

Tamil Nadu-Textile Policy

Importance of Textile Sector in Tamil Nadu

According to the Annual Survey of Industries (92-93), Tamil Nadu was the 3rd largest industrial state in the country. The gross output of its industrial sector was Rs.37,986 crores, accounting for 10.3% of the national output. Its net value added of Rs.7,303 crores was also 10.3% of the national figure. Cotton textiles was prominent among the industry groups that contributed to this ranking. In terms of gross output value, cotton textiles increased from 18.8% of the national share (ranked 2) in 1982-83 to 32.2% (ranked 1) in 1992-93. In terms of net value added, the corresponding figures were 18.4% (ranked 2) and 37.4% (ranked 1). Other textile products accounted for 20.3% of the national gross output value (ranked 2) in 1992-93 and 22.3% of that year's net value added (ranked 2). However, in 1995-96, the textile sector as a whole in Tamil Nadu registered a disturbing negative growth rate.

When we look at Tamil Nadu's Textile Sector, in 94-95, the total yarn production in the State was 695 million kgs, fully 33.3% of the country's production. Within this, the production of cotton yarn was 611 million kgs, being 38.5% of the country's output and blended and manmade fibres accounted for 84 million kgs, 16.7% of the national output. This was the output of 617 textile mills (44.2% of the country), comprising 595 spinning mills (52.7%) and 22 composite mills (8.2%) accounting for a total of 98.7 lakh spindles (32.5%). Included in the spinning mills are 18 co-operative spinning mills accounting for 4.69 lakh spindles and 34 million kgs of yarn, a quantity sufficient to meet roughly half the hank yarn requirement of the State.

In 1994-95, Tamil Nadu also produced 187 million metres of cloth, 11% of the national production, of which cotton accounted for 93 million metres (8.4%) and blended varieties accounted for 94 million metre (15.8%). This was the output of 7.7 lakh looms, being 5.1% of the country's loomage. Of this, 4.3lakh looms were in the handloom sector and 3.4 lakh in the powerloom and composite mill sectors.

Areas of Concern

The number of handlooms in Tamil Nadu enumerated at 4.3 lakh in the last Handloom Census in 1987-88 includes looms which were considered "active". According to the present norms, a loom is considered to be "active" if it has not been "idle". An idle loom is one which has remained idle at least for a year preceding the date of enumeration. Studies by the Department of Handlooms & Textiles in the late 1990s have shown that there is a steady decrease in the number of handloom weavers at the rate of 2% per year. Therefore, the number of working handlooms has also been steadily decreasing. Pending confirmation by another detailed survey, it is likely that the actual number of working handlooms may not exceed 2.5 lakh.

Despite being a craft activity, handloom weavers are not a homogeneous group with respect to income earned by them. Studies by the Institute of Rural Management, Anand,

in the 1980s have shown that handloom weavers fall into 3 distinct categories 12% in High income (Silk) 36% low income (janata varieties) and the remaining 52% in middle income (blended fabrics, furnishings). The low income group has not been able to upgrade quickly to the higher income brackets, but has been leaving handloom weaving altogether.

The productivity of handlooms has not been registering any significant increase. This has made the handlooms at the lower end of the value spectrum engaged in production of simple weaves very vulnerable to competition from the much more productive powerloom sector. For instance, even the scheme of Free Distribution of Sarees and Dhooties of the Govt. of Tamil Nadu which started with the objective of providing sustained employment to the handloom weavers now procures as much as 75% of its requirements from powerlooms in the cooperative sector.

Production and productivity of cotton in the country has not made significant strides over the years. Further, the prices of cotton are strongly influenced by international production trends and prices as well as the trade policies of the Govt. of India. Despite these uncertainties, cotton continues to predominate the textile industry. However, the clothing needs of the poorer sections of society are better served by increasing the use of synthetic fibres like polyester as these fabrics are lower in both initial and maintenance costs, more durable and more easily maintained than pure cotton fabrics. This is the trend worldwide as cotton fabrics are considered to be primarily for the wealthier sections of society. Therefore, ensuring the availability of such synthetic fibres at the right prices is an area that needs attention.

