy of the Government, Sir Homi Mehta said "the unscientific and unimaginative policy of the Government of India has acted as a mile-stone around the neck of our industry. It did not allow the industries, especially the new ones, to build up adequate reserves, to meet peacetime conversion demands. The excess profits tax has been bitterly criticised by industrial and commercial interests without any results. Now, when the war is over, let me hope that it will be removed immediately so that the industry may get much needed relief in the immediate post-war period."\*

Arguments for its abolition:—

1. As it has been stated by Sir Homi Mehta in the foregoing paragraph, with the cessation of the war the need for increased public revenue is neither so great nor so urgent that all considerations must be subordinated to this

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\* *Commerce*, 18th October 1945 (Presidential speech to Estrela Batteries).

single purpose. In spite of all that is being said and done in the name of post-war planning and reconstruction, the necessity for the continued existence of an urgent measure like E.P.T. cannot be made out.

2. If this tax is continued, it will generate deterrent effect on production, because it strikes at the very root of the profit motive which alone acts as a fly-wheel of the capitalistic economy.

3. Viewing the problem from the theoretical aspect, the purpose of E. P. T. was to gather the excess of the prices constantly soaring up under the impulses of inflating prices over the lagging costs, and as inflation must disappear after the war, this gulf will also vanish and in this manner the E.P.T. will lose its function—speaking negatively of course. From the positive point of view, it is argued that E.P.T. is a tax on rent of ability. It arises because of the differential ability of the entrepreneurs.

As against this it has been argued by some economists that the negative aspect, as stated above, of the above-mentioned argument be nipped in the bud from the fact that the inflation has and will be continuing and if the taxation of this gap is regarded as worthwhile, the case of the continuance of E. P. T. cannot be argued against.

The argument that E.P.T. was levied in the wake of inflation is not correct as E.P.T. was introduced as early as 1940, while inflation was felt later on and its official admission was made as late as in 1944-45 budget when the Finance Member said "we have all become conscious of the danger of inflation." The most important reason being the government required additional money to finance the war. At the same time by preventing the profit to go in circulation, it was expected to arrest the tendency of prices to shoot up results in the post-war period.

As far as the effect of E. P. T. on efficiency is concerned it must be stated that with so many restrictions and difficulties, efficiency variation during the war would rarely be said to have been occurred so numerously as to seriously alter the pre-war efficiency. Finally, E.P.T. far from reducing efficiency gives an opportunity to producers to try certain efficiency schemes which might yield excellent results in the post-war period.

Some of the economists on the other hand state that abolition of E.P.T. will not increase production materially. The case for abolition of E.P.T. can be made out only if we

can show that production will increase if E.P.T. is abolished. Owing to utter absence of capital goods, production will not be increased even if E.P.T. is removed. There are other causes of arrested production during the transition period, e.g., lack of skill, absence of protection, control of capital issue and so forth. It is easy to understand that mere abolition of E. P. T. cannot remove any of the said defects, but at the same time there is genuine fear that an entire abolition of E. P. T. at the present juncture will accentuate inflation by placing large funds in the hands of the producers which in absence of any further investments will tend to push up prices of consumable articles.

These arguments in no way justify the continuance of E. P. T. in view of the greatness of problems of post-war extensions and replacements necessitated by excessive work extracted from already old plants; but in view of the above mentioned difficulties, we may conclude that if it is not removed in the interest of the country, at least it should be reduced materially and then gradually with a view to abolish it within a few years. As a preliminary step abolition of compulsory deposit is suggested and the rate of E.P.T. should be reduced to 40 per cent. This will allow the industry during the transition period to reap the harvest, which was not allowed during the war period, so as to make sufficient provision for complete replacement of the plants of the industry. During this time, all efforts should be made by the industrialists to procure capital goods necessary for their industry, and the Government should also take proper measures to deal with the problem of inflation with due consideration of ensuing severe depression. So far the Government does not take the vigilant attitude in that sphere; it deserves all criticisms and accusations. The E.P.T. might be required to be abolished earlier if.

- (i) Capital goods are produced earlier;
- (ii) or if the foreign goods are dumped in the market in which case due to severe competition the cause of E.P.T. namely excess profit will disappear.

This review of the problems faced by the industry brings us to the conclusion that every war, that is said to be fought for solution of problems, always created a series of new problems and complexities not merely in the case of the industry discussed but also relating to economic and political life of the world.

## CHAPTER X

### FUTURE OF THE COTTON TEXTILE INDUSTRY OF INDIA

We have made hitherto a study of the repercussions of the two great wars on the industry which is at present the biggest national industry having four hundred and six mills, over one crore spindles and two lakhs looms; with a capital investment of about fifty-two crores, employing about five lakhs of workers on day shift only including about one and a half lakh women and consuming about forty-one lakhs of bales of Indian cotton out of the total fifty lakhs.

The future of such a well-established industry more or less on its own merits cannot be said to be gloomy with due regard to the circumstances created by the war. Pointing out this Mr. M. K. Vellodi stated in his broadcast\* that ".....it was clothing not only the people of this country but of several countries in the Near and Middle East, Africa and Australia. This industry had also met the most exacting demands made on it by the requirements of the Defence forces not only in this country but in Egypt, Near and Middle East and Australia.† The Indian textile manufacturers could now compete in quality with the world's best. Indian Textile labour when properly trained was acknowledged to be the equal of any to be found in any other country...Looking at the future three facts appeared clearly to emerge—that war would end in a victory to the United Nations; that at the end of it a very large percentage of peoples of this world would require to be clothed; and that there would be left only three countries in the world capable of undertaking that gigantic task viz. U.K., U.S.A. and India. That India would be called upon to take her share in that work, was clear enough, but under what conditions she should do so were matters which should be the subject of constant and careful thought by all representatives of the industry.

The exigencies of war had placed within India's grasp certain overseas markets which to a large extent were catered for by other countries, including Japan and Germany. It seemed common sense that the industry should

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\* Dated 17th December 1943.

† The quality in fact is deteriorated.

attempt to retain those markets by a determined check on the quantity and quality of the goods that were now being laid in the councils of United Nations for the reconstruction of the world."

This is the optimistic view of the future of the industry. One more authoritative view on the future of the industry is necessary to consider before going to a detailed discussion of the problem.

Sir Vithal Chandavarkar, the president of the Mill-owners' Association, Bombay said,\* "Bearing in mind the fact that about 50 per cent of the cotton textile industry's productive capacity in the world has already been destroyed or will be seriously damaged before the end of the war, The United Kingdom, the U.S.A. and India, in collaboration with other nations of the world will probably have to formulate an international scheme of rationing of cloth, whereby these three countries would ration out their maximum output to European and Asian war-stricken areas. In fact, France had many of its textile mills left intact, and British textile interests supplied the required quantity through UNRRA to solve the supply problem of Europe. So India has hardly a chance to be called upon to supply cloth for Europe. But there are all possibilities of India being called upon to supply cloth for Far Eastern markets till Japan and China rehabilitate and reconstruct their own industries. But there also the Allied Governments were not unaware of this possibility, hence they have already made a move and appointed a Combined Production and Resources Board which was required to survey war-time and relief requirements and also the productive capacity of the U.K., U.S.A., and Canada."

#### REORGANISATION AND RATIONALIZATION:

The president stated, "I would, therefore, request individual millowners to consider even now two main questions. What would they produce in their factories when normality has been restored? 2. What equipment would they like to have to enable them to produce these goods? Broad questions of policy involving no conflict of interest will be backed by the Association and in this category may be included questions like—(a) development of export market (b) establishment in the country of auxiliary industries which would undertake the manufacturing of dyes,

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\* Bombay Millowners' Association 1944 Report.

chemicals and other types of millstores including, if possible, heavy machinery and research."

It is a regrettable feature in the industrial history of India that even after the Second World War India is still without machinetool, chemical and basic industries. One very important fact elicited in personal interviews is that the importance of rationalization, and establishment of the above mentioned industry in the country is realized by all. Though plans on the basis of the whole industry might not be forthcoming; a number of prominent mill-magnets both of Bombay and Ahmedabad have their plans for re-equipping and developing their individual mills. Services of experts from America especially are secured. American literature, discussing how to economise and eliminate waste in each and every stage of manufacture is studied. One of the most prominent of these experts is J. J. Berliner & Staff Technical Research Counsel, 212, Fifth Avenue, New York. They publish reports under caption "New Business Developments" which are fully illustrated with beautiful photographs. Some of the industrialists, particularly, at Bombay have employed the services of expert and experienced America-returned Engineers for the execution of the plans. Mr. M. Kankadri Rao's Indian Industrial Association at Bombay is one of the biggest firm advising on the matter of rationalization to individual industrialist. It was admitted by all the mill-magnets with whom I was fortunate enough to talk regarding the matter, that Rationalization as is being introduced at present is not to be wholesome or on any large scale. Nor do they wish to have it on a large scale as it will result in large scale displacement of labour which will be vehemently opposed by labour associations. At this rate it will take a good deal of time to install new machinery that may bring about large scale displacement of labour. The long standing need of machinery industry is severely felt in the post-war years when some sort of rationalization is necessitated. The Committee of the Bombay Millowners emphasised two points when this heated question of establishment of textile machinery manufacturing industry in India was discussed with a representative of the principal British Spinning machinery manufacturers. They were (a) the administration and control of the machinery making industry in India should be predominantly in the hands of the Indian Textile Industry, (b) and the capital should be subscribed by all mills in India. But nothing came out of it. Pointing out the financial difficulties likely to be faced in the

matter of replacement, the president stated,\* "Replacement and renewal of machinery in immediate post-war years and later on affords many serious difficulties. It is perfectly clear that when the war is over there will be a heavy demand for machinery from every part of the globe and prices will tend to rise to abnormal levels. According to my information machinery manufacturers have already on hand considerable volume of orders booked by them before the war but not completed and in addition certain countries are committed to a scheme of priorities dictated mainly by political necessities. In this view of the case, there is no likelihood of demands for machinery from India in the immediate post-war period being met as promptly as they should unless that demand is strongly backed by the Government of India."

This is the most authoritative statement in regard to possibility of re-equipment and expansion of the industry. Practically, all excepting a few in Bombay, Ahmedabad and Cawnpore, are mills equipped with old machineries. They too are practically worn out owing to their working to the fullest capacity since the war started. All these mills are in dire need of equipment which could be supplied either by U.K. or U.S.A. Personal interviews have revealed the fact that it will take no less than two years after the war to execute orders received by U.K.† In case of U.S.A. exchange available is only to the extent of 20 million dollars which is a very small amount considering the needs of the industry. As has been stated by the mill-owners' associations and the press, the Reserve Bank is very conservative in releasing the dollar exchange with a view to establish an artificial channelisation of trade with the ruling country. Now it is a well established fact that exchange control is the most effective instrument in the fight for market. It has replaced the tariff walls of the past. It is indeed difficult to conjecture the future policy of the government. It depends more upon the type of government we may have in the very near future—in view of the rapid political developments in the country. Here it could not be out of place to point out the attitude of Sir Shree Ram in the Central Cotton Committee favouring the purchase of scrapped out machineries from Lancashire. It should be a warning to all the millowners that it will not be possible for them to compete by running their

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\* Sir Vithal Chandavarkar's Presidential Address : 1944.

† This statement can be confirmed by the recent utterances of the Tata-Birla Mission and Sir Ardeshar Dalal.

factories with scrapped out machinery from Lancashire. Sir Joseph Kay strongly opposing Sir Shree Ram, stated, "I deprecate strongly the purchase of secondhand machinery for in that direction retrogression lies." He was equally opposed to indiscriminate expansion irrespective of post-war depression and demand position. This statement made by Sir Joseph clearly echoes the fear of many industrialists of ensuing depression after a few years. To deal with these serious problems confronting the country in general and the industry in particular a post-war reconstruction committee was appointed by the Government as early as in June, 1941. The matter was referred to the provincial governments. Accordingly a conference of the Bombay Millowners and other industrial interests was held. The government observed that the province of Bombay was likely to feel the shock of change-over of the economy more than the less industrialized provinces. However, nothing of importance was settled in the conference in view of the then uncertainty of the war situation. It concluded with, ".....these matters might be gone into when the end of the war was in sight." But now the war is over. Hence, it would be possible to foresee with some degree of accuracy the post-war problems.

First and foremost requirement of the industry will be to solve the problems created due to switch over from peacetime to wartime economy during the war period—as envisaged in a former chapter. Active co-operation of the Government is absolutely necessary to achieve the purpose. To make for the proper development of the industry the controls necessitated by the war emergency should be modified, to a considerable extent and subsequently abolished. Proper transport facilities for supply of coal and for distribution of cloth should be immediately provided. The prices of the cloth should be reduced, of course with due regard to the reduction of cost of production with the solution of the above mentioned problems. If these matters are not given due attention, the already discussed shift in location towards states will be a natural consequence.

#### **Industrial Relations:**

Throughout the war period owing to satisfaction of their demands for increased wages partially or wholly, labour has been comparatively not much troublesome. One very important development marked among labourers is

their awakening as to the political future of the country. With increasing literacy and increasing influence of the Congress, labour has shown strong political front in favour of the Country's demand for liberation. But within a few years after the post-war boom there is likely to follow a series of strikes on economic grounds when dearness allowance and bonus are withdrawn. In fact the employers are now expected to realize the strength of labour and they should adopt a more liberal attitude towards their workers than they have done in the past. Their antiquated idea that the industry is run for their own profit only irrespective of the considerations of the standard of living and housing of their workers should be done away with. It is absolutely necessary for ensuring smooth working conditions and establishing better industrial relations. It is idle to hope that low wages of former days and bad working conditions including absence of amenities of life, can be continued without breeding serious discontent among labour. Nevertheless it must be stated, that the industry as it is today, cannot make all these provisions single handed in view of the ensuing bad days. Proper contribution and co-operation from the government must be forthcoming before executing schemes of labour uplift and social insurance.

