



## Problems and prospects of powerloom industry in Malegaon

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### ABSTRACT

The present paper highlights the problems and prospects of powerloom industry in Malegaon. The focused of the paper a different part, Introduction, research paper objective, research methodology, Fluctuation in yarn prices problem, Availability of yarn and exploitation by yarn merchants problems, financial problem, technological problem, labour problem, infrastructure problem, Central excise duty problem and last of the recommendation. The study is based on primary and secondary data.

The powerloom sector in Malegaon is growing fast due to the comparative advantages that it has enjoyed so far. The quality of the powerloom sector fabrics is not ensured and the quality consciousness in year and raw material is less. The performance of the powerloom sector of Malegaon is quite impressive in terms of volume of the textiles produced, and there is no gain saying the fact that the powerloom sector holds immense potential for the industrial production and employment growth. However, one should also understand and realize the prevailing and potential weaknesses attached to this sector. In the absence of quick and effective measures taken to tackle the infrastructural and technology problems, no one can safe its future survival with reasonable growth and development. Some of the major issues and basic problems affecting this sector's balanced development are as listed and explained below :

The objectives of the study are as follows : to study the fluctuation in yarn prices, the availability of yarn and exploitation by yarn merchants. To study the electricity problems, raw material problem, financial problems,

technological problem, labour problem, infrastructure problem and central excise duty.

The random sampling technique was used by the researchers for research study. The total sample size of powerloom industry is 750 as per the available record powerloom service center, Malegaon. The selected sample was taken by researchers is 10 per cent. The research was carried out with the help of primary data and secondary data. The primary data was collected with the help of structured questionnaire and secondary data was collected from. Reference books, Journals, Magazines, Websites, Govt. records, Industry publication etc.

#### Availability of yarn :

The powerloom owners in Malegaon had one to four powerlooms in the beginning. As per the growth and development of powerloom industry, the requirement and consumption also increased. But the production and supply of yarn was not increased accordingly.

Due to non-availability and short supply of yarn, the

powerloom industry suffered a lot. Generally the powerloom owners depend on yarn brokers and yarn merchants, who are usually Gujarati and Marwadee traders. They fix the price of yarn at their own will. In other words, it can be said that the powerloom owners are like puppets in the hands of these traders. They exploit the powerloom owners and earn a good profit.

**Exploitation by yarn merchants :**

The powerloom industry faces the exploitation from the yarn merchants. The composite mills produce and supply the yarn to the powerloom weavers. For the distribution of yarn, a circle has been formed by them.

They have installed their own sale depots at the different powerloom centers. These depots are actually run by the relatives of the spinning mill management. These relatives of the mill management run this trade. With their help the sale and purchase business of yarn is carried out. In this manner, the yarn reaches the actual users or the weavers through five to six mediators. In each hand the margin of profit is added. There are number of traders buying they yarn, so the prices go higher and higher as demand increases. Ultimately artificial shortage of yarn is created in the market.

Apart from this, the traders do not pay the sales tax to the government in this way the Union Government loses crores of rupees. This malpractice is going on since the produce of yarn.

Many a times this has been brought to the notice of the Government but it failed to take effective steps in the matter. No get found fund for the elections doubt the small powerloom owners who are financially poor, are very much in the grip of mill owners and middlemen and are being exploited and put to lot of hardship.

**Fluctuation in yarn prices :**

One more problem the powerloom industry faces is the fluctuating prices of yarn. The prices of yarn are fixed by the capitalists, Mill owners and the middlemen by create artificial shortage of yarn. Instead of this the following factors cause to make the yarn available on a high cost.

- The Government exports the raw cotton as well as finer yarn to earn foreign exchange.
- As a result, there is a shortage of raw cotton and yarn and the prices of yarn ultimately goes up. The government has provided loan to the spinning mills. These spinning mills are in great loss.

The capital of government is blocked in these spinning mills. So the government forced them for the production of finer yarn in order to get back the blocked capital in spinning mills.

- Apart from excise duty taxed by the state government, the local and municipal octroi is an additional factor. At Malegaon 2 per cent octroi is also charged on the yarn.

**Abolition of octroi :**

The government of Maharashtra Shasan Patra Kramank Nagar Vikas Vibhag abolished the octroi in the state by its notification No. GEN/ 1099/Letter No. 70/99/ No. 14 dated 26-03-1999. Almost all the weavers and businessmen of Malegaon appreciated the decision of the Government. The weavers were comforted by the abolition of the octroi. Due to this step time, money and energy were saved. Some how the cloth of Malegaon would be cheaper than the other centers and it could complete with them. The yarn could be available cheaper by up to 5 n.p. per meter.