After delicensing, the spinning sector has undergone a drastic change. A large number of small spinners (up to 3000 spindles each) have proliferated. For instance, the South India Small Spinner Association claims that it accounts for 25 lakh spindles and 10 million kgs of yarn, the bulk of which is in Tamil Nadu. This has certainly led to an increase in the yarn availability. However, these units are predominantly cotton based and vulnerable to the vagaries of the volatile cotton and yarn markets. In fact, their demand for cotton is itself a factor contributing to the volatility of the cotton market. Therefore, the problems of increasing sickness among these units continues to cause concern.

Tamil Nadu is a major player in the Indian textile industry in terms of production and export of yarn, fabrics, knitwear, made-ups, and garments. Consequently, it is a major consumer of cotton and other raw materials and intermediates. However, the markets for all these items are greatly influenced by international trends as well as the trade policies of the Government of India. At present, Tamil Nadu, despite its significant presence in the industry, is not actively associated in the policy making processes of the Government of India affecting the industry. It is felt that in all such matters, the State should actively be involved in the decision making process.

Need for a State Textile Policy

The country's textile policy was last specified through the Textile Policy Statement of June 1985. Prior to this, the development of the textile industry was guided by policy announcements in March 1981 and August 1978. The stated objective of the textile policy of 1985 was an increase in production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of growing population. In pursuit of this objective, the employment and export potential of the industry were also to be kept in view.

The national policy is a broad statement and covers every aspect of the textile industry. However, in order to cater to the specific needs of individual states, there is a felt need for a State Level Policy. As evident from the introductory paragraphs above, the textile industry continues to play a vital socio-economic role in Tamil Nadu. Hence, the need for a dynamic, growth oriented policy is all the more important.

The objective of our State textile policy will be to produce textiles to cater satisfactorily to the quantity, quality and price requirements of both domestic and international markets, keeping in view the industry's potential for employment.

In an increasingly globalized economy, industries will have to be more market-driven than ever before. Therefore, any strategy designed to meet this objective will have to start with the markets and work backwards. This involves identification of markets, the products for each market and the inputs required for each product including the raw materials, technology, human and financial resources and the institutional arrangements required to link and deliver each of these effectively. Simultaneously, value addition at every stage should be enhanced so that the producers have a sound motive not only to continue, but also modernize and upgrade their technology and skills. The unifying themes which will therefore run through this process will be greater measures of "Market-orientation" and "value addition".

Wherever Government desire to encourage an activity, they will do so primarily by providing infrastructure support and escort services in all cases except where specific financial support is contemplated.

Cotton

Cotton dominates the handloom industry in the country, accounting for 83% of all production. Cotton blends account for another 5% while non-cotton cloth is only 12%. The textile industry of the state today is cotton based to the extent of 89%. Tamil Nadu produces only 1/6th of its cotton requirements and the balance is met by purchases from up-country markets.

Tamil Nadu's cotton area went up from 2.29 lakh hectares in 1993-94 to 2.6 lakh hectares in 1995-96, producing 4.71 lakh bales (170 kgs of lint each). It is grown mainly under rainfed conditions, the extent of which increased from 1.47 lakh hectares in 1993-94 to 1.58 lakh hectares in 1994-95. During the same period, the irrigated coverage increased from 0.82 lakh hectares to 0.97 lakh hectares accounting for a 13.1% share among non-

food crops and 2.7% share among all crops. In 1994-95, the cotton area irrigated was about 38% of the sown compared to the all-India figure of 33%. This irrigated area accounted for 63% of the total cotton production of the State. However, yield has not been satisfactory. While the average yield during the period 1985-86 to 1989-90 was 293 kgs/hectare, during the period 1990-91 to 1994-95, it was only 292 kgs/hectare. It decreased sharply from 316 kgs/hectare in 1993-94 to 293 kg/hectare in 1994-95. The corresponding figures for irrigated conditions were 489 kg/hectare and 484 kg/hectare and for rainfed conditions were 219 kg/hectare and 176 kg/hectare respectively.

