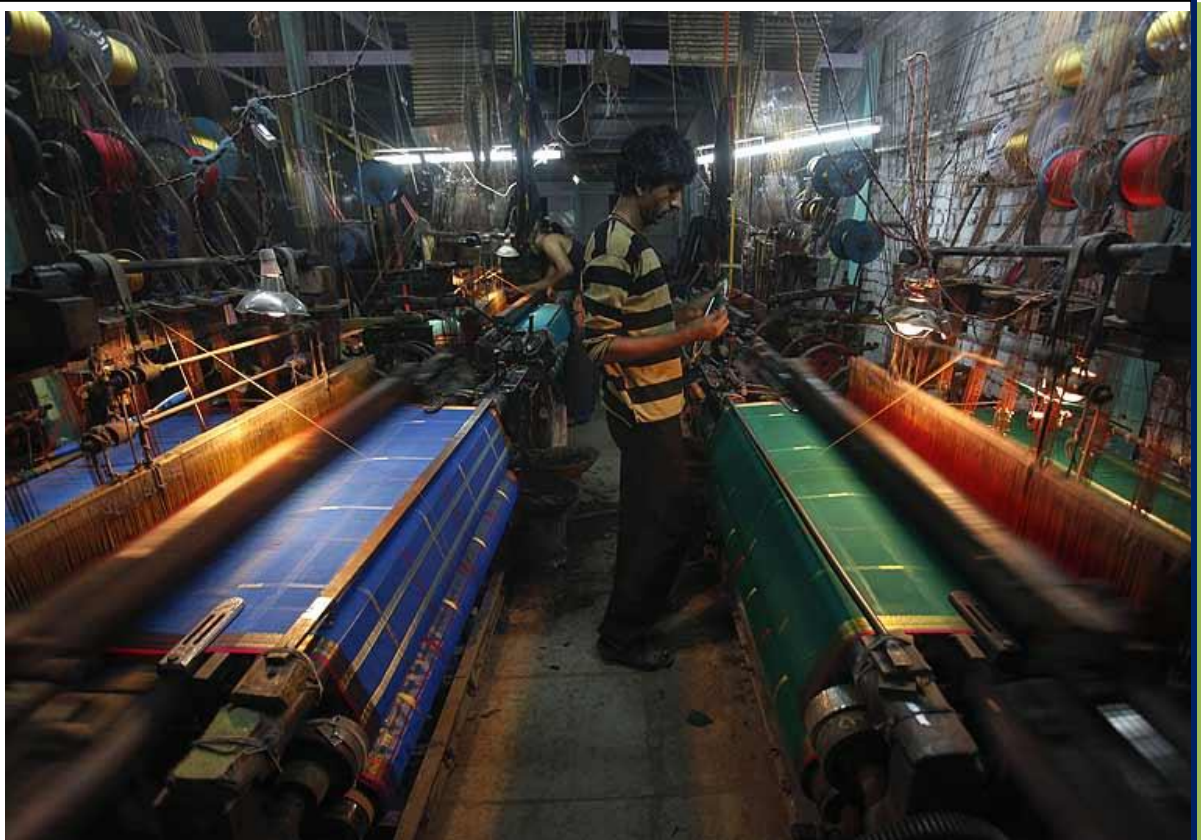


Report on

# Socio-Economic status of the entrepreneurs and work force of Textile and Apparel manufacturing Cluster of Malegaon



by



**National Institute for Micro, Small and Medium  
Enterprises (ni-msme) (An organization of the  
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## ACKNOWLEDGEMENT

Study of Socio Economic Conditions of the Malegaon Powerloom Entrepreneurs and Workforce has been conducted by the National Institute for Small, Medium Enterprises, an organization of the Ministry of MSME, Govt. of India. We have tried to explore the issues concerns for the growth of socio economic conditions of the Powerloom industry in Malegaon both with the entrepreneurs and the workers through the intensive field study and interaction with the concerned groups. Major inputs for the study is derived from the interactions with the major associations of the industry, some of the prominent company owners, community leaders and small entrepreneurs were the major source for this study. Co-operation of the individual enterprises, Association members and allowing our team to interact with the workforce by the factory owners has given us the opportunity to know the industry in depth.