#### SHOULD THE INDUSTRY BE PROTECTED IN FUTURE?

In view of the difficulties expected in the period after post-war boom a very important problem that will affect the industry subsequently is whether the industry should be protected or not. The Tariff protection acquired by the industry expired on 31st March, 1944. The government has appointed a New Tariff Board to deal with the problem of protection.

There is found to be a serious conflict of producers' and consumers' interests on the question of protection to the industry. The plight of the cotton textile industry of the country during the depression was removed by the Tariff protection. Since then the consumers have been paying more than what they would have paid otherwise; with the aim of protecting the National Industry—in its hard days. The grounds on which generally an industry should be protected are as follows:—(1) The industry that is to be protected must be a new industry—or a basic industry. (2) Protection if given should not be for a long period. The industry must be given an opportunity to equip itself at the cost of consumers for a limited period.

If this is not the case a few will benefit at the cost of the millions. Moreover, before giving any protection it should be seen that it does not encourage lopsided development of industrialization of the country. It should give stimulus to well-balanced industrialization.

The Cotton Textile Industry of the country is an old and fairly well established industry. It has also been protected in its hard days for a long period of about 12 years. Now one cannot ask the consumers to sacrifice as one of the prominent author on the subject has done, in view of the utter failure of the industry to clothe them in time of their needs. "It is the paramount duty of the people of India, even at a sacrifice to enable the full development of the industry"\* says Mr. Gandhi. The industry in fact should have rationalized itself sufficiently well during the period of protection by taking collective action; and should have acquired competitive ability. But the industry has not done so. After all, there must be some limit of exploiting patriotic support of the consumers—in its own interests. Free trade policy as far as manufacturers are concerned is advocated also on the ground that the industry has to capture and retain its markets. In this connection the free trade policy adopted by England in 19th Century may be well studied by the industrialists. It was the time when England wished to capture and retain the world market. So also an inclination to free trade in regard to cotton manufacturers will help the industry provided of course the industrialists rationalize the industry so as to equip itself sufficiently well to compete with other countries in foreign markets. As far as home market is concerned there is no fear of foreign competition in the immediate future. In later days it cannot count upon protection of the type it procured, but it can and should count upon the patriotic protection of the industry voluntarily given by the consumers. In fact, it must be admitted that the government and the industry have totally failed to keep up the goodwill and patriotic support. Still, however, as public memory is short, it will not be an exaggerating statement that the industry can very well hope patriotic support—voluntarily given by the country-men.

The cordial relations of the industry and handloom industry should be maintained. As it was pointed out by Sir M. Vishweshwarayya that the industry should try not to cripple the handloom industry with its many-fold facilities and ability; but should try to march hand in hand

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\* *Vide* Mr. M. P. Gandhi in Cotton Textile Annual.

with it. A compromise of the industrial and village economy is the only solution of many-sided economic problems of the country.

In future, I see well-clothed and well-housed teeming millions of India working in her industries—textile and many others; and her factories dotted all over her surface along the banks of her mighty and majestic rivers and along its sea-washed shores. I see the Indian fabrics once more coveted in the distant markets of the globe.

In conclusion, politically free in its real sense to shape her political and economic destiny, encouraged and guided by the national state, served by her teeming millions with energy and enthusiasm, modern India will enter an era of industrial renaissance, modified by her spiritual culture and of material civilisation surrounded by the halo of her glorious past. May I close with the words of a poet and seer?.....

“Me thinks I see in my mind a noble and  
puissant nation rousing herself like  
a strong man after sleep and  
shaking her invincible locks.”

## PART II

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### CHAPTER XI ORGANISATION

Preliminary—Promotion—Management—Selling Organisation of the industry in India—Organisation of the industry abroad.

Organisation of a modern industrial concern is a steel job. Two important factors are connected with the flotation of an industrial concern:

- (i) Assembly of all the factors of production, and
- (ii) Providing adequate finance for the future.

This requires efficient leadership and high ability. Dr. P. S. Lokanathan has rightly pointed out that a country with high ability but without materials will make greater progress than a country with resources but without entrepreneurial ability. Case of Japan and England may be sighted as illustrations.

Neither Germany nor other European countries had the resources of U.S.A. or India, still they progressed magnificently.

Method of floatation of Industrial Corporations in Western Countries:—

In Western countries the proposition for a new industry may be brought forward by a scientist or a professor. These are generally the persons without resources. They put forward their plan before the capitalists, issuing houses or banks. If the latter are interested in the plan, they will put the plan to a minute scrutiny. Sometimes a syndicate is formed to undertake all these functions. Then they go through the process of assembling of the requisite resources of the industry. The man who hits upon the idea is given some high post in the industry or a share in the profit; but the industry will work under a syndicate or as a Corporation with legal entity. The financial and managerial control is concentrated in the hands of the bankers or the capitalists concerned. They are called the promoters.

These experts undertake the preliminary work of bringing into existence of the whole Company. In England and America the work of floatation of the Company is undertaken by these promoters. They are believed to have an intimate and upto date knowledge of money market and investors. After they collect necessary subscription they make over the Company to the Directors.

In India all these functions are undertaken by the Managing Agent himself. There is no professional Company promoter specialised in the line. Joint stock companies are floated and largely financed by the Managing Agents, who undertake the combined functions of the promoters and Managing Directors.

### **Managing Agency System in India:**

The exact date of the commencement of this system is not known. It is supposed that it was started after 1813. After the abolition of monopoly of East India Company, a number of Companies were floated in England to conduct "Import and Export" business with India. But the British merchants were not prepared to settle in India—hence, they opened Agency Houses, later on known as Agency Firms under the direction of experienced retired company officials. These persons were known as Managing Agents.

Gradually the capital passed into the hands of Indians in spite of careful attention of the Britishers. In Western India, the cotton Textile Industry made its headway with Indian capital but with the same type of organisation.

Until 1913 the Company Law did not require the formation of a Board of Directors. Hence, the public Limited Companies were more or less under a dictatorial management. But according to the amendment every Joint Stock Company has to be provided with a Board of Directors. Such a Board was, in fact, 'Dummy Board of Directors' as the policies of the Corporation were governed by the Managing Agent himself alone. Moreover this contract made him a perpetual Agent and his successor also had the perpetual Agency. The members of the Board were generally the members of his own family. After the Act 1936 a type of "Controlled Managing Agency System" is existing in this country.

As the Indian Cotton Textile Industry is largely run by the Managing Agents, it will not be out of place to examine their case.

There are no two opinions about their rising to the occasion and undertaking an extremely difficult task of spade work which is essential before building up an Industrial structure of a country. The public at large is thus saved from the financial burden that would befall in case of a failure of an enterprise. In our country, the Managing Agents being largely interested in the Corporation, they are extremely cautious before undertaking any proposi-

tion. This has saved the country from economic crisis arising out of the formation of bubble Companies which was a very important feature of England and America during 19th Century. Looking from the point of view of industrial economics, the Managing Agency system gives rise to an integration of industries and advantages of vertical and horizontal combination of processes.

#### **Charges against the Managing Agents with special reference to the Cotton Industry:**

Only a few Managing Agents have knowledge of working of a Cotton Mill. Hence, the want of proper qualifications and general knowledge of industrial economics is the fundamental cause of inefficient working and increase in closing down or changing hands of a number of mills.

The Managing Agents receive deposits from their friends and relatives for a period running from three months to twelve months. This is chiefly resorted to whenever sufficient money is not obtainable from the banks against the available securities. The value of interest given for such loans to the depositors or to themselves are sometimes fancy.

Interlocking of directorate and interlocking of funds are usual features of Indian Mills. The Managing Agent may be, besides being a mill agent, a broker, a commission agent, an insurance agent, a merchant, a share supplier, a proprietor of ginning factories, foundries and workshops. At every stage, he charges his commission and makes very lucrative profit.

\*The Indian Tariff Board of 1927 points out 'owing to the multiplicity of their other interests and the situation of their offices at a distance from the mills, the Managing Agents are not in as close touch with the mills as is desirable.' In Ahmedabad, however, the offices are on the mill premises and their constant attendance at the mill enables them to keep that close watch on incomings and outgoings which is essential if costs of production are to be kept down to the lowest possible limit and also to maintain close contact with prospective customers and to make arrangements for manufacture to suit their requirements."

The system of remuneration in force was also criticised. In some mills in Bombay and Ahmedabad, commission was paid on production and sales, which sometimes resulted into overproduction and disregard of market condition before production. It is obvious that, in a year of

\* Report "Indian Tariff Board of 1927", page 86.

prosperity, the commission on profits or on sales exceeds that on production, but that in a year of depression the commission on profit must be considerably less than that on sales or on production. It was advocated by the Tariff Board that the uniform system of commission on profit should be allowed. The Company Law (Amendment) Act of 1936 has incorporated this provision.

It was also criticised that both in Bombay and in Ahmedabad few of the directors took an active interest in the affairs of the mills. Very few of them had any technical knowledge or qualifications about the industry.

\*Out of 175 directors of the mills in Bombay only eleven had received practical training. This defect continues even now.

It was severely criticised that Managing Agency in Ahmedabad passed from father to the son in inheritance. This introduced inefficiency in the running of the mills. It was advocated that this hereditary system of Managing Agency, in spite of certain definite advantages, must be discouraged. The Company Law Amendment Act has laid down its limit to twenty years. But the law is evaded by securing majority of votes by the Managing Agents.

It was also alleged that speculative purchases of cotton were frequently made by Managing Agents and that if these resulted in a loss, it was passed on to the mill, whereas, if profit was realised on the transactions, it was retained by the Agent. It was further criticised that he received commission on purchase of cotton, yarn, mill-stores, coal and liquid fuel as well as on sales of cotton, yarn, piece-goods and on insurance premium. In short, the Board pointed out that 'stimulus to efficiency is removed by the fact that, whatever the position of the mill, the Managing Agent is sure of a profit on transactions connected with it.'

It was further alleged that the surplus funds of the mills in Ahmedabad were kept with the shroffs who were either the Managing Agents themselves or their relatives. This practice involves risk if the financial position of the shroff is weakened due to any crisis. It also indirectly encourages interlocking of funds. Maintenance of weaker sister concerns by the strong concerns was rampant in Ahmedabad and in some mills in Bombay. The interlocking of funds is always dangerous. The defect was attacked

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\* *Vide*: "Bombay Industries: The Cotton Mills" by Mr. S. M. Ratnagar.

by the Company Law Amendment Act by which giving of such loans is restricted.

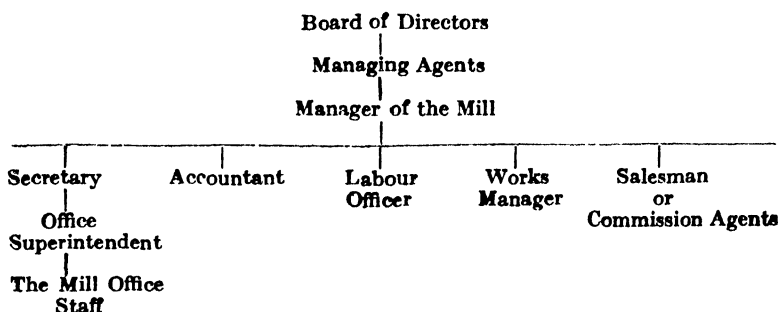
We have discussed above in detail the glaring defects in our organisation. In due consideration of the importance of this system in industrial organisation owing to many-fold functions undertaken by it viz., pioneering, promoting, financing and carrying out the complex internal and external organisation of the mills, I may venture to suggest that no curative measures should be taken by destroying the system as such. Paliative legislative measures will remove the defects.

When the National Government determines to destroy present capitalist economic society, the Managing Agency system may be destroyed. But so far as the present Government policy as laid down by Sir Shanmukham Chetty, the Finance Minister, is concerned, the system is to survive and to a certain extent be stimulated.

Personally I agree with this policy in view of the fact that a strong industrial base shall have to be built up for strengthening economic and political life of independent India.

Till the Government is young enough to undertake the responsibilities of the industrial structure of the country—early nationalisation will prove harmful both to the industry as well as the Government which is faced with a number of insoluble burning problems.

INTERNAL ORGANISATION



The Board of Directors consists of members appointed by the body of shareholders. The fountain head of the Company is the Managing Agent. He keeps control over the whole organisation through the Manager. The Manager in his turn keeps touch with Departmental Heads. It should be noted here that efficiency of the Mill-Manager

helps a great deal in making the fortune of the Corporation and its absence in marring it. The Managing Agent, who is the pivot of the industry, watches production, its quality and efficiency. The Office-routine, litigation, statistical department and economic research are under the control and responsibility of a Secretary.

As was recommended by the Tariff Board, now the mills are engaging Labour Officers. The enlightened industrialists have realised fully well the seriousness of labour troubles. That is why labour relation officers are appointed in all the important mills. A special training class is conducted by the Bombay Millowners' Association under the able guidance of Mr. Gokhale—the Labour Officer of the Association.