Therefore, Government will actively encourage increasing cotton production and productivity within the State.

Since a coordinated approach will be necessary, involving soil survey, production technology including seed certification and replacement, irrigation, selection of high yielding varieties and appropriate technology for upgrading all cotton ginning and pressing, a State Cotton Council will be set up to carry out functions analogous to various product/commodity development councils at the national level.

Cultivation of cotton on commercial and /or contract farming basis will be encouraged. For this purpose, the steps necessary under the present land ceiling and other laws will be taken.

By encouraging the planting of cotton in the nontraditional areas of the State, a 3% annual growth rate for the next 5 years in the area under cotton will be aimed at. Simultaneously, a 5% annual increase in productivity will be attempted by encouraging drip irrigation in rainfed areas and by popularizing high-yielding hybrid varieties. The resources of the newly set up Agri Development Finance Corporation (Tamil Nadu Region) as a subsidiary of NABARD are proposed to be fully utilized for this purpose.

Research on the production of eco-friendly, pesticide-free varieties and naturally coloured varieties will be encouraged in recognized and reputed research institutions.

Yarn

Our spinning industry includes 18 Cooperative Spinning Mills and a large number of mills in the private sector. Barring one, all cooperative spinning mills have been set up by weaver's cooperative societies and not by the growers or those engaged in ginning and pressing. This has led to a basic conflict as the interests of the weavers take precedence over the interests of the other stake-holders.

Government proposes to conduct detailed diagnostic studies on each of the cooperative spinning mills and draw up and implement need based rehabilitation/renovation plans.

The cotton growers will increasingly be involved in the management of these mills. Any new spinning mills to be set up in the cooperative sector will also be by growers co-ops.

The Government will coordinate with banks and term lending institutions to encourage modernization of all spinning mills to improve their productivity and quality.

Our spinning mills have shown considerable reluctance in meeting their statutory hank yarn obligation of 50% of their production. It has been argued by the mill sector that since handloom fabrics account only for 23% of the total fabric production of the country, there is insufficient justification for continuing the 50% hank yarn obligation. This results in periodic shortages of hank yarn with consequent price instability. Government will encourage the spinning sector to create and promote cooperatives/ancillaries using appropriate technological solutions for reeling hank yarn, subject to the necessary clearances from the appropriate authorities of central excise and sales tax.

Handlooms

Handlooms account for nearly 23% of the textile production of the country and is the largest economic activity after agriculture, employing more than 30 lakh households and about 100 lakh weavers. During 1996-97, nearly 7310 million sq.m. were produced (87% cotton), representing a 70% increase since 1990-91.

Role of Subsidies

Due to low value addition, low productivity and increasing costs of raw materials and labour, handloom fabrics have traditionally suffered a cost handicap in the market compared to similar products produced by powerlooms. This is particularly true in the case of simple, plain weave fabrics like dhoties, lungies, towels, plain sheeting and plain sarees. Therefore, to offset this inherent handicap, subsidies have traditionally been given to the handloom sector. Direct subsidies include rebate on sale of finished products, modernization of showrooms, interest subsidy on working capital, margin money assistance and so on. Indirect subsidies include training for skill upgradation, welfare measures like group insurance, housing and health care, purchase of handloom fabrics for free distribution under various Government schemes. It is estimated that the annual subsidy in Tamil Nadu is of the order of Rs.70 crores. Despite such support, the economic condition of the weavers producing low value fabrics has not improved. In fact, as noted earlier, there continues to be a steady attrition in the number of handloom weavers. The steps outlined below are aimed at reducing the dependence of the handloom sector on such subsidies. As Handlooms play a substantial role in the state in terms of employment variety of products and value of production, Government will continue to take all steps to preserve, foster and promote the handloom industry.