In this connection, we would like to thank various associations of Malegaon Powerloom association ,Malegaon Powerloom owner association, Yashwantrao Chauhan Jobber (Mukadam) Yantramag Union Malegaon, Malegaon Powerloom Education & Social Welfare Society, Malegaon Powerloom Jobber Association, Khandesh Rahebar Powerloom Worker Union, Kranti Powerloom Worker Union , Bhai Madane Jobber Association and their executive members who has given full support to inform all the Powerloom entrepreneurs to extend the support to this study.

We also express our sincere thanks to all individual entrepreneurs who co-operated this study and allowed us to visit the units and to interact with their workers for the interviews.

Research Team  
ni-msme

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## 1. Executive Summary

The textile industry holds significant status in the India. Textile industry provides one of the most fundamental necessities of the people. It is an independent industry from the basic requirement of raw material to the final product, with huge value-addition of every stage of processing with its contribution of 14% of the total industrial production and it contributes to nearly 30% of the total exports. This industry has the potential of generating a large number of employments to opportunities and stands as second largest employment generator after agriculture. About 35 million people are already engaged with this sector.

The ongoing economic reforms and changes at the international economic scene including the emergency of World Trade Organization (WTO) have brought about certain challenges and several opportunities before the textile industry of India. The Indian textile industry exemplifies many of the opportunities and the threats from globalization. The impact of globalization is strongly felt in all sectors and types of business in India. Many have benefited and some have becomes victims of it, one such victim is the entrepreneur of textile of Malegaon.

Malegaon is one of the famous Powerloom weaving centers in India with a special reference in Maharashtra state. This business is more than 100 years old and is prominent with major economic dependence. The Rangeen Saree made at Malegaon was very famous and was exported to all over the country. Currently, cotton and synthetic textiles are main product from the powerlooms business in the city. The 70% population in the Malegaon city is of Muslim community mainly came from Uttar Pradesh and Rajasthan. All of them are involved in weaving business and hence are known as weavers. It has evolved as the regional growth center, attracting economic activities and providing livelihood for large in-migrating population.

Malegaon has been functioning as one of the engines powering the Indian economy in powerloom. In 1935, Power-loom industries overcome the handloom industries has multiplied and has drastically increased the employment in this sector and given a strong shape to this sector and which ultimately became the traditional look of this City. Every corner of the City has the sound of Powerloom as its characteristic. In 1857 the first revolution for freedom was started and in 1948, Hyderabad Mukti Sangram took place and because of the

fear of British Rulers a large amount of Muslim people migrated to Malegaon and adopted the traditional Powerloom business. Day by days, as industry developed and the employment base widened, migrant population from the nearest villages, Districts, States to Malegaon in search of employment and settled in various parts of the town and contributed in Powerloom industry to become the identity of Malegaon as one of the biggest centre in Powerloom. Through 1.1 lakh power looms, 80000 people are directly employed in Powerloom industry with more than Rs.10 Crores daily turnover and also 2.5lakh people are engaged in textile sector. Today, Malegaon has emerged as the most vibrant economic belt in Powerloom industry of the nation. Thus the city became predominantly a marketplace and mixed land use prevailed.

Mainly the powerloom industries are engaged in Grey Cloth, Synthetic and Cotton Fabrics, Dyed Cloth, Printed / Dyed Sarees, Lungis, Processing of raw clothing etc. Majority of population is having the weaving to be the main occupation. Women and children work on the Looms as well undertake the associated operations. Major concern of the city is been sprawl of slums estimated to be 132 nos. with estimated population of 2.67 lakhs and 90% of the slum population is engaged with the Powerloom associated workings. Low operating and maintenance cost, cheap material and simple living standard is the main boosting and supporting factor for the growth of this Sector here. Socio economic conditions of the workforce involved in the power loom industry is very poor and they are deprived of many the facilities from the employer like PF, overtime, bonus, leaves, housing, insurance, etc and also not aware of any Govt Schemes.