**Electricity problems :**

The fixed charge of the electricity bills and huge amount of reading charge is one of the major problems of the powerloom industry of Malegaon. In 1997 the Maharashtra Electricity Board fixed the charge of powerlooms Rs. 125/- per month per loom. But, since then the rate of the electricity has been increased rapidly year by year.

The table of increasing electricity charge per loom for one month in the following years is given in Table 1.

Table 1 : Monthly electricity charge per loom	
Year	Monthly electricity charge per loom (Rs.)
1997	125/-
1998	185/-
1999	200/-
2003	262/-
2005	300/-*

Source : Field survey  
 \* From 2004-05 the electricity charge changed fixed to Rs. 1/- per unit. Rs. 300/- is an average.

From the Table 1, it is evident that the rate of electricity has gone up year by year. In the year 1997 it was Rs. 125/-, which rose to Rs. 262/- in the year 2003 and Rs. 300/- in the year 2005.

This has affected the cost of production. But, due to fixed charges of electricity, whether there is production or not the fixed electricity bill has to be paid. Because of frequent power failure the capacity utilization is affected, and the production is also affected. This affects the cost of production. When the Power Looms are closed in this situation also the bill comes and it has to be paid in time.

**Raw material problems :**

The powerloom industry does not get the raw material in required quantity and also of not good quality. This is because of Government Policy of Export of a quality cotton yarn to foreign countries. This policy results in shortage of cotton and yarn to powerloom industry. This shortage of yarn which is raw material for powerloom Industry results in the increase

in the prices of yarn, but on the other hand the price of manufactured cloth does not increase in the proportion as the increase in the price of yarn. Today the price of yarn has increased by 16 per cent. As a result, the cost of cloth has increased.

But, the selling price of cloth has not increased. This results in under costing of cloth. Moreover, due to financial problems the weavers cannot make up the stock of raw material and to cover the expenses they have to sell the cloth below the costs. This results in losses to weavers. Many times due to mal practices by the Mills there is fluctuation in the supply of yarn to the powerloom industry, Due to favourable prices in the foreign market the farmers are ready to sell their cotton in foreign market to earn more profits.

Many times the yam merchants combine together and raise the price of yarn. The prices of raw material are raised but the price of cloth is falling which results in huge losse to the weavers. They got under cost. The weavers of Malegaon have no union to control the price of raw material.

There is no control on the price of raw material *i.e.* the price of yarn by the Government to stop any malpractices which results in increase in the price of yarn and the Government does not give any minimum support price to cloth as given in the case of cotton to protect the interest of the powerloom owners. All these things have made the industry sick, due to huge losses suffered by the industry.

Also due to low quality of raw material, the cloth produced in Malegaon is also not of very good quality to compete with the quality of cloth produced in the other powerloom clusters.

#### **Financial problem :**

Finance is the backbone of any business. Finance in adequate quantity is always needed for the survival of business. Finance is needed to acquire fixed assets for production process for longer period of time and is not acquired for selling purposes. Obvious examples of fixed capital are land, machinery and plant. Funds are also needed for working capital is needed to pile up adequate quality of raw material to ensure uninterrupted production activity. Likewise, sufficient stock of finished goods has also to be maintained in anticipation of favourable condition of market. Moreover, a minimum level of cash is also needed for the ordinary operation of the manufacturing concern, to pay ordinary expenses of operation *i.e.* wages and factory overhead. Ample cash is also needed to take the advantage of cash discount.

In Malegaon, powerlooms are mainly started by the own capital of the wavers. They have no sufficient cash to modernize their powerlooms which will have greater productivity and better quality of cloth. Nor they have sufficient capital to pile up the stock of raw material when the prices are low. Because of these, they have to purchase the yarn at higher prices and sell the cloth at lower prices. Which results in losses to them.

Now they can purchase the raw material in cash and take the advantage of cash discount due to weak financial position. They also do not have the capacity to hold the finished goods to wait for favourable prices because of the shortage of cash. This is because they have to regularly bear the operating expenses so they sell their cloth at any price, which is below the costs, which results in under costing of cloth and huge losse to them.

There are not much Financial Institution providing help to the powerloom Industry. In Malegaon the majority of the owners and weavers belongs to a particular religion in which the belief is that taking interest and giving interest is a sin. Due to this belief they neglect to take loan from banks.