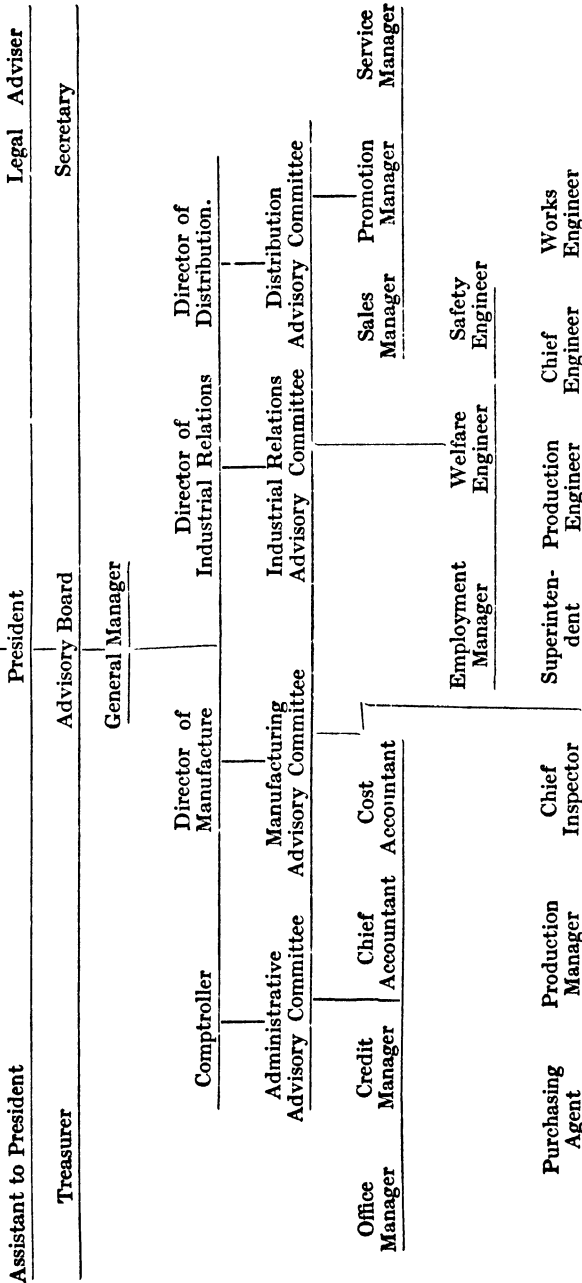
Want of proper allocation of functions and division of labour in every stage of organization of modern Industrial Concern results in chaos, mismanagement and ultimate failure.

A chart of an Ideal Organization of a Corporation is shown on the next page.

### **Organisation of the Selling Department**

The work of distribution of cloth and yarn is peculiar in this country. It is a rule in majority of Indian mills to appoint Commission Agent. He is more or less a broker securing market for the mill. His functions are many-fold. Personal credit is extended to the Arthiyas or these Commission Agents. When cloth or yarn are sold on credit, the arthiyas are required to keep up deposits ranging from Rs. 50,000 to lakhs of rupees. This huge amount of deposits serve indirectly a source of finance to the industry. The Commission Agents have got their own shops in cloth markets. The mills first despatch all the packed bales to such big cloth markets and from the markets they are despatched to the dealers in different parts of the country. The commission Agent will be required to pay deposit before the delivery order is given by the mill Manager. Such a Commission Agent is also called "Del Creder Agent" as in consideration of some additional commission he guarantees the payment of price by the purchasers. The bales are delivered at the sight of 14 days to the dealers. The Commission Agent is solely responsible for the repayment of the debt. The Commission Agent besides being paid his remuneration in form of commission receives interest on the amount of the deposit at a fixed rate.

**AN IDEAL ORGANISATION**  
**STOCKHOLDERS OR SHAREHOLDERS**  
**CHAIRMAN OF BOARD OF DIRECTORS**



*Vide Smith's "Economics".*

It would be noted that the whole selling organisation is completely uprooted due to the Textile Control orders introduced during the war period. In Ahmedabad, however, the Maskati Kapad Market is recognized as a **Channel** of distribution of cloth to the licensed dealers.

It is only a rare occasion that sale of considerable quantity takes place on indent basis.

As far as our country is concerned the method of costing and selling cloth is prevalent in some place. Cloth is sold not by measurement but by weight. Consequently the ignorant native dealers go in for the coarser yarns and they dislike to purchase finer and lighter cloth or yarn.

The method followed in all the cloth manufacturing countries is through the resident agent, or travelling agent (or the Salesmen) who serve as intermediary between the manufacturers and the local dealers.

It goes without saying that the entire success or failure of the organisation will depend upon the working of these agents. They are the persons who suggest changes in design and coming changes in fashion. To be up-to-date in the market and to stand against the competition of efficient mills, new and fashionable designs must be introduced occasionally.

It is equally important that the mill cannot go on manufacturing for a long time-fabrics which are not remunerative. But before withdrawing unremunerative lines, proper means of reducing cost of production must be undertaken.

The seasonal demands of dhoties and sarees must be given a special attention by the manufacturer. He may be advised to slow down production in the months of April, May and June as cloth market is slack during May, June and July excepting in exceptional circumstances as they are prevalent at present.

#### **Organisation in U.K., U.S.A., Japan and U.S.S.R.**

The individual characteristics of the organisation in U.S.A., U.K., Japan and India may be briefly stated as follows: It should be noted that details about U.S.S.R. are not available.

The textile industries of the U.S.A., U.K., and India had developed special characteristics of their own. During this war they became apparent. In the U.S.A. the different units of the industry have developed along particular specialised lines, each unit having its own spinning and weaving sections. In the U.K. it is well-known that the indus-

try has developed horizontally. Different units are engaged for spinning, weaving, processing, finishing, and mercerising. In India, most of the units have spinning weaving and processing departments. In U.S.A. mills work on the method of bulk production. Plant and the product are standardised. Each unit specialises on a few varieties of yarn and thus bulk and economical production is made possible. Standardization is not prevalent in England and India. The Government tried to rationalize production by control of production order in June, 1945 with no result. Mr. Vadilal Lallubhai Mehta, M.L.A. (Central), a prominent millowner of Ahmedabad advocated the scheme of coarse-cloth for standardizing and increasing production by manipulation of reeds and picks. In practice it is found that the scheme has not borne the fruits expected.

In Japan, spinning side of the industry is highly concentrated in the hands of a few big firms which are united together in an effective cartel, the Japan Cotton Spinners' Association. In weaving there are a large number of small factories. There are, however, a few big factories joined to the spinning mills. The latter are under the control of the Japan Cotton Spinners' Association; and the former under the Japan Federation of Export Cotton Tissue Trade Association.

The Japan Federation of Cotton Tissue Manufacturers' Association controls a large section of the small and medium sized factories. Spinning Industry is highly centralised. About ten companies control 85 per cent. of spindles and 88 per cent. of yarn output.

In case of Russia the industry has taken a centralised form after 1910 onward. After the Socialist Republic was established the state owns the industry. The country, owing to its peculiar Geographical situation, has developed a type of self-sufficient economy. Just before the war Russia occupied fourth position in production of cloth. U.S.A. having produced 8,360 million yards, India 4130 (excluding handloom) million yards, Japan 4,000 million yards and U.S.S.R. 3,670 million yards in the year 1937-38.

## CHAPTER XII

### COTTON MILL IN OPERATION

We have studied the importance of the industry in the industrial structure of our country in the Part First.

It will be interesting to study the operation of a textile mill. A visit to a first class modern Textile Mill will give the following impression.

The two fundamental processes are that of Spinning and Weaving; all others are expansions. With the complexities of modern industrial concerns, more and more specialisation of processes has come in.

#### **Cotton arrives:**

The raw cotton arrives compressed into bales in the industrial centres like Ahmedabad and Bombay from Ginning factories situated near about cotton tracks. An Indian bale weighs about 400 lbs. and an Egyptian about 750 lbs. This baled cotton contains many impurities. So the first process is that of breaking up the bale and cleaning the cotton. For this purpose the use of machines named "bale-breaking machine" is made.

#### **Mixing:**

Cotton from different sources is then mixed together according to the directions given by the Spinning Master. From the bale-breaker, the cotton passes into another machine called an "opener," scutcher and finally through a "Finisher-scutcher." These machines break up the matted cotton fibres, and remove seeds, sand and impurities. The cotton that comes out of these machines is refined sheet of cotton wool of even thickness. From between the rollers the sheet passes slowly, and it is wound upon a roller.

#### **Carding:**

The next process is that of carding. The parts of the Carding machines are rollers which pass the fleece of lap against a large cylinder covered with fine metal teeth. The lap passes on to a small cylinder from the large cylinder, Finally it is combed off by an oscillating comb. The cotton wrapped on the cylinder then becomes a semi-transparent veil of white cotton. In this the fibres are visible lengthwise and parallel to each other. At the end of the machine,

the sheet is gathered up into a flat riband of soft cotton wool. The sheet is deposited in coils round an upright receiver of metal.

When fine counts of yarn is to be manufactured, three other machines are made use of. They are "Silver Lap" machine, "Ribbon Lap" machine and refined "Comber" machine with fine needles. With the help of these machines the fibres are made more parallel and broken fibres are removed.

From the carding machines and combers, the silvery cotton fleece is sent to the receivers in the "Drawing Frame." The object of the drawing frame is to convert it from a thick tape into thin thread and to introduce more parallelism in the fibres. The slivers are then passed through rollers and a number of slivers are combined into one. Six to eight slivers are combined into one with a view to introduce uniformity in thickness. This important work is undertaken by "Slubbing" and "Roving" machines. All the time thinner cord of cotton is drawn out by sets of revolving rollers. The arrangement is that the second set of rollers revolves more rapidly than the first and the third set more rapidly than the second and so on. The material is wound upon bobbins. The process is repeated in intermediate machine. Finally the uniform rope of silvery refined cotton is prepared in the roving frame. This is the end of the first stage. The rope is now ready for spinning into yarn.

### **Spinning:**

The process of spinning is carried out with the help of the ring spindles or automatic mule frame or both. They were invented by Ark Wright and Crompton. The ring frame does the work of continuous spinning and winding. This machine consists of three pairs of rollers through which the cotton "Rope" passes. The spindles installed revolves at the speed of 5,000 to 10,000 times per minute. Each spindle carries with it a bobbin to receive the spun yarn. The rapid revolution of the bobbin spindles gives twists to the cotton fibres as they get out from the rollers so that strong threads may be manufactured.

In "Mule frame" the cotton cord is passed between rollers of increasing speed. The spindles are arranged on a carriage named "travelling carriage" which moves outwards away from the delivery rollers to a distance of 5 to 5½ feet. During this time the spindles revolve at a speed of 9,000 revolutions per minute without winding up the yarn. The spindles continue to revolve

and give twists to the yarn when the travelling covers up the distance of 5 to 5½ feet. Then the carriage comes back, when the spindles continue to revolve slowly and wind up the yarn which was properly twisted during the outward move of the carrier. A mule is about 120 feet long and sometimes has 1,200-1,300 spindles. Such a mule frame can spin about four to five thousand miles in a day.

In recent times a development is made in spinning for manufacturing "doubled yarns." This is done by twisting two or more yarn threads together. The method of "doubling" is used for manufacturing "Fancy Yarn" in different mixed colours.

#### **Gassing:**

The yarn is passed through gas flame with a view to make the yarn extremely smooth. The process of Gassing removes small irregularities in the yarn. The yarn is made to pass at a great velocity in the process.

#### **Mercerising:**

For undertaking the process of mercerisation use of alkalis like Caustic Soda is made. The process of mercerising was discovered by John Mercer a Lancashire Bobbin winder in the middle of nineteenth century. He was the first person who invented the effect of caustic soda on cotton yarn. Yarn is subjected to the process of mercerising whilst it is being stretched. It is made to pass through a strong solution of caustic soda whilst it is being stretched. The combined process of stretching and making it to pass through the solution gives the cloth a silky appearance. The experts in the industries have opined that Egyptian cotton yarn has better effect of mercerising than American cotton.

#### **Bleaching:**

This process is done with the help of Chlorine and water. In the process, the yarn is boiled with water so that impurities soluble in water may be removed. In the next operation the yarn is boiled in a bath of milk of lime. The process is called "lime-boil". Then it is washed in water. Then a bath of dilute acid is given which has the effect of neutralising the lime-substance lying in yarn. Then it is boiled in Caustic Soda and soap. Now the yarn is ready for chlorine process". There a thorough soaking of yarn is made in a solution of bleaching powder. Then the yarn is given a dilute acid bath which has the effect of setting free chlorine which does the bleaching work in the

presence of water. Then the yarn is washed in water and dried.

### **Dyeing & Printing:**

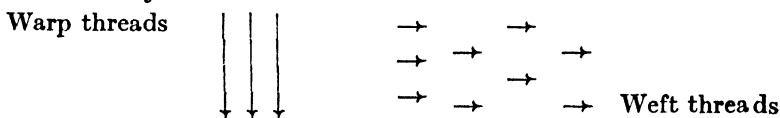
When the process of dyeing is applied to yarn . . . it is generally Warp Dyeing. Firstly yarn is arranged like a long even rope with its threads straight and parallel. Such a rope sometimes covers about 1,000 yds. of yarn. The warp after it is boiled, is drawn slowly through the tanks of dye liquor and then over rollers. Here the yarn is squeezed, washed and dried. The dye colours are of various types. They are generally accompanied with inordants like iron salts, chloride of tin, potassium bichromate, chromium acebate, tannic acid and others. In recent times patterns are printed on the warp. The process of dyeing is done with the help of copper roller or other roller on the beam. In the case of beam dyeing, the dye liquid is slowly drawn through the wound yarn. Mechanical arrangements are made to facilitate the rough and uniform penetration of the dye liquid. The four chemical processes of gassing, mercerising, bleaching and dyeing are generally applied to the manufactured cloth. The grey cloth may be mercerised or bleached or printed. Some firms specialise in dyeing piece goods only. While others specialise in warp dyeing only. Occasionally dyeing is done in the raw cotton stage.