After India became one of the signatories for GATT Agreement and fall of the consolidated Russian market which we used to depend, the local Textile based economy got adversely affected. With the reduction in Government subsidy and Textile Units in Malegaon being unable to respond to the quick changing market realities by adopting latest technology by further capital investment, the situation got further worsened. This resulted into cascading effect and related ancillary units got severely affected. Factory workers got unemployed. As a result overall tone of Trade & Commerce got severely affected as purchasing power of Citizens got reduced.

Hence, this study has focused mainly on the Textile and Apparel manufacturing located at Malegaon Municipal Corporation area to know the present status of the micro enterprises involved in the production of textile and apparel manufacturing with reference to socio-economic status of the entrepreneurs and work force. Aim of this study to bring out the role of public and private business development service providers, critical bottle necks involved,

and inclusive development of minorities in these areas, etc.

**a. Challenges faced by the entrepreneurs of Powerloom Industry:**

As per the interactions with the Associations, owners, service providers and the actors of backward and forward linkages, following are the major challenges observed for the well being of entrepreneurs:

1. Volatility of yarn prices every day
2. Yarn market is under the control of few people in other communities
3. Still running the production obsolete looms
4. Financial weakness of micro entrepreneurs
5. Getting a finance from banks is very a biggest task for a Powerloom MSME
6. Benefits of TUFS are not being properly utilized by the Malegaon Powerloom sector
7. Absence of support from the public and private service providers
8. Dependency on local markets only
9. Non availability of skilled labour to the industry
10. Biggest challenge of labour absenteeism of 1-3 days after every weekly pay out.
11. Entrepreneurs are not fully aware of Govt Schemes and its benefits

**b. Challenges faced by the Workforce of Power loom Industry:**

1. Working on piece rate and not on monthly salary
2. High rate of inflation
3. No proper sanitation for the workers at workplace / living places
4. No proper housing for workers
5. No paid holidays
6. No Provident fund as they are not employed
7. No ESI / Insurance
8. Children are not given proper education
9. Not aware of Government schemes of Insurance,
10. Ignorance of Children education allowance etc

### **c. Quick Recommendations To Enhance The Wellbeing Of The Entrepreneurs**

1. Making use of Group Workshed Scheme to synergize the resources of micro enterprises
2. Formation of Raw Material banking for the cost effective inputs
3. Educating the entrepreneurs on adopting Technology Upgradation Fund Scheme (TUFS)
4. Facilitation with banks for the better disbursement of loans under TUFS
5. Aggregate to small groups, preferably in to Consortium / SHGs; linking them to the mainstream financial institutions
6. Developing Development Plans for both the workers associations and small entrepreneur associations with a specific focus of social benefits and financial benefits
7. Promoting an independent association for the work force and providing required capacity building through an independent agency with a specific curriculum
8. Establishing Market Resource Center to educate the entrepreneurs on markets and providing marketing linkages
9. Counseling to workers on the work ethics and co-operation for the win-win position of workforce and entrepreneurs
10. Creating awareness on the Govt Schemes to the entrepreneurs for better utilization
11. Similar awareness to the workforce on Insurance, Children Education etc
12. Promoting group insurance through the aggregated community based organizations
13. Establishing the training institutions for the skill upgradation of the weavers on latest technology and also to train the fresher to induct to the industry.



### 3. STUDY BACKGROUND

The idea of the study has emerged keeping in view of the current crisis that prevails in the Malegaon textile cluster. Several of the current generation is leaving the profession due to various reasons. Being the second largest supporter of the livelihoods of the millions of populations of India, the Powerloom entrepreneurs and work force are facing several challenges. If the situation prevails, the crisis takes away several lives similar to the dry land agrarian crisis that is prevailing in India. Hence it was decided to undertake a study which understands various challenges faced by the Powerloom workers in this region. The study is expected to bring out specific recommendations so as to improve the situation. The study has been conducted in three clusters of Textile and Apparel manufacturing located at Malegaon, Bhiwandi and Malegaon cities within, Municipal Corporation areas to know the present status of the micro enterprises involved in the production of textile and apparel manufacturing with reference to socio-economic status of the entrepreneurs and work force. The study would also involve bringing out the role of public and private business development service providers, critical bottle necks involved, and inclusive development of minorities in these areas etc.