Majority of the manufacturers are illiterate. They cannot understand the various schemes and the policy of the Government relating to the interest of powerloom industry. So they are not aware of the policies and schemes which are beneficial to them. So they do not take advantages of them, this also stops their progress.

#### **Technology problem :**

In Malegaon the old plain looms are used for production of cloth and the method of production is also old. Most of the powerlooms running in Malegaon are rejected looms from Mumbai' s textile mills, and other second hand looms from Bhivandi. Because of this, loom's depreciation is more and the maintenance cost is also high. It results in the increase in the cost of operating and the overall cost of production is also increased. All this results in under costing of cloth.

Moreover the productivity of this plain powerloom is also very low as compared to automatic, shuttle less and semi-automatic looms. The plain looms can only produce 80 meters of cloth per day in 24 hours. The automatic looms are 6 times productive than the plain looms. On automatic looms 500 meters of cloth can be manufactured while on shuttle less loom the production is 800 meters per day. Moreover, the depreciation is also very low and the cost of maintenance is also very low. The cost of production is also very low as compared to plain looms. But due to various financial problems the powerloom owners of Malegaon city do not change their machines.

Moreover, the quality of cloth manufactured on plain loom is also not of good quality as compared to the automatic or shuttle less looms. The labour cost is also reduced due to these modern looms. Also the production pattern can be changed easily on these looms as per the convenience of the manufacture. It can change the production pattern after every 50 to 100 meters as set by the manufacturer. This is not the case of the plain loom. The labour cost is associated with this loom is also high and the pattern cannot be changed with such ease. So the Malegaon Powerloom Industry is not able to make competition against powerloom clusters like Surat and Ichalkaranji where modem powerlooms are used.



In 1999 the Worldwide GATT had been sanctioned by India, by the end of year 2004. The textile goods are being imported in India. Then there are many problems faced by the people of Malegaon. The powerloom Industry of Malegaon don't have the modern technology. The cloth imported from foreign countries is cheap and of superior quality. The Malegaon powerloom Industry can not stay in competition and will be finished off completely, if it does not modernize.

In other cities like Bhivandi and Ichalkaranji modernization has taken place. These people are more educated than Malegaon. Malegaon city is not modernized because of lack of finance.

**Labour problem :**

The labour available for powerloom industry in Malegaon is not very skilful, because most of the labour forces are illiterate. This results in idle time, stoppages and bottlenecks in production process. They are not skilful to handle modern machinery. Such drawbacks affect the cost adversely.

Many times industry is closed for many days due to various problems, but the wages payment of the permanent worker goes on continually. This affects the cost and incurs loss to the manufacturer. The labours do not under-go training which is freely available by the powerloom service centre to increase the productivity and the skill of the worker to handle the latest machinery. Moreover the working conditions are not good for their health, there are not any safety measures to prevent any accident at the time of work. This also affects their motivation and productivity. The labours have their own union to settle their disputes arising due to conflict between the employers and them, on account of insisting implementation of Factory Act and the minimum Wages Act. The cordial relation which was the feature of the past has vanished and therefore the mutual co-operation and understanding is completely absent.

As per the minimum wages Act, the minimum wages of the workers *i.e.* basic wages for Zone II in which 'the Malegaon falls for the powerloom worker of different categories are:

The dearness allowance is fixed by the Wage Committee appointed by the Government in which five nominees are from Government Bodies and the three nominees from the power loom owners, selected from the different power loom clusters, and two nominees from the working class. The wage Committee visits to major powerloom clusters and they make study of the cost of basic amenities, such a water supply, food and other

basic amenities and find out the cost of each amenity and give the dearness allowance recommendation for each zone. This legislation relating to workers, has also affected the powerloom industry of Malegaon.

**Undeveloped infrastructure :**

In Malegaon, the infrastructure is not well developed. Infrastructure means good roads, railway facility, truck terminal, common effluent treatment plant facility, strengthened power supply, improved water supply and improvement in telecommunication network. Due to the lack of these facilities, the powerloom industry has not been developed in Malegaon. Due to shortage of water supply the processing, dyeing and printing centres have not been established in Malegaon which have been already established in some of other powerloom cluster, such as Surat, Ichalkaranji and Bhivandi. These cities have many processing and dyeing, printing houses. As a result printed cloths are produced in these powerloom clusters and they are able to get favourable price for the cloth. They get advantage and earn profits. But, this is not so in the case of Malegaon. Because of the lack of these houses, the powerloom industry of Malegaon has immensely suffered.