Let us proceed with the question as to how cloth is manufactured out of this spun, mercerised, dyed and printed yarn. Yarn is now ready to be treated as warp and weft. The warp has to stand against heavy strain, hence stronger yarn is required for the warp than for the weft. The Weaving Master will have to determine the relative strength of the two yarns so that one may not wear away the other. The yarn for the warp has to go through the process of "beam warping". In this process a definite number of threads are wound up on to a beam or roller. Then the warper beams are taken together and the threads are unwound so that they may pass through a sizing machine. The object to pass them through sizing machine is to make them weave better and strengthen them. The process also imparts it a peculiar smoothness which is preferred in the trade. Various sizing materials are used for the process—starch made out of maize or wheat, sago, flour, farina, rasins, natural gums, tallow, fats, wax, zinc, chloride, magnesium chloride, Epsom Salts, Salicylic acid,

Boric acid, china clay, pectin and other substances of the like nature. A variety of mixture is produced out of them. The threads then pass forward over hot big round cylinders and are finally wound on the weavers' beams.

### Weaving:

The process of weaving consists of crossing or interlacing one set of threads with the others. The warp threads are to be crossed at right angles with the weft threads. The warp threads run from top to bottom as follows and the weft threads run crossing the warps at right angles horizontally.



It should be noted that in simple weaving with the help of shuttles the weft thread passes below the lifted warp threads in the first line at the interval of every odd numbers; and over the even numbers of the warp threads.

In the next weft row, it passes under the even numbers and over the odd numbers of the warp threads. This is the principle followed in case of all other rows of weft.

The "Shedding" operation is done by means of shafts of healds which are lifted alternately by a mechanical device. The next operation is that of passing the weft shuttle through the shed from one side of the warp to the other. This passage of shuttle is called pick and the operation 'picking'. The shuttle goes on the first weft line passing below and over the warp threads alternately as discussed above. While returning it passes through the warp lines over and below as against the first case.

This operation is also carried out mechanically. For it the picking rod with a flexible band and 'picker' is used for sending the shuttle from one side to the other. The other important operation is to 'beat up' the picks of weft close together. The closeness of warp and weft will vary according to the different kinds of cloth.

These three important operations must be carefully carried out and properly adjusted. Otherwise the loom will not weave. A modern power loom is capable of keeping this adjustment. A modern power loom is a most carefully made and delicately balanced machine.

In the plain, simple weave, as discussed above, the threads lift alternately. This requires only two shafts or

rows of healds. By increasing the number of shafts and arranging a mechanical device to lift them in other order, other effects will follow. Thus, by using four heald shafts it is possible to raise or lower the warp threads in progression. This process gives what is called twill effect. One may increase the number of shafts for producing greater variety. Closeness of warp threads or weft threads gives different varieties. By using warp threads of different colours different designs can be had. The loom may have two warp beams whose warp threads pass through heads and furnish the groundwork of the woven cloth. If one of these beams is subject to greater tension than the other, there will be in the cloth an alternation of warp threads, some of which are tight and some of which are slack. These effects may be multiplied and different varieties of goods can be woven by using more than two shafts and lifting picks and leaving them at different intervals.

It should be noted at this stage that for working more than 10 shafts, use of an "Engine" called a "Dobby", is made. Sometimes the use of "Jacquard Loom" is made. Every heald lifts independently instead of in whole rows or shafts as in the plain looms, twill motions and dobbies. These looms produce various patterns. In addition to this, differences in warp and weft also help to make out varied products. With the use of modern power looms there is no end of variety that can be produced.

In automatic looms weft is automatically renewed in the event of breakage or exhaustion. Neither the loom is stopped nor any attention of the weaver is required. The whole process is mechanical. The looms of this type are divided in to two parts; weft-changing looms and shuttle changing looms. In weft-changing loom, when the weft becomes broken or exhausted, the bobbin or the cop is ejected and another is inserted when weft fails. The process in both the types of machines is automatic, but the operation of both the types of machines is entirely different.

In America and Japan these looms are in vogue. In some mills twenty to twenty five looms are attended by one weaver as against only two ordinary looms by him.

The most popular automatic loom is Northrop loom. Experiments for its installation were made right from second decade. But even at present they are not found installed in considerable numbers in India. This is because the initial cost of the Northrop loom is very heavy as com-

pared with that of an ordinary loom. The advantage on the other hand of the use of such looms is that, cloth manufactured in them is more uniform in quality than that turned out on the ordinary loom. But the production is in no way higher from quantitative point of view. There will of course be economy of labour cost. In America, one operative attends from 20 to 24 of these looms against 8 to 10 ordinary looms. In case of Madras six looms could be looked after by one operative. In spite of this the balance is in favour of the ordinary looms.

Moreover the Northrop loom requires a stronger warp yarn as well as the winding of the yarn used for weft on special pirns. This will require better quality of cotton and hence more cost. Neither the automatic looms nor the ordinary looms with automatic attachment can be used for the production of dhoties or saris owing to the large number of headings required. This is the reason why automatic looms have not found favour with Indian mills.

### **Finishing and Printing**

After the cloth is woven, it is sent to finishing and calico printing departments. In early days calico printing was done by hand-blocks, but in the days of inventions; rollers were invented by which printing was done. In this process cloth runs round a large cylinder where it meets one or more copper rollers which have patterns engraved upon them. These rollers have the colour paste impressed on them. Knife removes any excess of colour paste. These engraved rollers with colour paste are pressed against the manufactured cloth. The cloth takes the print and passes on to the second roller which repeats the print with another colour. The number of copper rollers will depend on the number of colours to be printed on the cloth. After this process the cloth leaves the large cylinder and passes through the necessary operations for fixing the different colours on the fibre.

When the cloth is to be of one colour it is first dyed and the patterns are afterwards printed on it by applying pastes which destroy the colour ground where they touch it and leave another colour in its place.

Artists will be required at all the stages of calico printing for preparation of designs of continuously changing patterns for engraving on copper rollers. The expert who mixes the colours and selects the right mordants, and the mechanics who adjust the delicately balanced machi-

nery to fit the parts of the patterns, play a very important part at this stage.

The process of finishing resembles that of gassing. Hot plates are used for allowing the cloth to pass round them and sometimes even through gas flame. The process of finishing is important for removing loose hairs and giving a smooth appearance to the cloth.

### Calendering

There the cloth is passed through various kinds of friction rollers. Sometimes the cloth is filled with chemical mixtures before it goes through the calender rollers. In the schreiber process the rollers made of steel are engraved with a number of fine lines in parallel direction. The cloth is pressed with pressure on the rollers, which produces a peculiar light on the lines pressed out. This pattern is also in vogue now a days.

This is the process of manufacture from ball of raw-cotton to finished cloth. After this, the cloth is packed and sent for marketing.

### Types of Cloth Manufactured in India

Now let us survey the types of cloth manufactured in India. Broadly they can be divided as follows:--

Grey and Bleached

Chadras, Dhoties, Drills and Jeans, Cambrics and lawns, printers, shirtings and long cloth, T. Cloth, domestics and sheeting, Tent cloth, Khaki, Khadi, Dungri, other sorts and coloured piecegoods. The list in detail is as follows:--

Dyed shirting, susi check, gamcha (check), Blanket for raising, fancy —bed spread, loongi check cloth, pagri cloth (bleached) Dhoties of various size and quality, Sheeting (calendered and uncalendered), Sarees of various qualities and size, khadi (calendered), Sarees of various Dupatta bleached, check coating, Markin stripe shirting, chaddar, grey mulmul, mulmul, china cord, twill, khaki shirting (calendered and uncalendered) Domestic (uncalendered Dosuiti and Dyed, pagri cloth, Plain drill, Honey comb towel, Turkish Towel, Blanket, Durrey, and other sorts. English varieties in the market are:—

\*Cambrics, Poplins, Sateens and Gaberdines.

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\* Some important specifications of cloth are discussed in appendix "C"

## CHAPTER XIII

### "HANDLOOM INDUSTRY"

#### History

We have studied in detail the ancient history of Indian textile fibre and causes leading to its decay. Here it is not necessary to enter into details of the causes leading to its downfall. Competition of foreign piecegoods that of the Indian manufactured piecegoods, loss of patronage usually given by native princes and courts, change in dressing habits, inability of the industry to equip itself so as to compete with foreign imports and modern fabrics, are some of the causes that led to the decay of long established industry of our country. Still, however, a small part of the domestic market remained with the handloom. The weavers and the spinners had to leave their heritage of spinning and weaving and had to fall back to agriculture or to migrate to towns as labourers.

#### Revival

The old handloom industry used to consume hand-spun yarn. By the end of the nineteenth century the industry adapted itself to the changing circumstances and ultimately began to consume mill spun yarn which was available in large quantity. The handloom industry began to develop very rapidly under the new circumstances. This is seen from the fact that between 1896-1900 Indian mills consumed 85 million lbs. of yarn per annum as against 200 million lbs. by the Hand loom. In 1913-14 hand-loom used 258 million lbs. and the mills used 243 million lbs.

#### Importance

The Indian Tariff Board Report of 1932 discussing the extent of the Industry stated, "It is unnecessary to emphasise the importance of hand spinning and weaving as a domestic industry, providing an occupation for the agriculturist in the season when agricultural work is slack; and enabling him to use time, which he would otherwise waste; in producing goods for a certain value.\*"

#### Organisation

It is a decentralised industry of the country. This is evident from the following figures.

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\* *Vide Indian Tariff Board Report, 1932, Page 157:*

The following table will show the Provincial Distribution of Hand-looms:—

Province:	No. of hand-looms as stated in Census of 1921.
Ajmer-Merwara	1,587
Assam	4,21,367
Bengal	2,13,886
Bihar & Orissa	1,64,592
Burma	4,79,137
Delhi	1,667
Madras	1,69,403
Punjab	2,70,507
Baroda	10,857
Hyderabad	1,15,434
Rajputana	89,741
	19,38,178

Here there are certain glaring defects as the figures of certain important provinces like Bombay, U.P., C.P., Kashmir and other states are not included at all.

The Tariff Board has collected the following figures of Provincial Distribution of Hand-looms:—

Province:—	No. of Hand-looms—
Assam	4,25,000
Bihar & Orissa	1,50,000
Bengal	2,00,000
Bombay	1,00,000
Burma	5,69,473
C.P.	1,00,000
Delhi	450
Madras	2,25,000
N.W.F. Province	500
Punjab	1,40,000
U.P.	75,000
Hyderabad State	1,40,000

If the figures of Ajmer, Baroda and Rajputana were added the total would exceed 2,250,000.

### The Industry During the World War First

Through out the period of the war, the position of the industry was in no way happy. The weavers could not get sufficient quantity of yarn because the foreign imports were

negligent and the Textile mills began to consume their own yarn. Moreover, the mills started their Weaving shed. The position is clear from the fact that the quantity of yarn available to hand-loom declined from 272 million lbs. in 1913-14 to 127 million lbs. in 1920; while the consumption by mills increased from 246 million lbs. to 341 million lbs. during the same period. Mr. R. D. Bell, the Secretary of the Industrial Commission (1916-18) has observed: "The hand-loomers were not only beaten but probably severely crippled for the time being."\*

In the post war period various impediments in its progress hampered further development of the industry:—

- (i) The removal of the excise duty of 3½% though desirable from the point of view of the Textile mills, created handicap to the hand-loom weavers who were dependent on the textile mills for the supply of spun yarn.
- (ii) The import duties on imported yarn hampered the cheap supply of yarn to the weaving industry. The Tariff Board Report of 1932 observes, "The duties imposed on piecegoods by the Cotton Textile Industry (Protection) Act, 1930, have benefited the hand-loom industry equally with the mill industry. The duty on yarn introduced in 1927 has, however, definitely handicapped the hand-loom industry. In yarn of medium and finer counts, the cost of yarn to the hand-loom weavers has been raised by almost exactly the amount of the duty in comparison with import prices. In coarser counts which represent the bulk of the yarn consumed by the handloom weaver, the price, although still considerably less than the corresponding import price plus duty; is higher than it would have been without the duty."\*\*

### Trade Depression and Swadeshism

The severe trade depression at the end of the third decade of twentieth century had seriously reduced the average earning capacity of the weavers. The Tariff Board pointed out, "The effect of the depression has been accentuated by the relative increase in the cost of yarn on account of the protective duty. Thus the position of the

\* *Vide* Notes on the Indian Textile Industry with Special reference to Hand Wvg. By R. D. Bell.

† *Vide* Para 175 "Indian Tariff Board Report," 1932.

hand-loom weaving in comparison with the mill industry has considerably deteriorated since 1927”.

The swadeshi movement, which made its inroads in the economic history of the country in 1905 and intensified in 1930 onward; had considerable effect on handloom industry. The weavers who specialised in weaving fine cloth from imported yarn found that the demand had declined. The Tariff Board pointed out, “The strong prejudice fostered against the various parts of the country prevented the hand-loom weaver from finding a sale for a cloth of finer counts woven by him; and this has happened at a time when, as the result of the protective duty on yarn, his cost of material relatively to cloth has been considerably increased.”

It should be noted that the movement did not affect the coarser counts manufacturers. By this time, there was a tremendous change in the dressing habits of people, which was not picked up by the weavers. All these factors contributed to the serious plight of the industry in early forties. Unemployment was also rampant. The Government took prompt measures to remedy the situation by giving a grant of Rs. 5 million to the Provincial Governments for approved schemes of marketing, improvements of designs, etc. The Tariff Board of 1932 considered the proposals for restriction of mill output and for levying cess in aid of the hand-loom industry but found them to be impracticable.

### **During World War II:**

The position of the industry during the World War Second revealed its weakness. During the World War First yarn could be imported from Japan, which possibility was stopped during the Second World War. This has made it impossible for the industry to exploit fully the opportunity provided by the war period. The distribution of mill spun yarn was also extremely defective upto 1945. In that year the Government promulgated a Control Order named “**Cloth & Yarn Control Order,**” for proper distribution of the cloth. If proper supply of hand spun or mill spun yarn had been assured, the industry would definitely have seen an unprecedented boom. Still, however, the Government allowed the industry to exploit the situation by exempting the handloom cloth from fixing prices. Khaddar cloth was exempted from sales tax also.