#### a. Objectives of the Study

1. To undertake study in three clusters of Textile and Apparel manufacturing located at Malegaon Municipal Corporation areas.
2. To study the **present status of the micro enterprises involved in production of textile and apparel manufacturing.**
3. To study the **socio-economic status of the entrepreneurs and work force** involved in production of textile and apparel manufacturing.
4. To analyze the **backward and forward linkages** to understand details of business operations of the clusters.
5. To analyze the **role of public and private business development service providers.**
6. To identify the **critical bottle necks that is hindering development of the clusters** particularly from the point of view of inclusive development.
7. To analyze the **strengths, weaknesses, opportunities and challenges** of the clusters.
8. To prepare a **cluster specific action plan** along with the **scheduling of the activities** for development of the clusters based on the problem analysis.



9. To **validate the action plan** with the help of the cluster enterprises and other development agencies involved in the clusters.

#### **b. Scope of the Study**

To undertake a study of Textile and Apparel manufacturing located at Malegaon Municipal Corporation areas to know the present status of the micro enterprises involved in the production of textile and apparel manufacturing with reference to socio-economic status of the entrepreneurs and work force. The study would also involve bringing out the role of public and private business development service providers, critical bottle necks involved, and inclusive development of minorities in these areas.

### **4. STUDY METHODOLOGY**

The study has been conducted through the local Cluster Development Executive who is trained on the UNIDO Cluster Development Methodology. Field visited to individual units to get full details mentioned in our scope and analyze the forward and backward linkages of the industry. Also met the individual public and private service and supporting institutions to analyze their services and role to suggest strengthen their services to the local industry. Similarly, meeting the stakeholders of the cluster and getting their feedback on the social economic status of the industry and the bottlenecks of the industry growth, present level of support received from the State/ Central Government organizations, pending issues and grievances pending with the concerned authorities

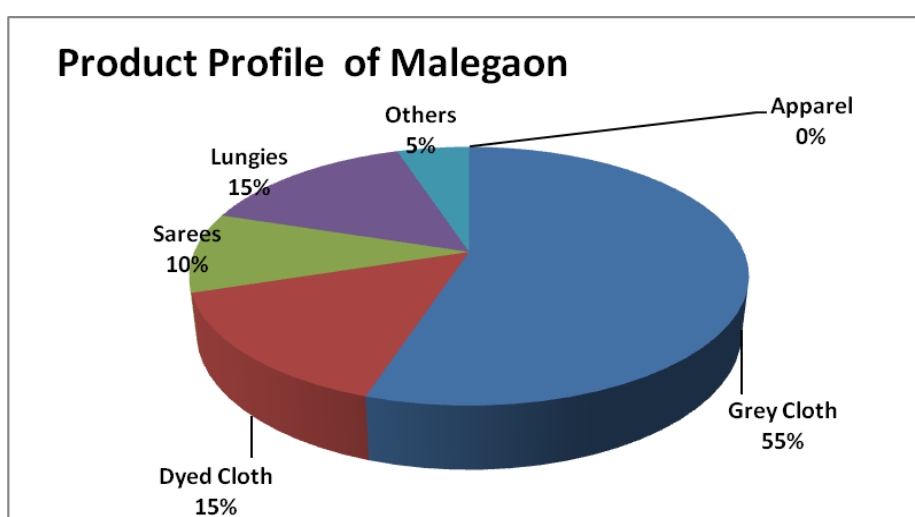
Based on the data and inputs from various meetings, SWOT analysis was prepared and specific action plan also being suggested based on the gap analysis done through our study.

### **SAMPLING**

Entrepreneurs sample size	150	Purposive sampling
Work force sample size	150	Random sampling