The provisions of the Handloom (Reservation of Articles for Production) Act, 1985 to protect the handloom sector from encroachment by powerlooms and the mill sector will be strictly enforced.

All steps will be taken to ensure provision of proper forward and backward linkages for the handloom sector so that this sector does not suffer either from weaknesses in raw

materials availability, production technology, innovative and marketable designs or marketing of finished goods. While doing so, the Government will take steps to ensure that the intrinsic "craft" value of handloom products is emphasized and simultaneously attempt to move away from a marketing regime which is rebate oriented.

Handlooms today are predominantly based on cotton. Silk is the next largest raw material of the handloom industry of the state. As part of the effort to enhance value addition, Government will encourage the increasing use of silk and other raw materials including all man-made fibres, jute and wool in both pure and blended form.

Today the handloom industry suffers from several cost handicaps, one of which is a 2% sales tax on hank yarn. The Government of India have suggested the removal of such taxes to all State Governments. This will be examined.

Some handloom weavers do migrate every year to powerlooms and to other occupations. This is primarily due to their low wages caused by low value addition, compounded by low productivity, low technological levels and occupational health hazards. The Government will take steps to increase the level of value addition in the handloom industry by imparting adequate training to handloom weavers for up-grading progressively to more remunerative sorts.

Wherever necessary, Government will intervene for implementing both development and welfare schemes for the handloom workers.

Powerlooms

The powerloom sector has been playing an increasingly important role in textile production. The number of powerlooms has grown from 9.58 lakhs in 1989-90 to a registered number of nearly 13.58 lakhs in 1995-96. Including the ones not registered, it is estimated that there are a total of about 17 lakhs powerloom in the country. The majority of these are in the western zone, followed by the southern zone.

Its growth has come primarily at the expense of the organized mill sector. The production of the mill sector in 1989-90 was about 2589 million sq.m. which fell to 1880 million sq.m. by 1996-97 (6% of the country's fabric production). During the same period, the production of the powerloom sector increased from 13.348 million sq.m. to 17.475 million sq.m. (55% of the country's fabric production). The exports of fabrics and made-ups of the powerloom sector in 1996-97 were Rs.5603 crores (54% of the national total) while the comparable figures for the handloom and mill sectors were only Rs.1780 crores and Rs.2633 crores respectively. This vibrancy and dynamism has been entirely generated from within and there has been almost no Government support so far to the powerloom sector.

It is estimated that only 25% of the present powerlooms can be considered as modernized while the remaining 75% require modernization in varying degrees, fully 64% of these

looms require extensive modernization while the balance 36% may require only complementary modernization through attachments like dobbies and jacquards.

Government desires that powerlooms and handlooms co-exist harmoniously and do not cut into each others traditional markets. In other words, the traditional thinking of "handloom versus powerloom" should be replaced by "handloom and powerloom" To this end, Government will take all steps to encourage the powerloom sector to modernize and fill the gaps created by the steady decline of organized mill sector so as to provide fabrics of the right quality and price to meet the needs of the growing garment and made-ups export trade.

In order to provide proper backward linkages, Government will dedicate the production of some cooperative spinning mills located near powerloom concentration areas to meet powerloom requirements.

Formation of primary powerloom weavers cooperative societies will be encouraged and the necessary linkages in terms of raw materials, finances, design/ development, training and marketing will be arranged.

Knitwear & Garments

The knitwear industry has made tremendous strides within the state and has emerged as a major export earner. For instance, Tiruppur itself accounts for nearly 70% of the knitwear exports of about Rs.3621 crores in 1996-97. This sector accounts for nearly 13% of the textile production of the country and is reserved for the small scale sector. Against 2696 million sq.m. produced in 1989-90 by this sector, the production in 1996-97 was about 5102 million sq.m. nearly 16% of the country's fabric production. There are nearly 7000 hosiery units in the country.