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\* . . . Indian Tariff Board Report, 1932. P. 175.

The Bengal Government has brought the industry under general control. Similar measures are devised by the Bombay and Madras Governments.

The reports are current that the controls are to be withdrawn. It is beyond doubt, and an established fact, that corruption is so rampant in the organisation of controls that the frustrated people now emphatically demand complete abolition of controls.

### **Development of Power Looms:**

According to the Fact-Finding Committee out of the total of 11,640 power looms about 6,350 (55 p.c.) were in the Bombay Presidency alone. Out of these 6,350 a large number were installed in Surat and Sholapur.

Next to Bombay were Mysore, Kolahpur, Punjab, C.P. Madras, Baroda, Hyderabad, Bihar and Berar. According to the report, out of these, more than 58 per cent were engaged in Cotton Weaving. A remarkable development is seen during the war period. It is said that now there are 1,830 factories with 18,758 power looms all over the country. Of these 1,325 factories with 5,389 power looms are located in Bombay Presidency. Out of these 332 factories with 3,869 looms are in Surat.

In future it is feared that these power looms will compete with the mill cloth. This is because the present manufacture of cloth by them, specially by Surat factories is an excellent imitation of the mill made cloth. Shirtings and Coatings available in the market justify the remarks made above.

### **Problem of Competition between Handlooms and Cotton Textile Mills**

The Fact Finding Committee of 1942 have remarked that after 1930 the mills have increased their production of certain styles and types of fabrics traditionally manufactured by handlooms and the handlooms in their turn imitate the mill manufactures. They have observed that the relationship was more complementary before 1925; but has been competitive since then.

The Tariff Board Report of 1932 observes, "In Madras—Fine dhoties woven from 60s costs 6 annas 1 pie a yard to make, and it sells for 7 annas a yard; but the mills produce a similar article at 5 annas a yard. In Bombay hand-made cloth is always more expensive than a mill product of com-

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\* 1941 Report published in 1943.

parable quality. From Bombay comes a complaint that the mills are now manufacturing saris and bodice cloth of patterns similar to those formerly produced on hand-looms; the price of a sari woven in a mill from yarn of counts 40s is said to be Rs. 4.3 compared with Rs. 5.4 which is the price of a similar article woven on a hand-loom"\* These illustrations quoted by the Tariff Board are sufficient to prove the severe competition between the hand-loom and the cotton textile industries during the third decade of the twentieth century.

The Millowners' Associations of Bombay and Ahmedabad flatly refused the charges and stated that both the industries were complimentary rather than competitive. The Ahmedabad Millowners' Association voluntarily stopped the manufacture of coarser counts.

In spite of this competition, the mills have not replaced the hand-loom cloth. This is shown from the fact that the hand-loom industry has made a steady progress excepting during the period of war. The Handloom production is increased from 827 million yds. in 1901-02 to 1265 million yds. in 1936-37 as is seen from the following comparative table given by the report.†

Year.	Net Imports	P. C. to Total	Retained Mill Production after deducting exports	P. C. to Total	Hand loom Production	P. C. to Total
	Million Yds.		Million yds.		Million yds.	
1901-02 .. ..	2,042	62.7	387	11.9	827	25.4
1916-17 .. ..	1,771	48.3	1297	35.5	598	16.3
1921-22 .. ..	980	28.4	1529	44.4	938	27.2
1931-32 .. ..	760	15.7	2768	56.9	1332	27.4
1935-37 .. ..	753	14.4	3223	61.5	1265	24.1

The figures given in the above table clearly show that the hand-loom industry has made no progress at all if we consider the percentage of total production. But progress is steady if production as such during the period is considered. As against this the percentage contribution

\* *Vide* Tariff Board Report 1942.

† Compiled on the basis of Fact Finding Committee Report, 1942, page 157.

of hand-loom is increased from 11.9 in 1901-02 to 61.9 in 1936-37.

The average consumption of yarn between 1-20s was 54.4 per cent; between 21s—40s, 33.8 per cent; and 40s and above 11.8 per cent. This shows that above 54 per cent of the total yarn consumed by the hand-looms consists of counts below 20. But in case of Bombay, Bengal and Madras considerable quantity of fine counts yarn is consumed by the hand-looms. The increase in the hand-loom production has been from 827 million yards in 1901-02 to 1,265 million yards in 1936-37 and to 1,500\* million yards in 1945. It may be noted here that the proportion of the fly shuttles is 85 per cent in Madras, 67 per cent in Bengal, 55 per cent. in Bombay and 47 per cent in C. P. and Berar. The above mentioned figures of increase in total production in no way shows the general prosperity of the weavers.

The problem of competition which is considered to be the main cause of the whole trouble may be examined from several points of view.

- (i) Competition as to quality;
- (ii) Price Competition;
- (iii) The area affected; and
- (iv) Remedies suggested.

There is not much of competition in quality as alleged. Still, both the mills and the handlooms have attacked each others' field of operation occasionally. The hand-loom industry has suffered more due to the change in fashion rather than direct competition. The Fact Finding Committee have recorded in detail this change. The report observes, "Twenty five years ago Hindu women of upper class wore no mill made saris.....nor did they wear white saris, as white was considered inauspicious and improper. Since then the idea of wearing clothes-washed and ironed by 'dhobi' has taken fast root and this had much to do with the increased use of white saris or saris of light colours made in mills.....modern women do not want their saris to last long; they want to buy them cheap, wear them out quickly and renew their wardrobe again.†

There was severe competition between 20s to 40s. The mill fabric between these counts was slightly more finished and was available at a lower price. This made the consumer to prefer the latter to the former.

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\* Estimated hand-loom cloth produced per annum. *Vide* Post War Planning Committee (Textile) Report.

† Page 176, Fact Finding Committee Report (Handloom).

Bombay, Bengal, Madras, and U.P. were the most affected areas as far as this competition was concerned.

The remedies that could be suggested are:—

- (i) Introduction of specialisation or fixation of sphere of operation. The handlooms may specialise in weaving multi-coloured varieties of cloth, solid-bordered saris striped and checked saris, extra-weft figured saris (Banarsi), Saris with gold lace border striped and checked Bafta saris, silk bordered cotton saris, loom-embroidered saris, check lungis, sarongs, Madras handkerchief, coloured woven chaddars, etc., etc. These are artistic products in which mass production is not economical. Mills may specialise in Grey goods twills, drills, jeans, satin, saris, without stripes or checks, grey or dyed chaddars, dhoties, shirtings and coatings. These are suitable for mass production.
- (ii) **State help:** The Government took steps to remedy the plight of the handloom-weavers after the depression. As discussed above, the amount of Rs. 5 lakhs was distributed among various provinces for improving the marketing methods, facilitating the supply of yarn, improving productive technique and for providing proper facilities for finishing of handloom production. The Fact Finding Committee remarks that the Co-operative Societies which had to do this work could not do it successfully. The failure of the co-operative movements in our country is due to absence of education on the part of those who have to take advantage and lethargy on the part of so called educated class to take initiative in the movement. The principles of co-operation requires good deal of propaganda and efficient working. This is not done here. The Committee have suggested that active co-operation of the businessmen should be taken to execute the plans of utilization of the funds for improving the methods of marketing of handloom weavers. The state may patronize the weavers by purchasing the state requirements from them.

In conclusion it may be pointed out that in the absence of immediate steps the industry will not survive in the future. Its contribution at present to the total production is as much as 1,550 million yards. The weaver, still however, is half starved and paid very low. In the post-war

depression which may come up at any moment, the industry will have to suffer very much. The Government should take timely steps to arm the industry sufficiently enough to fight the depression. If this is not done, the industry that maintains about ten millions of people directly and indirectly will be destroyed by severe foreign and internal competition. This will mean the creation of the problem of unemployment unprecedented in the economic history of our country.

The industries, handloom and mills must be made complementary to each other. Japanese experience shows that small industries can occupy an important place in modern industrial economy and can exist side by side with large scale industries. The relation between the two is partly competitive and partly complementary. Where they are competitive it may be necessary to demarcate the lines of division between the two. In case of handloom, specification of the varieties of cloth should be made and they should be reserved for it. In case of courts below 20s there is less trouble. In this case handloom is complementary to the mill and vice versa. \*Dr. Lokanathan pointed out, "The problem in each case is how to fit them (small scale industries) into the wider industrial structure by fixing responsibility on the major industry to enter into a relationship of co-operation and co-ordination with the smaller units. Further there are definitely favourable factors to-day which tell on the side of the cottage industries. Labour is cheap and can be had part time. Anything that adds to the workers' income is sufficient.....**State can always ensure the continuance of cottage industries by ensuring the purchases of a proportion of its requirements from cottage industries.**

### **Conclusion:**

The Fact Finding Committee pointed out "The unorganised condition of the industry is responsible for its abnormally high marketing costs and its consequent evils.

What our handloom industry requires is an organisation which might undertake the work of guiding the weavers regarding raw materials, chemicals, dyes, market research and distribution of the manufactures. All these functions are essential to revitalize the industry and to run it in an advanced condition."

\*The All India Handloom Board is established in 1945. The All India Spinners Association is undertaking these functions since long. But an intensified working by both the organisations is absolutely necessary to make the upliftment of an industry which solves the problem of employment of 2.5 per cent of the population of United India; and which supplies 25 per cent of the clothing requirements of the country.

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\* The Board was constituted by the Department of Industries & Civil Supplies in 1945 (March). The functions were as follows:—

- (1) To make recommendations to the Government of India on the proportion of the yarn available from Indian productions which should be supplied to each province and state, interested in obtaining it for handloom weaving.
- (2) To assist handloom weavers in obtaining dyes, chemicals, stores at a fair prices through their recognized associations or through provincial or State Government.
- (3) To investigate and report on the best methods of marketing handloom products.
- (4) To undertake research particularly into markets and the improvement of productions. In pursuing such researches the Board should make use of any provincial state organisations in existence.
- (5) To advise on the administration of the Grant-in-aid given by the Government of India for the furtherance of the handloom industry.
- (6) To consider the conditions of work of handloom weavers. The Board consisted of 36 members under the Chairmanship of the Textile Commissioner. It included 3 non-official nominated members, 17 members nominated by provinces, 4 by big states and 5 by the millowners.

*Vide "Cotton Textile Annual" by M. P. Gandhi—1945-46.*

## RECENT TRENDS

### CHAPTER XIV

Economic Repercussion of partition on the industry—  
Competition of new fibres—Unsolved problem of machinery  
—Decreasing production—Decontrol. . . .

We have discussed the wartime problems of the industry. Till this date they are not solved.

The problems of its re-equipment and replacement programmes, its internal re-organisation, and rationalisation, its attitude towards labour and its position in the export market are, and possibly will be as acute as ever before.

The industry is faced with another problem after 15th August 1947. This is created by the split of India into two water-tight compartments—Indian Dominion and Pakistan. India had to make heavy sacrifice for getting her freedom. She has lost the best part of her fertile cotton-tracts. The well known Sind and Punjab American cotton which was largely consumed by the Indian Mills is now under Pakistan Dominion. The fate of the mills consuming this cotton depends on the economic co-operation of Pakistan. Looking to the theocratic nature of the Pakistan Government and growing national spirit there, it may be judged that it will try to be economically self-sufficient. If the possibility of construction of cotton mills in large numbers in that state is distant, it is obvious that Pakistan will impose export duties on Cotton for revenue purposes as it did in case of Jute.

It will not be a mere speculation if I venture to state that as soon as the standstill agreement between the two nations comes to an end, it will impose such duties.

It may be stated here that the loss to India of such an important raw material as cotton is of about ten lacs of bales. The following figures will make the above statement clear.

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<i>All India.</i>	Before Division. (000' omitted)	
	1945-46	1946-47
<i>Total Crop. . .</i>	3400 bales	3388 bales
<i>Tenderable . .</i>	2225 bales	2542 bales

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<b>After Division</b>			
<i>India</i>			
Total Crop	..	1886 bales	1773 bales
Tenderable	..	1240 bales	1130 bales
<i>Pakistan</i>			
Total Crop	..	1291 bales	1377 bales
Tenderable	..	1112 bales	1224 bales

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<i>Hyderabad.</i>			
Total Crop	..	223 bales	238 bales
Tenderable	..	173 bales	188 bales

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According to an estimation made by Mr. Fazlur Rehman the Pakistan Minister for Commerce and Industries, Pakistan's annual production of raw cotton, when the crop is normal, may be put down at 12 lakhs of bales. There are twelve mills in Pakistan with a total capacity of 1,66,668 spindles and 4,315 looms. Working double shifts these mills are capable of producing 5,000 bales of cloth and 750 bales of yarn every month, which is about 10 per cent. of the total requirements of cloth in Pakistan. Two mills are under construction, one at Rahimyarkhan in Bahawalpur State with 31,000 spindles and the other Valika Textile Mills with 25,000 spindles at Karachi. Both the mills are likely to start production by the end of the year 1949.

The future position of the industry much depends upon co-operation of Pakistan and Hyderabad as far as the question of supply of raw-cotton is concerned. If the latter joins the Indian Union it is well and good; otherwise there will be a total loss of about 14 lacs of bales. Mr. R. G. Saraiya O.B.E., J.P., the vice-president of Indian Central Cotton Committee has strongly urged in the interest of both the dominions that in the process of settlement between India and Pakistan, there will be no interference with the free trade in such essential commodities as food grains, oil-seeds and raw-cotton.