## 5. Analysis and interpretation of results:

### a. Present status of the micro enterprises involved in production of Textile and Apparel manufacturing



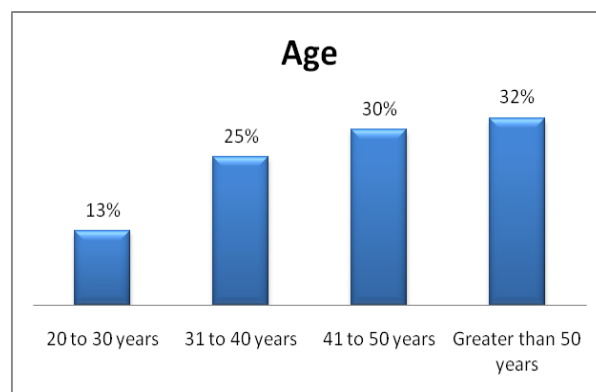
Malegaon Powerloom micro enterprises are majorly focusing on the Grey cloth cotton and synthetic, Other items produced are dyed fabrics of Lungies, Sarees and running fabrics of dyed yarns. All these are these productions are of Powerloom production and there is no activity of Apparel industry in Malegaon . Especially the Malegaon Powerloom products are not given a value addition of converting them into apparels or any kind of customized garments as they need further pre-processing and dyeing. Some of the Powerloom produce are given a value addition of embroidery and stitching ends, these are either outsourced to women to stitch at their homes. Some units have set up 3-5 machines in-house to cut and stitch the fabrics or mend the ends. So this activity of is considered as making of Made-ups and not as apparel manufacturing.

In absence of Apparel sector in Malegaon, our main focus of this study is given on micro enterprises of Powerloom enterprises whose investment is upto 25 lakhs on plant and machinery

## b. Interpretation Of The Enterprises

### AGE & EXPERIENCE OF THE ENTREPRENEURS

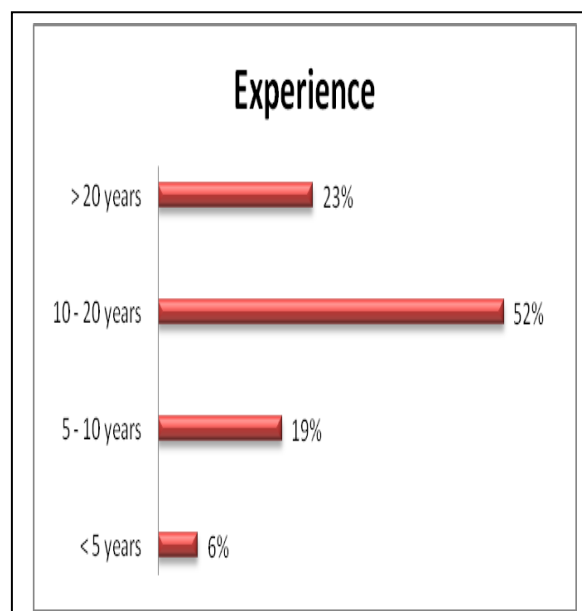
AGE OF THE ENTREPRENEURS			
Sno	Age category	Number	%
1	20 to 30 years	19	13%
2	31 to 40 years	38	25%
3	41 to 50 years	45	30%
4	Greater than 50 years	48	32%



### EXPERIENCE IN THE PROFESSION

From the 150 respondents in the cluster, more than 62% of the entrepreneurs are in the age group of above 40 years and above, this indicates that the entrepreneurs in Malegaon carries a rich experience and operating in the profession for the several years. When compared the age of the entrepreneurs with the experience in the profession (table 2), it gives an interesting observation that the about 52% of the entrepreneurs carries an experience of between 10 and 20 years.

EXPERIENCE IN THE PROFESSION			
Sno	No of years in the enterprise	Number	%
1	< 5 years	9	6%
2	5 - 10 years	28	19%
3	10 - 20 years	78	52%
4	> 20 years	35	23%