Government will encourage the growth of this industry by providing necessary physical infrastructure. Government will also encourage setting up of spinning units dedicated to the production of hosiery yarn.

As a forward linkage to the powerloom sector Government will set up Garment Export Parks(s) in the state to encourage the powerloom sector to produce fabrics to meet the requirements of garment exporters.

Production of blended powerloom fabrics in fibres other than cotton will be encouraged by funding design and development efforts by recognized institutions, particularly, silk fabrics for export.

Production of industrial fabrics including filter fabrics, canvas geo-textiles, non-wovens,etc., will also be encouraged by funding design and development efforts by recognized institutions.

Processing Facilities

Pre-loom and post-loom processing facilities in the state have not grown adequately to meet the demands of the textile industry. Eco-friendly practices like the banning of azo and other harmful dyes and setting up of effluent treatment plants need to receive adequate attention.

Government will encourage the setting up and operation of such facilities and modernization of the existing facilities including the setting up of common effluent treatment plants and acquisition of ISO 9000 and ISO 14000 certification as these are important for value addition and increasing customer acceptability of products.

Exports and Policy

Textiles account for nearly 30% of the country's exports. Tamil Nadu accounts for nearly a third of the textile exports of the country, comprising mostly of knitwear, fabrics and garments in order of importance. There is considerable untapped export potential at every stage of the value chain like yarn, fabrics, made-ups and garments.

As noted elsewhere above, the State Government will try to associate itself actively with the formulation of trade policies of the Government of India in this sector and encourage the export of value-added items like made-ups and garments.

To this end, the State Government will encourage exporters to finance, set up and manage a separate Export Promotion Agency to collect, collate and disseminate all export related information of particular relevance to Tamil Nadu and undertake policy studies on exports.

Implementation

The Department of Handlooms & Textiles and its field Directorates will place emphasis on encouraging R & D Design development, technology, upgradation and transfer to the field, human resources development, identification of markets, extension activities. They will also interact closely with the Government of India for focusing attention on all textile related issues including issues concerning exports.

For the larger role which is envisaged, the Department will need proper information systems to monitor the performance of the industry. Today, sickness in textile industry is widespread. However, such sickness does not occur overnight. Therefore, Government propose to interact closely with the relevant industry and trade associations as well as design and implement early warning systems for monitoring continuously the health of the industry and anticipating problems to facilitate effective and timely intervention. For this purpose, legislation, wherever necessary will be introduced.

It will neither be possible nor desirable for the Government to take-over or nationalize sick units and in all such cases, the Government will not, as a rule, intervene. However, since sickness in the industry is a major problem, the Government will encourage the rehabilitation of any sick unit which establishes credibly that it is capable of being

revived. For this purpose, decisions on the nature and scale of assistance, if any, to be provided by the Government and other associated institutions/organizations will be decided on a case-to-case basis.

The output of the handloom sector today is more a "commodity" than a "product". This is because the bulk of the output has the characteristics of a commodity-homogeneity, low value, large volumes and targeted at mass markets. The Government will make all efforts to elevate the output of this sector into "products" targeted at specific markets within and outside the country, heterogeneous in terms of design, of high value, of high fashion and in volumes aimed at preserving its exclusive "hand-woven" and "one of a kind" selling points.

Government recognize the importance of development of human resources to meet the needs of a modern and vibrant textile sector. Therefore, Government propose to encourage regular upgradation of the skill levels of the existing personnel in this industry and augment the facilities available for imparting skills to new entrants.

A broad-based State Textile Council will be set up to monitor implementation of the textile policy and concurrently evaluate it so as to advise the State Government to ensure that it integrates seamlessly with the national textile policy. While doing so, the Council will interact closely with all relevant industry associations and bodies and Export Promotion Councils. The proposed Council will be given necessary administrative support by the Directorate of Handlooms and Textiles.