Indian market in Pakistan is not likely to be affected appreciably in the immediate future. But the protection that the industry may expect in its own state, naturally cannot be had in Pakistan. Pakistan is not likely to give preferential treatment to Indian Goods. It will be in its own interest to allow the foreign manufacturers to compete among themselves so far as its own industries have not been commenced.

The possibility of the loss of Pakistan market is distant. That Dominion, nevertheless, is not sleeping over

the industrial potentialities of the country. Plans have been prepared and are ready to be executed at the earliest date. While laying the foundation-stone of one of such mills in Karachi Quaid-e-Azam Mohammad Ali Jinnah, Governor-General of Pakistan observed, "Pakistan is at present mostly an agricultural state, and for manufactured goods, it is dependent upon the outside world. By industrializing our state, we shall decrease our dependence on the outside world for necessities of life, give more employment to our people and also increase the resources of the state. Nature has blessed us with a good many raw-materials of industry and it is up to us to utilize them to the best advantage of the state and its people. I hope, the venture of yours will prove the precursor of many such enterprises and bring prosperity to all concerned. If Pakistan is to play its proper role in the world to which its size, man power and resources entitle it, it must develop its industrial potential side by side with its agriculture and give its economy an industrial bias.".....Laying stress on provision for proper residential accommodation for the workers, the Quaid remarked, "No industry can really thrive without contented labour."

These observations of the fountain head of Pakistan manifest clearly the policy of economic self-sufficiency of the state. In fact the policy of economic nationalism will be followed by the newly created state and not that of free-trade as it is hoped by a large section of industrial and business community of this country.

In the absence of preferential treatment to India within a few years Pakistan market will be lost to other foreigners, and to the state itself in the long run.

### **Possibility of competition of new fibre:**

Various synthetic fibres have been invented. Among them competition from Rayon and Nylon is expected in near future. To mention a few, Rayon, Neylon, Vinyon, Protein fibres and Glass fibres are used for manufacture of cloth." Among the synthetic fibres, Rayon offers the keenest competition in America.

### **Rayon**

Rayon is a lustrous fibre produced by pressing cellulose. Sometimes cellulose derivation is dissolved by special process and a fine stream of solution is obtained. This becomes quickly cogulated to threads.

The Rayons may be divided into four parts.

1. Viscos Rayon.
2. Cuprammonium Rayon.
3. Acetate silk.
4. Nitrate Rayon.

The Acetate silk is manufactured with the help of acetic acid. It is Cellulose acetate. So it differs from the other kinds of rayon as far as tinctorial processes are concerned.

Within less than thirty five years Rayon fibre has made a tremendous progress in the Western Hemisphere particularly in America. America is the foremost in the production of Rayon and its consumption. In the post-war period the industry is making a rapid progress. This is evident from the fact that the total world production of Rayon increased from 1,416 million lbs. in 1945 to 1,672 million lbs. in 1946. United Kingdom expanded her output from 138 million lbs. in 1938 to 183 million lbs. in 1946 and U.S.A. from 288 million lbs. to 854 million lbs.

It is expected that the world production of Rayon will be increased to a substantial degree if Germany, Italy and Japan are allowed to resume their production on their pre-war level. In America the existing textile and woolen mills are converting their plants into Rayon-plants. I have found the same trend in some of the mills at Ahmedabad and Bombay. They are adding looms for silk weaving in their mills. The Rohit Mills, Limited of Ahmedabad has got a number of silk-loom installed in the mill-premises as well as in Hindustan Colour and Chemical Company, a sister concern of the Rohit Mills. The imports of Rayon goods in our country was 48,300,000 lbs. in 1939-40. Over and above this, rayon mixed piece-goods were also imported.

The experts have opined that in view of the possibility of manufacture of sulphite wood pulp available from pine and spruce trees growing in the Himalayan Valleys, availability of water power and cheap labour, the Rayon manufacture can develop in this country. The possibility of its prosperity is increased due to the present shortage of cloth. Independent National State, and Japan's broken economy are additional factors which would help its growth in the country.

The synthetic fibre will be, in future, a great danger to the fine cloth production. It is likely to displace finer cloth in the world in distant future.

### Unsolved problem of machinery

Industrial potentialities of India are many. But because of the absence of machine making industry in our country, they cannot be fully exploited. This is the glaring defect of our industrial structure. The entire dependence of our industries on foreign machineries put them into serious difficulties in times of war and emergency.

It can be gathered from the utterances of the mill-magnets and Government officers that neither America nor England can re-equip our industry before 1951. The greatest disadvantage of such imported machinery is that they are many times out of date and scrapped out. This speaks volumes for the inefficiency in our productive capacity. The Indian mills have been overworked during the war period and almost all of them require re-equipment. To solve this serious problem the Industry committee of the Textile Control Board sent to England a deligation consisting of Sjt. Krishnaraj M. D. Thackersy, Sjt. Kasturbhai Lalbhai, Sjt. Dharamsey Mulraj Khatau and Sir Frederic Stones. The Committee negotiated with the Textile Machinery Makers, Ltd., and other Companies with a view to start manufacture of textile machinery in India. The agreement was signed in October, 1946 whereby it was provided that the new company should be floated with an initial issued capital of one and a half crores of rupees.

At present, however, the industry is running with worn out plants.

### Decreasing production and Decontrol

The repercussions of the failure of control measures are severe. To the astonishment of the Government and public, it is found that production is decreasing rapidly after the peak level reached in 1943-44.

The steep downward trend of production is seen from the following figures:—

Year	Net Imports.	Net available mill production (after deducting exports)	Estimated handloom production	Net available for consumption	percapita available for consumption
(Quantity in 10 million yds.)					
April-March.					
1943-44 ..	.3	441	160	601	15
1944-45 ..	.5	430	150	580	14.4
1945-46 ..	.3	424	136	560	14.0

The downward trend of production created a lot of anxiety in the mind of the public and the officials. The government took some steps to remedy the situation.

(1) A severe cut on ration was brought about in spite of staunch opposition by the public. Reduction of about 10 per cent. in the allocation of cloth to various provinces was effected.

(2) By May, 1946 export was suspended.

### **Reduced production**

The total cloth production was 5,500 million yards as against 6,100 million yards in 1945-46 and 5,900 million yards in 1939-40.

Various factors have brought about this reduction in production. Out of them, to mention a few, are (a) worn out machineries, (b) strikes, absenteeism and go-slow attitude of labour, (c) reduction in hours of work, (d) notoriously unsatisfactory distribution of cloth.

Consequently, the consumers at the country side are reduced practically to nudum. Due to prevalence of black-market, consumers and honest industrialists suffered a great deal. Unfortunately, the Government is proved to be completely inefficient either to operate control measures successfully or to check black-marketing. Under these circumstances, it would be wise on the part of the government to withdraw the measures which are creating a heavy burden on the national exchequer; and more so when it is proved repeatedly that the Government are helpless as far as the checking of this social evil is concerned. Let the economic forces determine the price-level. We are suffering the consequences of monkeying with the economic forces. I am not among one of those who believe in ideologies only, irrespective of the practical aspect of the problem. The socialist opinion in the country is "removal of control will legalise the black-market." No doubt the price level will rise by two fold or even more than the controlled price-level. But I fail to understand why the socialists refuse to follow the repercussions of inflation. The natural economic consequences will be rise in price level. **Highly efficient control measures and business morality are essential to break the vicious circle of inflation. None of them are present.** Hence the scarcity and demoralisation of the entire population.

Regarding figures of production given by the mill-owners, or collected by the officials; it may be stated without a stint of doubt that they are notoriously unreliable.

I have got first hand information about how the measures of control are evaded. To mention only a few out of them, false filling up of the forms required for the fixation of the prices and malpractices undertaken by the businessmen at every stage of control procedure.

I am informed by an authoritative source that if a post-mortum examination of the measures is taken by a committee of experts practically all the interests connected with the manufacture and distribution can not merely be prosecuted but convicted. In future, if it is necessitated, we should reorganise it *de novo*.

Following the stand taken by Mahatma Gandhi, decontrol measures have been applied to Textile Control as well. Accordingly cloth control measures have been withdrawn now. It is severely criticised that the businessmen and the manufacturers are creating artificial shortage with a view to maintain an increased price level. If this is a fact, and there are reasons to believe that the allegations are true, it is not becoming to the manufacturers and businessmen of free India.

The Government will be fully justified to reintroduce control and to nationalize the industry in the interest of teeming millions of our country. Businessmen and industrialists have virtually undermined the interests of the nation once more. We hear now a cry for control measures from all the quarters. The industry, in case if they are reintroduced, should thank treacherous conduct of the interested parties.

Success of the ensuing measures, however, is very much doubtful if they are not extensive. Economic consequences of the increasing inflation have made the control measures a necessity. I believe that the measures should be directed against currency itself which is the crux of the whole problem. Paliative measures like control may be re-introduced for a short period to help to mitigate the evil consequences of inflation.

We hope that as soon as inflation is curbed, the industry would be allowed to breathe open air. During this time-lag every interested national should give his whole-hearted support to the measures, so that the Government may have ample opportunity to stop the inflation from going to a galloping stage.

Unfortunately the experiment of decontrol has failed. We have nothing to repent for scraping out the old rotten machinery of control.

Let us hope that the Government will learn a great deal from her past experience while reorganising the machinery of control. The Government should remember that, to make the control measures successful, the control organisation should be manned by highly efficient and honest personnel.

Highly efficient control measures backed by enlightened public opinion will help to bring down the price level.

The Government should however, in the interest of the consumers as well as the biggest national industry resume the normal distributive channels as soon as normal economic conditions are established in the country. The controls should necessarily be accepted as emergency measures only.

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## APPENDIX "A"

Chief types of World cotton—Classification of Indian cotton by staple length—quality of cotton required for the counts of yarn intended to be spun—cotton used in India. Main varieties of cloth.

\*TABLE I.

Type	Spg. Count	Staple	Remarks.
South Carolina			
Island ..	300 s.	1½" to 2"	Best Sea Island
West Indies ..	300 s.	2" and over	
Egyptian ..	150 s.	1½" to 1¾"	
American, Egyptian, Pinian and Meade ..	120 s.	1½" to 1¾"	
Egyptian, Affifi, Upress ..	70 s.	1½" to 1¾"	
Sudan ..	100 s.	1½"	
Peruvian ..	60 s.	1 to 1½"	
Orleans ..	60 s.		
East African & Uganda ..	50 s.	1" to 1½"	
Brazil ..	50 s.	¾" to 1½"	
American Texas & Upland ..	40 s.	1" to 1½"	
Russian ..	40 s.	1" to 1½"	
West African ..	40 s.	1" to 1½"	
<i>Indian.</i>			
Hinganghat ..		1 1/8"	Best, Light, golden. Deep colour, clean. Dirty but strong. Dirty but strong, dull white. Dull cream, moderately clean. Cream irregular. Dirty Moderately strong. Dirty and weak. Strong, harsh, dirty. Dull white, weak.
Broach ..		¾" to 1"	
Oomras ..		½" to ¾"	
Dholleras ..		¾" to 1"	
Tinnevelly ..		¾" to 1"	
Dharwar ..		¾"	
Madras ..		¾"	
Cumptah ..		¾"	
Bengal ..		¾"	
Scindia ..		¾"	



TABLE III.  
Type of Cotton required for counts of yarn.

Type of Yarn	Length of Staple	Types of Cotton (suitable)
Extra Fine ..	1½" to 2¼"	Sea Island, Edisto, Fiji, Tahiti, Florida, Peruvian.
Fine ..	1½" to 1¾"	West Indian, Uganda, Egyptian Uppers, Brazilian, American, Sakel, Pillion, Giza, Mibafifi, Peruvian, Ashmouni, and Abus-si.
Medium	¾" to 1½"	Sind, American, Kumptas, Nanded, Miraj, Western and Northern, Coconadas, Umri, Bhensa, Punjab-American, Surat, Jayawant, Cambodia, American, Brazilian, Peruvian, Pillion, Egyptian Uppers.
Coarse ..	½" to ¾"	Cotton Waste, East Indian, Short American, C. P. No. 2, United Provinces, Sind (desi) Rajputana, Bihar and Orissa, Comilla, Oomras, Hyderabad, Westerns, Western Bengals, Khandesh, Oomras, Hyderabad Oomras, Matheo, and Burmas.

Based on figures given by

- (a) "Practical Cotton Mill Management" by Benjamin. p. 327.  
(b) Tariff Board Report, 1927 & 32.

APPENDIX B  
Table No. I

\* Estimated loss in production of cloth due to lack of fuel.

Period	Estimated loss in production of cloth. (yds.)
Figures for 12 months ending 30th September '44	104,578,692
Average monthly figures based on above. ..	8,714,891
October 1944 .. .. .	5,756,548
November 1944 .. .. .	5,853,350
December 1944 .. .. .	24,868,516
January 1945 .. .. .	25,245,179
February 1945 .. .. .	26,885,054
March 1945 .. .. .	6,774,400
April 1945 .. .. .	32,913,670
Total for 7 months ending 30th April 1945 .. ..	127,796,717

\* Compiled from "Cotton Textile Industry of India" Year May 1945 p. 29 issued by the Textile Commissioner, Bombay.