## OWNERSHIP OF UNITS IN THE CLUSTER

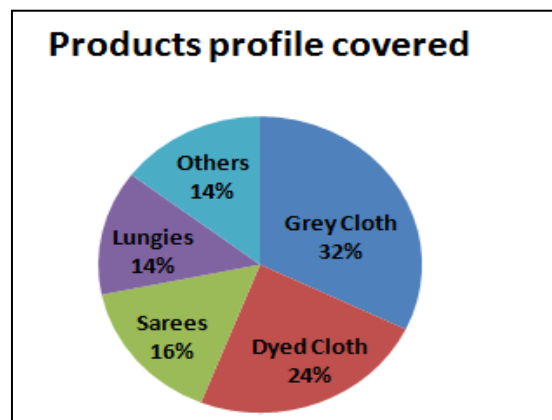
Majority of the units in the cluster which the team had studied, the units are owned by the entrepreneurs. 85% of the units are own units and only 15% of the units are rented. No unit is run by the cooperatives in the study area. This implies that the existing units in the Malegaon are set up the entrepreneurs with their own capital investments. Ownership of the units needs to be compared with the financial assistance from the banking system in the subsequent analysis part. There are several schemes for the textiles promotion for both the enterprise promotion as well as for the workers who are working in the textile clusters. Very few entrepreneurs have got the access to either the beneficial schemes for starting up of the textile units or for the working capital requirements. An in depth probing is further required to see how the capital requirements are met, what are various debt options, the interest rates, the existing pressure from the informal lending institutions etc to know more about the nature of working capital and related vulnerabilities.

Sno	Type	Number	%
1	Own unit	127	85%
2	Rented	23	15%
3	Cooperative Society	0	0%
4	Daily wage	0	0%

## TYPE OF PRODUCT MANUFACTURED COVERED UNDER STUDY

Variety of textile products manufactured in the cluster. 6 types of products are produced in the cluster. Terry Towels are the major products in the cluster. About 61% of the units produce Terry towels. 33% of the units produce the Chaddars. Bedsheets, Grey cloth and Chatranji are the other products produced in the cluster which have a high potential for exports.

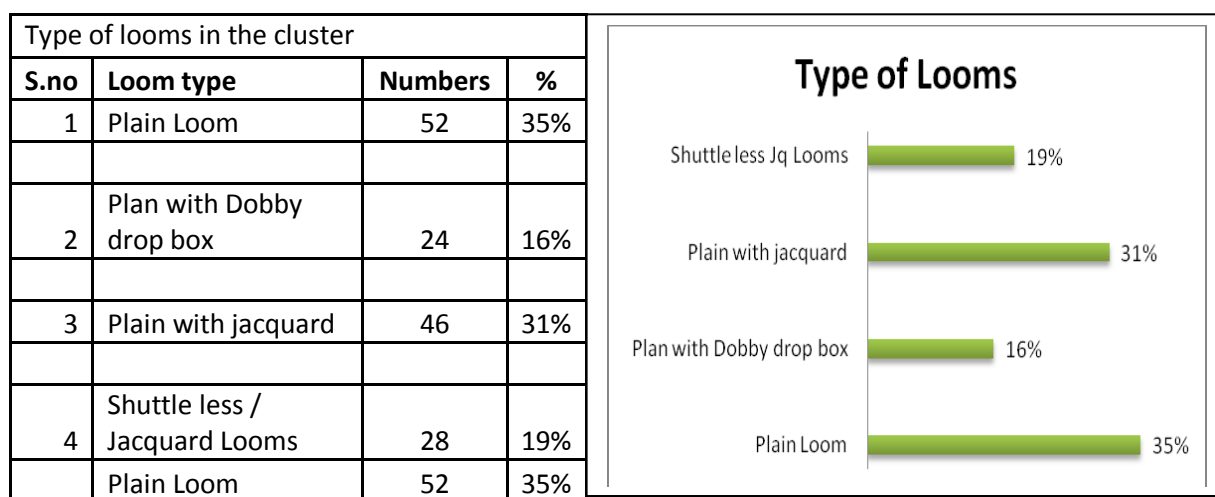
TYPE OF PRODUCT MANUFACTURED			
S.no	Product	Number	%
1	Grey Cloth	53	35.3
2	Dyed Cloth	39	26.0
3	Sarees	26	17.3
4	Lungies	24	15.0
5	Others	8	16.0



## TYPE OF LOOMS

Over all plain looms with some additional attachments of drop box or the jacquard are dominating the cluster. It is evidence from the following data that there is less focus on technology upgradation by the micro enterprises and only 19% of the looms covered under the study are having Auto/shuttles looms of upgraded technology. Another interesting observation is that, most of the looms very obsolete and they are making use of the same looms by giving additional attachments like dobby, dropbox to compete with the new looms attribute. Sometimes, these kinds of attachments may cost them about R.25000 to 50000/- per loom depending upon the type of modifications they need.