The transport system is also not very good and there is absence of truck terminals. That is available in big cities. Due to this the transport of cloth is affected. There is also the problem of electricity. There are frequent power cuts which adversely affect the production and the utilization of full capacity is not possible which affect the cost of production badly. The railway facility is also not available in Malegaon, which is an economical mean of transportation of industrial goods.

**Burden of central excise duty :**

The central excise duty was applied to powerloom industry in Malegaon and throughout India from June 2003. There was mass agitation in Malegaon. The powerloom Industry was closed for two months due to Central Excise. CENVAT *i.e.* Central Excise Value Added Tax is applicable to the powerloom Industry. It is one type of indirect tax. In this form of tax, the tax is to be paid on value addition. In case of cotton, the credit available is 8 per cent and the payment is 10 per cent *i.e.* 2% net. Every powerloom owner has to take an excise number compulsory. Due to the applicable of CENVAT the clerical cost has increased. A permanent accountant has to be kept. Many registers have to be maintained such as:

Table 2 : Wage rates as per minimum wages act				
	Unskilled	Semiskilled	Skilled B	Skilled A
Basic	180	190	220	250
D.A.	1971.20	2816	2816	2816
Total	2151.20	3006.20	3006.20	3006.20

- Quarterly Return Er3 Payment.
- Personal Ledger A/c
- Stock Register.
- Central Register.
- Sales Register.
- Cash and Bank Register.
- Purchase Register.

The Personal Register A/c shows the amount of excise paid on purchase and excise received on sales. If person does not manufacture but gets the work done, he has to maintain the yarn purchase, sizing, wrapping, weft, thaka register and also he has to maintain challan. Every time he issues yarn he has to give challan. After receiving yarn, yarn received challan and also he has to maintain weft issued and received challan, wrap and sizing issued and received challan, thaka received challan. All these have increased the clerical work tremendously. Because of these the clerical cost has been increased. It has badly affected the total cost. Without original bill no credit is given. The majority of powerloom owners are illiterate. They are suffering a lot as they do not know legal formalities. All the transactions are to be done through banks. The excise duty is to be paid in banks. If there is a slight delay, there are penalties and fine.

The Central Excise has contributed towards the problem of powerloom Industry in two ways. First by increasing the clerical cost which has increased the overall cost of production and putting the industry in loss. Second, by limiting the trade transactions. In this way the central excise has contributed one of the major problem of powerloom Industry in Malegaon.

#### Conclusion :-

The present study was brought to focus many interesting and vital aspects of the Malegaon powerloom industry. The main findings are as below :

- Alfred Webbers theory of location of industry is valid with reference to the location of powerloom Industry in Malegaon.
- The size of the firm in powerloom industry is too small, so the industry faces multi dimensional problems.
- The main source of revenue to Malegaon Municipality is revenue from powerloom industry. The Industry provides direct and indirect employment more than seventy percent of the people in Malegaon.
- There are fluctuations of prices in yarn market and gray cloth coloured source market. So there is instability in powerloom industry.
- The market for powerloom product is "Buyers market." The market of the raw material for powerloom industry is sellers market.
- A merchant capitalism prevails in the powerloom industry in Malegaon.
- The terms of employment are unfavourable to the

powerloom workers so they are poor.

- The labour laws are rarely implemented in powerloom Industry in Malegaon.
- Malegaon powerloom industry Electricity charges is very high. So they are aspected powerloom owner.
- The Main source of finance for the powerloom industry is "self finance". It is inadequate and uncertain for the industry, there is shortage of working capital the religion and ethics influence the economic behavior of man and society.
- The socio-economic problems of the powerloom industry in Malegaon can not be solved by a change in the 'system' or fragmental policy approach. It needs change in motive or mind of the man. This basic problem is one, all the problems are the branches of the same tree

#### Recommendation :

- The supply of yarn at reasonable price by collective effort by semi Govt. agency of Govt. agency at local level.
- The management needs business approach, cost consciousness and rational plan towards the industry.
- The storage facilities by Malegaon municipality and provision of short term finance by the banks on the receipt of the goods in the godown can be made easily.
- The past looming process units, sizing units, colouring units, printing and fishing units are to be started in Malegaon. It is necessary to make all found efforts for modernization and diversification in the industry.
- The price guarantee scheme for the powerloom industry is necessary.
- Adequate Raw Material supply.
- The labour force should be trained to increase their productivity and skills, which all be beneficial to the powerloom industry of Malegaon.
- Removing Burden of Excise Duty.
- Reducing Electricity charges and improving electricity supply.
- Provide the infrastructure facility.

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