APPENDIX "B"  
Table No. II.  
Figures of dearness allowance paid to employees of the cotton textile mills in Bombay

Months.	1941 Index No.	1941 Amount Rs.	1942 Index No.	1942 Amount Rs.	1943 Index No.	1943 Amount Rs.	1944 Index No.	1944 Amount Rs.	1945 Index No.	1945 Amount Rs.
January	117	3 2 0	113	7 9 0	203	23 4 0	238	31 8 0	229	29 7 0
February	119	3 0 0	135	7 2 0	205	23 11 0	230	29 10 0	229	29 7 0
March..	119	3 2 0	137	7 9 0	207	24 7 0	226	28 11 0	225	28 7 0
April ..	121	3 4 0	138	7 13 0	225	28 7 0	231	29 14 0	226	28 0 0
May ..	122	3 6 0	142	8 12 0	227	28 15 0	235	30 13 6	(Estimated upto July Rs. 85-0-0)	
June ..	122	3 2 0	152	11 2 0	232	30 13 0	236	31 1 0		
July ..	126	5 0 0	168	14 15 0	236	31 1 0	241	32 4 0		
August	131	6 3 0	168	14 15 0	238	31 8 0	250	34 6 0		
September	129	5 11 0	170	15 6 0	245	33 3 0	239	31 12 0		
October	125	4 12 0	172	15 14 0	248	33 14 0	239	31 12 0		
November	126	5 0 0	178	17 5 0	248	33 14 0	242	32 8 6		
December	129	5 11 0	188	19 11 0	247	33 10 0	236	31 1 0		

Figures compiled from various issues of "Commercial News", Ahmedabad.

APPENDIX "B"  
TABLE No. III.  
Figures of dearness allowance paid to employees of the cotton textile mills in Ahmedabad.

Months.	1941 Index No.	1941 Amount Rs.	1942 Index No.	1942 Amount Rs.	1943 Index No.	1943 Amount Rs.	1944 Index No.	1944 Amount Rs.	1945 Index No.	1945 Amount Rs.
January	81	2 8 0	94	9 11 0	137	29 5 0	239	76 9 6	213	64 9 6
February	79	1 14 0	99	12 0 0	149	35 1 0	232	73 6 0	211	63 10 9
March..	79	1 14 0	95	10 2 0	173	46 2 3	214	65 1 0	206	61 6 0
April	79	1 14 0	94	9 11 0	165	42 7 0	210	63 3 6	195	56 4 9
May ..	79	1 14 0	96	10 9 0	173	46 2 3	206	61 5 9	187	52 9 8
June	81	2 8 0	99	12 0 0	187	52 9 6	203	59 15 9	187	52 9 8
July ..	82	2 14 0	103	13 14 0	198	57 10 8	203	59 15 9	191	54 7 0
August	83	4 9 0	111	17 8 0	211	63 10 9	205	63 14 6	..	....
September	88	6 15 0	117	20 5 0	210	63 3 3	211	63 10 0	..	....
October	92	8 11 0	123	23 1 0	214	65 0 9	222	68 12 0	..	....
November	92	8 11 0	117	20 5 0	228	71 8 3	220	67 13 4	..	....
December	92	8 11 0	121	22 2 0	240	77 0 9	221	68 4 9	..	....

Acknowledgment the Ahmedabad Textile Labour Association.

## Indian Cotton Textile Industry

APPENDIX "B"  
TABLE No. IV.  
\*Statement showing production of yarn during world war first.

Yarn	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20	1920-21	1921-22
Counts 1-20	478,486	465,680	477,616	502,098	454,910	423,436	377,028	402,782	415,582	440,188
" 21-30	147,356	156,887	146,454	160,425	161,469	173,494	180,216	174,420	188,824	193,880
" 31-40	19,144	18,971	18,199	18,021	23,260	23,600	18,538	16,535	14,868	16,707
" above 40	2,938	2,686	2,213	1,960	4,462	5,748	4,508	8,542	2,067	2,864
Wastes etc...	661	679	475	650	346	223	281	256	314	472
Total	650,583	644,853	614,957	683,154	644,447	626,801	480,561	577,355	621,655	653,011
Madras	44,974	44,674	43,092	44,303	44,187	43,093	42,787	44,346	31,241	44,388
Bombay	485,567	479,683	448,556	509,771	482,148	468,972	427,638	439,800	469,954	492,634
Bengal	37,355	33,220	31,709	32,096	28,568	32,882	32,507	35,229	33,392	33,326
U.P.	43,765	44,468	50,281	48,445	46,177	39,473	34,371	35,181	37,060	40,477
Punjab	5,340	6,275	6,314	4,740	3,750	3,910	3,920	3,359	2,780	3,564
C. P & Berar	33,582	36,533	34,565	37,443	34,338	33,466	34,280	34,188	31,269	32,818
Ajmer-Merwara	a	a	a	3,554	2,576	1,817	2,057	1,965	2,031	12,544
Delhi	b	b	b	2,802	2,703	3,188	2,981	3,287	3,937	2,960

\* Total

\* Vide Statistical Abstract of British India 1912-21; p. 581.

a included in the U. P. b included in the Punjab.

APPENDIX "B"—TABLE NO. V.  
 (a) The Statement showing number of mills working double shifts in Ahmedabad, with number of employees, during the war period.  
 (Working night shift).

Months	1939		1940		1941		1942		1943		1944		1945	
	No of mills	No. of Operatives	No. of mills	No. of Operatives	No. of mills	No. of Operatives	No. of mills	No. of Operatives	No. of mills	No. of Operatives	No. of mills	No. of Operatives	No. of mills	No. of Operatives
January ..	47	27,422	39	23,472	54	36,875	68	48,695	65	45,406	65	47,629	66	48,864
February ..	47	27,559	39	24,078	58	40,695	60	42,214	66	46,798	66	48,549	66	49,294
March ..	45	26,226	38	24,025	56	41,340	57	39,196	65	45,123	66	48,732	64	46,793
April ..	43	26,823	37	23,446	63	46,057	56	36,807	67	47,744	66	48,567	66	49,105
May ..	44	27,456	37	24,088	57	28,386	59	37,298	67	48,482	66	47,185	..	..
June ..	45	26,925	38	24,749	42	20,129	62	42,416	66	46,862	65	48,081	..	..
July ..	45	26,128	38	24,718	60	40,417	63	45,659	64	47,032	66	48,932	..	..
August ..	44	26,384	38	23,991	63	44,388	64	46,727	61	44,400	64	47,706	..	..
September ..	44	25,623	39	24,800	65	45,827	*	*	60	42,844	65	47,331	..	..
October ..	43	24,954	40	26,144	66	46,989	*	*	64	44,108	66	47,354	..	..
November..	39	22,699	51	33,123	67	47,876	*	*	65	45,111	66	47,874	..	..
December	36	21,453	53	36,334	68	48,697	..	10,039	64	47,054	66	49,116	..	..
Total ..	522	3,10,148	487	3,12,938	721	4,87,626	489	3,40,050	775	5,50,964	853	5,77,056	..	..
Average ..	44	25,846	41	26,078	60	40,640	61	38,782	65	45,914	66	48,088	..	..
† Workers employed by Day ..	77	77,859	76	73,887	75	75,517	74	76,789	73	76,039	73	78,388	..	..

(a) Figures compiled from various issues of Bombay Labour Gazette.

† Figures compiled from Chart of Millowners' Association Bombay. \* Figures not available owing to political strike.

## APPENDIX C

### \*IMPORTANT VARIETIES OF CLOTH IN THE WORLD MARKET

1. **Aeroplane Fabrics:**—Plain weave cloths used for making wings of aeroplanes. The cloth must be well woven, and practically without faults. The widths vary from 36 to 56 inches, and upto 160 ends  $\times$  160 picks per inch.

2. **Americans:**—Low grey cloths, 30 inches wide, 36 to 40 yards, 52 ends, 44 picks, 27's twist, 18's weft, sized twist and woven with headings of pick or two of colour such as 2 picks blue. Bacup manufacturers make a large quantity. This cloth is shipped to the West African and China markets.

3. **Argentinas:**—Also known as Austrias or Austrian Twill. This cloth is a jean,  $2 \times 1$  weave, made 44 in. 90 yards, (1s),  $72 \times 84$ , 34's/20's,  $33\frac{1}{2}$  lbs. super weft. A large trade is done in the cloth with the Near East markets. Shipped in the dyed state, principally black.

4. **Army Greys:**—A heavy plain cloth used for army shirts. Also known as 'silver greys'. Generally made from all cotton, but a few cloths have had about 5 to 10 per cent. of wool in the weft. After weaving, they are soft finished and brush raised. A standard cloth is 30 in., 120 yards, 44 ends, 48 picks, 2/18's twist, 12's lavenderdyed weft.

5. **Balanced Cloth:**—A cloth that contains the maximum number of ends and picks per inch of equal counts, such as aeroplane fabrics, where the greatest strength is a necessity.

6. **Brilliantes:**—Originally a brocade with a soft finish, made from Cotton yarns. Today they are made in dobby looms. The designs are simple spot effects. The cloth is bleached or dyed. A large quantity is shipped to Egypt, India, and other Eastern markets 28 to 30 inches wide, 14 lbs. for 105 yards, 56 ends, 52 picks, 36's warp, 24's weft, 12 to 14 staves.

7. **Burnley Printers:**—A plain weave cotton cloth for printing. Also shipped grey to many markets. Burnley printers are not considered of as good yarn or make as Cheshire printers. The Cheshire makers generally spin

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\* Based on "Glossary of Textile-terms" by H. P. Curtis.

their own yarns, which are of the count desired, and give the actual reed and pick. Burnley makers do not spin, but may buy any yarn; thus a character is not given to their cloths. A standard Burnley cloth is 32 inches, 116 yards/I.S.,  $64 \times 64$ . 36/38.

8. **Bastiste, Batiste**:—Is a cloth of French origin. The term is now applied to a light Swiss finished cloth, made from ecru coloured yarns when cotton, and grey yarns when flax is used. It is very fine in quality, and as many as 15 yards of 32 in. cloth are required to weight 1 Lb. 80's to 1000's warp and 1000's to 160's weft are used in the cotton variety. A wool bastiste is also made.

9. **Cheshires, Cheshire Printers**:—A good quality plain cloth used for printing. A Cheshire printer has come to be recognised in the trade as being super quality. The cloth is made in Glossop, Mottram, Stalybridge, and other Cheshire and Derbyshire towns. The manufacturers are also spinners, and use their own yarns. A fair sample is 36 inches wide, 115 yards long,  $72 \times 84$  per inch 30's/30's.

10. **Cheviot Shirting**:—A super quality all-cotton cloth, either bleached or dyed with a soft finish principally used in the home trade for shirts. A good sample is  $84 \times 84$  per inch, 30's/30's or 2/40's/30's.

11. **Cord Stripes**:—Plain weave fabrics with a thick corded at regular distances apart. Two beams are used, and the best qualities are often dented, one in a dent with the cord ends crammed, such as 30 inch 100 yards 40 ends 80 picks per inch 50's, with 12 cords, 2/40's per inch 3 in a dent.

12. **Cambric**:—A light plain cloth, fine reed, pick and yarns, such as  $100 \times 80$ , 60's/80's. Both American and Egyptian yarns are used, It is difficult to say where a muslin ends and a cambric begins because of their great similarity.

13. **Charmeuse**:—A fine satin from super yarns, as Sea Islands, with a natural lustre, usually made 41 inches, 90 yards, 120 reed, 180 picks, 80's/100's or finer.

14. **Domestics**:—The home trade uses this term to denote grey cloths for domestic purposes which are either plain or twill weave, generally pure sized. Widths 30 inches, and qualities are many. Shipping domestics are much inferior in equality to the home trade cloth, and are as a rule heavily sized. Widths are 30 to 36 inches; 54 to 64 reed, 70 to 72 picks, 24's warp. and 36's weft, or somewhere near these yarns. Heavy domestics are made from coarse

yarns, such as 10's to 14's warp and weft, and about 48 ends and 52 picks.

15. **Dhotis:**—Are light-weight cloths of plain weave and used by the natives of India as loin cloths. The cheaper styles have a narrow red stripe near each selvedge and red cross stripes or headings; others have simple grey stripes, made by cramming ends in the reed. The better styles have fancy dobby borders of extra coloured warp threads and crammed cross stripes in the weft. Widths are about 40 inches to 43 inches, lengths about 4 to 10 yards each, and the yarn are seldom heavier than 36's warp and weft.

16. **Flannelette:**—A cotton fabric made to imitate flannel. Plain or twill weave raised one or both side, made in stripes, checks, or self-colours. Soft spun mule weft usually used. Coloured and mercerise yarns are made use of for blouse cloths and shirtings. Common qualities are:—

34 in., 72 x 64. 32/30 plain,  
34 in., 88 x 46. 22/8 plain,  
36 in., 72 x 64. 18 to 24/10's to 18's twill.

Innumerable qualities and widths are made for both United Kingdom and foreign markets.

17. **Grey Sheetings:**—The real sheetings are made 2 by 2 twill and upto 120 in. wide. **Waste Sheeting:** weft is condenser yarn. American sheetings are 30 in. to 36 in. wide, low reed and pick and 30's to 36's warp. 16's to 24's weft, plain weave. These are not sheetings at all but a plain cloth.

18. **Hollandas:**—An all cotton cloth made to imitate linen Hollands. The warp is all colour, blue and black stripes on a drab ground. Grey or drab coloured weft. Made in stripes and checks. The cloth is finished with a 'linen finish' and creased when made up, Shipped to the Philippines. A common quality is 27 inches wide, 45 to 50 yards long, 52 ends, 56 picks, 20's warp, 20's weft, 9-1/2 lbs. 45 yards.

19. **Holland:**—A fine linen cloth, plain weave, bleached or left grey and finished soft finish. Stripes and checks are made. Mostly used for window blinds and aprons, but many good qualities are made for dress purposes. A fabric is shipped to India as 'holland' which is all cotton, woven from a bleached yarn warp and a blue and white

twist weft, about 26 inches, to 30 inches, 52/56 reed, 44/52 picks, 20's warp, 2/36's weft.

20. **Jaconets:**—Are light cotton cloths of the lawn or muslin character, but are finished with a smooth cambric finish, slightly assisted, after bleaching. Qualities and widths are many. A good sample is 42 inches 20 yards, 27 to 32 (4 down), 80's/90's. From 60 by 60 to 80 by 80 per inch and 46's/50's to 80's/100's yarns have been shipped as jaconets.