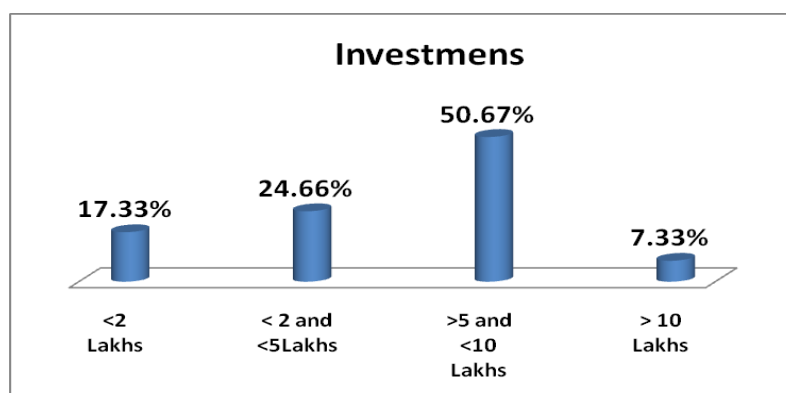
## TYPE OF LOOMS IN THE CLUSTER



Though there is Central Govt Schemes for the Powerloom Industry which supports the entrepreneurs with various options of subsidies under the scheme of Technology Upgradation Fund Scheme, micro entrepreneurs of Malegaon is not able to reap the benefits due their financial condition. Under this scheme, subsidies / benefits are available only if they are setting up of new looms which are approved and also second handlooms of imported with certain vintage.

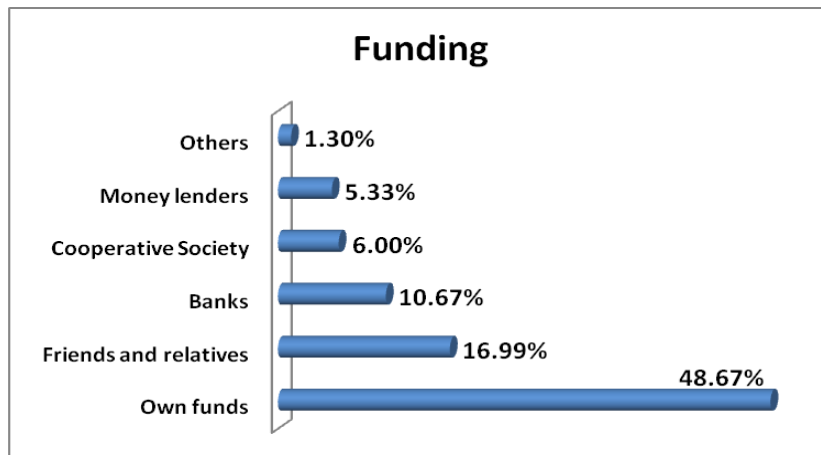
An analysis of the number of looms per unit versus the extent of accessibility of the schemes is of paramount importance in the study.

Following graphs shows the investment range of micro entrepreneurs covered under this study. About 40% of the units are below the 5lakhs investments and about 50% of the unit holders invested to the extent of Rs.5-10 lakhs. Very few of them are above 10lakhs investment.

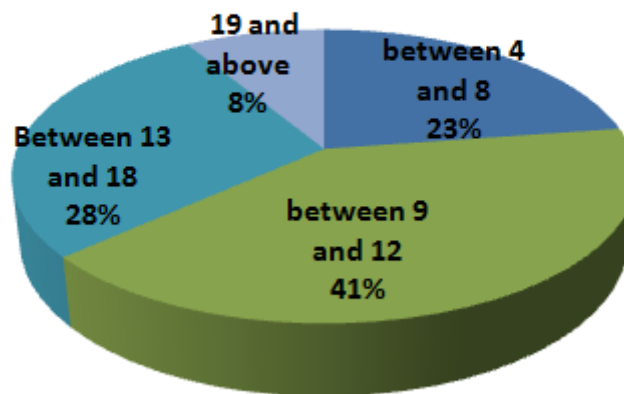


When they opt for any Government benefits, they have to invest the margin money to the extent of their total investment in the present set up of enterprises. Hence, most of the micro enterprises are keeping away from availing any loans/funding from the government schemes. The only demand from these enterprises is that they should be given subsidized loans to modernize the existing old power looms to make more viable instead establishing new looms while this is not possible under the TUFs.