21. **Khaki Drills:**—A good quality florentine drill cloth, four-shaft weave, such as 88 x 72, 20's/18's dyed khaki colour and used for military purposes. Width vary from 27 to 40 inches.

22. **Kid-Finished Cambric:**—A good quality cambric about 30 in. wide 110 x 100 50's/60's Egyptian yarns, with a very soft finish. Used as linings for ladies' summer dresses.

23. **Long-cloth:**—A plain or twill cloth used for underwear purposes, bleached and pure finish. Usually 34 in. to 36 in. 36 yards long and about 60 by 60 ends and picks, 30's and 30's. All particulars differ in various makes. Made for home trade, and export to India, China, etc. The original long-cloth was a very fine one, and made from 60's/40's to 80's/60's super yarns and 96 by 90 ends and picks.

24. **Lawn:**—Very fine plain cloths. The original lawn was a fine linen cloth used for dress purposes. This cloth when now made is known as 'linen lawn.'

Indian Lawn is from 30 in. to 36 in. wide, 24 yards long, 72 x 64 calendered and made up book fold, or if 40 in. wide in long fold; yarns about 50/60 to 60/80's, both American and Egyptian yarns.

Victoria Lawn is a stiff-finished lawn, 24/26 in. wide, 92 x 92 and similar yarns to Indian lawn.

Persian Lawns: 32 in. to 24 yards 100 x 100, 60's/80's and finer. Egyptian yarns soft finish.

Bishops' Lawn: A bleached and finished cloth with a blue tint, similar quality to Victoria lawn.

25. **Muslin:**—A very light, open, plain cloth used for summer dress purposes made in many qualities.

Made from super yarns.

Hair muslin has fine cord stripes.

Crammed muslin, same as Hair muslin. Muslins, lawn, mulls, and cambrics are all very similar in weave and yarns, but a muslin is perhaps the lowest in quality.

All muslins are very soft to the touch. Book muslin and Tarleton muslin are not true muslins, since they are not soft but hard to the touch.

26. **Swiss:—Muslin** The real muslin is woven in Switzerland on hand-loom and ornamented with small sports or spring of many colours. In Scotland and Bolton a fine lappet cloth is made to imitate this fabric, and usually 50 in. x 60 yards split, 120 x 80, 80's/60's, both Egyptian, with a 3/40's lappet yarn. The figures are small.

27. **Dacca:—Muslin** Probably the finest and most flimsy fabric that has ever been made. For centuries the cloth was made by the natives of Dacca from local grown cotton, the cotton being spun by hand by women, whose sense of touch was remarkable and the counts varied from about 450's to 600's. The cloths were usually 36 inches wide and many of them so fine that they could pass through a finger ring, and 10 yards weighed about three or four ounces. Only one or two weavers are making Dacca muslin today. The fabrics shipped to India of Lancashire manufacture and known as 'Dacca Muslin' are perhaps the finest cloths that can be made by machinery, but they by no means equal in fineness the real article. About 110's to 140's warp and 160's to 200's weft is used.

28. **Mull:—**A plain cloth made from fine yarns used for dress and other purposes. The cloth is bleached and soft finishes. Yarns 60's to 90's or 100's both warp and weft.

China or Silk Mull is a union cloth of silk and cotton, and very fine in texture.

India and Swiss Mulls are other names for the plain bleached mull.

29. **Oxfords:—**All cotton shirting cloths, plain weave with two ends working as one. Fancy effects are introduced in colour yarns forming stripes, or the doobby machine is used. Yarns are of good quality and vary from 24's to 30's warp and 12's to 16's weft, and from 70 to 100 ends and 44 to 50 picks.

30. **Poplin:—**The real Irish poplin is a plain weave cloth fine silk warp, coarser worsted weft which forms a rib effect.

The Lancashire poplins are made from all cotton of super qualities such as 28 in. 60 yards, 144×28, 32's/10's, or 164×58, 2/72's, 2/50's.

31. **Percale:—**A super yarn cambric, generally bleached, printed and finished without gloss. The best qualities

are made in France. Usually 34 to 36 inches wide 120×120. 60's/50's to 40's/50's.

32. **Sheetings**:—Bed-sheetings, sometimes called "Bolton sheetings" 'are made up to 120 inches wide in 2×2 twill, the warp and weft threads being equal from coarse counts. Condenser sheetings are same as above but condenser weft is used.

Ordinary sheetings are plain weave, in widths over 40 inches, and woven from fairly coarse yarns.

American sheetings and Brown sheetings are other varieties.

33. **Sari, Sarrie**:—A shawl or dhoti, usually 40 inches wide and 7 to 8 yards long, worn as a skirt by the native women of India and the East Indies. Made in many qualities, but all have a woven or printed border at each side and a very fancy deep heading at each end.

34. **Shirtings**:—The term 'shirting' is applied in Lancashire to a plain woven grey cotton fabric which is heavily sized in the warp and is exported in the condition in which it leaves the loom to India, China, etc. Standard particulars of the cloths are as follows:—36 inches, 76 yards, 19 ends/19 picks, per quarter inch grey; 32's warp, 40's weft; 38 inches, 38 yards, 18 ends/16 picks per quarter inch grey weight 10 lbs.; 39 inches, 37½ yards, 16 ends/16 picks per quarter inch grey, weight 8¼ lbs. In the last two examples the yarns are varied according to the amount of size put on the warp and range from 26's to 32's warp, and 28's to 42's weft. The stated particulars are usually understood to be 'nominal'.

*Plain White Shirtings*:—Better qualities of plain cotton shirtings, woven with pure sized warps and bleached, are used for the home trade and also exported. For home trade—36's warp and weft, 76 ends, and 96 picks per inch. A coarser fabric—22's warp, 16's weft, 56 ends and from 62 to 72 picks per inch. Plain cotton shirtings are also mercerised in the piece or with woven mercerised yarns, while white silk, wool, and merino yarns are used in diverse ways, as for example 2/120's mercerised cotton warp, 60's spun silk weft, 128 ends and 108 picks per inch.

*Fancy White Shirtings*:—These include cloths woven in ordinary mat weaves, mock lenos, honey-combs, Bedford cords, wefts and piques, crepes sponge weaves and cord waves. The looser weaves allow fairly heavy and full handling cloths to be made and if soft spun yarns—particularly in the weft—are used, excellent results are obtain-

ed. In 3—and 3 mat weave 24's to 32's cotton warp, 12's to 16's cotton weft, 60 to 62 ends, and 56 to 80 pick per inch. Fancy mat weave— 16's cotton warp, 13's cotton weft, 64 ends, and 66 picks per inch. A light cloth in 4 and 4 mock leno weave—40's cotton warp and weft, 96 ends, and picks per inch. A heavy cloth in 5-and-5 mock leno weave 20's cotton warp 12's cotton weft, 60 ends, and 56 picks per inch. Baratheia or broken warp reed weave—36's cotton warp 16's cotton weft, 120 ends, and 56 picks per inch; crepe weave—2/48's mercerise cotton warp, 40's merino weft (worsted count), 66 ends and 62 picks per inch. Cord weave—28's cotton warp. 20's cotton weft, 80 ends, and 60 picks per inch. Diverse combination of the preceding weaves are made, they are also used in conjunction with stripes of warp satin; warp twill, and other effect. Such terms as the following are applied to white striped shirtings:—Striped Baratheia, twills, striped Madras, corded cambric, corded, batiste mercersied stripe crepe, satin striped fabric, corded lawn, embroidered striped brocade, mercerised striped pique, striped ratine, mercerised Oxford, striped cord weave, etc.

*Cellular or Porus Shirtings*:—An open gauze structure largely made of cotton yarns, and to some extent, of worsted and linen. Simple and fancy gauze effects are used alone or in combination with other weaves.

*Coloured Shirtings*:—The preceding styles, in addition to being made all white are also ornamented by coloured threads in the form of stripe check, and spot effects, but white or very light coloured grounds form the bulk of the surface.

Typical classes of more heavily coloured shirtings include the following:—Zephyr, Oxford, Harvard, Grandrelle, Union, Ceylon, Angola, Llama, Viyella, Taffeta and Woollen. It is important that the coloured yarns are dyed fast to washing.

*Zephyr Shirtings*:—Terms Madras in the United States.

*Oxford Shirtings*:—Double-end cotton cloths made all white in ordinary and mercerised yarns, but generally colours are introduced in the warp, and frequently fancy weave stripes are formed to give variety.

The term Oxford is now applied to other cloths than shirtings which are woven with two ends per mail.

*Harvard Shirtings*:—Hard wearing cotton fabrics, with 2 and 2 twill, ground on which more or less elaborate

stripe effects are formed 16's to 18's warp and weft (both twisted warp way), 70 ends, and 64 to 72 picks per inch.

*Grandrelle Shirtings*:—Largely used for workmen's shirts, and made in 5-thread warp-face sateen weave with the bulk of the warp composed of coloured cotton twist threads (grandrelle) and white cotton weft. Single twist solid coloured and white threads are used in conjunction with the grandrelle twist threads, and in some cases the latter are replaced by mock grandrelle threads. The most common colours are Pink, Navy blue and sky in single yarns, and red and white and blue and white-grandrelle—2/40's grandrelle and 20's single warp, 10's to 12's weft, 90 ends, and 66 picks per inch.

*Union Shirtings*:—Usually woven plain, sometimes 2-and-2 twill, and are composed of both wool and cotton fibres, which may be introduced by employing wool yarns in one direction and cotton yarns in the other direction or by using Angola, Llama, or Merino yarns in the weft, warp or both weft and warp. The presence of cotton fibre mixture with wool reduces the tendency of the fabrics to shrink in washing. The same kind of finish is applied as to all wool shirtings which are felted and raised, and the fibrous face that is formed so subdues the colours that very bold colourings can be introduced and for the same reason fancy weaves are not suitable. For white or cream clothes the warp should be bleached in order to produce the best results and in coloured fabrics the colours should be fast dyed to stand the felting process. The amount of wool in the cloths varies as low as 5 per cent. to 80 or 90 per cent., but a cloth composed largely of cotton is given a very woolly feel as the felting process brings the wool fibres chiefly to surface.

*Ceylon Shirtings*:—A plain woven union cloth composed of a wool and cotton fibre mixture weft spun on the woollen principle, and a cotton-warp which is mostly coloured in stripe form, although white and solid coloured warps are also used—30's to 40's cotton warp, 18's to 22's worsted count weft, containing from 30 to 85 per cent. of wool 50 to 68 ends and 44 to 60 picks per inch.

*Angola and Llama Shirtings*:—Composed of woollen spun union yarns in both warp and weft, and are similar fabrics except that the Llama structures are generally the finer 14's (worsted count) warp, 18's (worsted count) weft, containing from 50 to 85 per cent. wool, 38 ends, and 44 picks per inch.

**Taffeta Shirtings:**—Very fine, plain woven, botany worsted cloth in white, cream or stripe colouring, and sometimes ornamented with crammed silk stripes, in sateen and other weaves. The cloth is also made with silk yarn in one direction and botany yarn in the other direction.

**Woollen Shirtings:**—Usually a moderately heavy cloth of good quality and mostly woven plain with woollen yarn in both warp and weft. A felted and raised finish is applied, and the fibrous surface that is formed enables only the simplest form of ornamentation to be introduced. A 6-oz. cloth, 30 inches wide—22 skeins warp and weft, 30 ends, and 34 picks per inch in the loom, about 15 per cent. contraction.

**35. Tennis Cloth:**—A cotton cloth of very good quality made from bleached or cream warp and weft and soft finished. In narrow widths 28 to 38 inches 76 ends, 52 to 60 picks, 16's warp, 16's weft 2×2 matting or 2×2 twill weaves. Stripes of 2/40's mercerised yarn introduced in many of them. Used for dress purposes.

Also made in Bradford 80×72, 18's/18's, 2×1 twill, all cotton or cotton warp and wool weft. The original fabric was an all-wool production.

**36. Tussores:**—A good quality dress fabric made from mercerised yarns in a plain weave. The fine warp used bends round a coarse weft, giving the cloth a cord effect. About 72 to 100 ends and 36 to 44 picks, 60's or 2/100's warp and 6's to 10's weft, or 2/14's, 2/16's.

The tussores for Egypt and other Near East markets are made from all colour warp yarns and grey weft. Brown, fawn and light grounds, with darker coloured yarns forming stripes. About 72×38, 36's/10's or 24's/12's.

**37. Voiles:**—Very light open plain weave dress fabrics made all plain for dyeing, printing, or bleaching, or in stripes with art silk or coloured mercerised effects. Made in all widths up to 60 inches. A large trade is done in 41 inch 60 ends, 60 picks, 2/100's; 2/100's. The yarns are of super quality and specially hard twisted. Woven one end in a dent. The fabrics must be well woven and free from faults. Both all cotton and all wool voiles are made.

**38. Voile Yarn:**—A specially hard twisted yarn used for making voile fabrics. Both single and two-fold-single 1/50's two-fold 2/100's. Other counts are spun but the above-named are spun generally when voile yarn is asked for.

39. **Zephyrs:**—Cotton fabrics, plain weave, woven from coloured and white warp and bleached weft. If checks, coloured weft is also used. The coloured yarns are not bleaching colours, since the cloth is usually soft finished only. Used for dress goods and blouses. About 88 ends, 90 picks, 32's/32's.

40. **Panama Zephyrs:**—Dobby cloths on 12 to 16 shafts, in coloured stripe and small figured effects. They are bleached, and some also dyed in light colours such as Cream, yellow, light blue. Shipped to South America, Egypt, Persia, etc., 26½ in. 100 yards, 72×72, 36's/32's colour.

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