It is evidence from the following investment pattern that most of the entrepreneurs are investing from their own funds to the extent of 65% which include finance from the relatives and friends. It shows that they want to do the business with their own money instead of barrowing and paying installments to the banks. Banks contribution is only 10% which is very less in the present financing pattern. It is because many banks do not entertain the small Powerloom entrepreneurs to finance the term loans due to their past experience. Also the entrepreneurs are very poor in keeping accounts and banking.



### Units % with looms

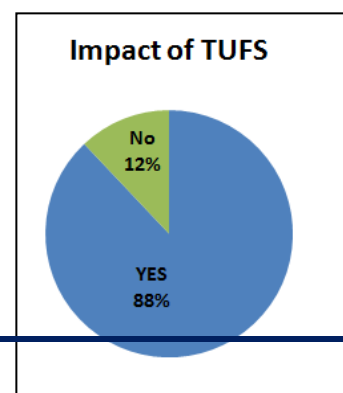


Type of looms in the cluster			
Sr NO.	Range	Looms	%
1	between 4 and 8	34	23%
2	between 9 and 12	61	41%
3	Between 13 and 18	42	28%
4	19 and above	13	9%

There are few units: only 8% of the unit's posses more than 20 looms per unit in the study area. About 70% of the units are having looms in the range of 9 and 12. This is a good sign of viability of the units for the effective management of resources without depending on external funding as per respondents

### Impact of technology up gradation

When we look at the impact of technology up gradation in these units, the respondents clearly articulates that the technology updradation has not been reached to the entrepreneurs due to





the several reasons. Ability of these entrepreneurs in accessing the support from TUFs has been not enhanced for the past few decades. Though Maharashtra Gov came up with a good scheme, the local entrepreneurs are unable to meet the requirements of the scheme, caught up in the web of poverty. Only 12% of 150 respondents have said that the upgradation of technology has no positive impact and they are happy with the present technology. But, 88% of the respondents agreed that technology up gradation scheme has impact for the growth and they are not able to cope up with the finance as banks are not supportive for Powerloom enterprises.

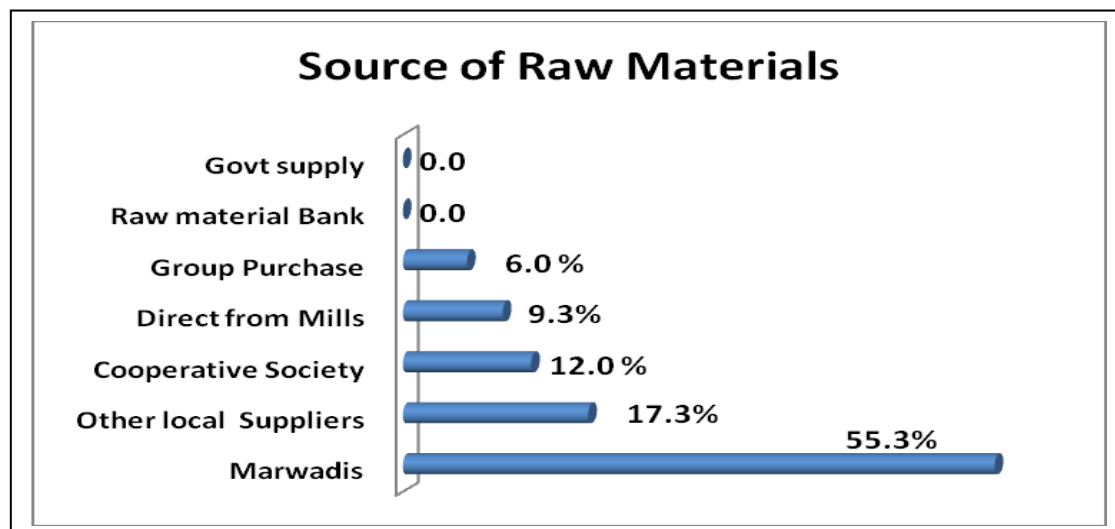
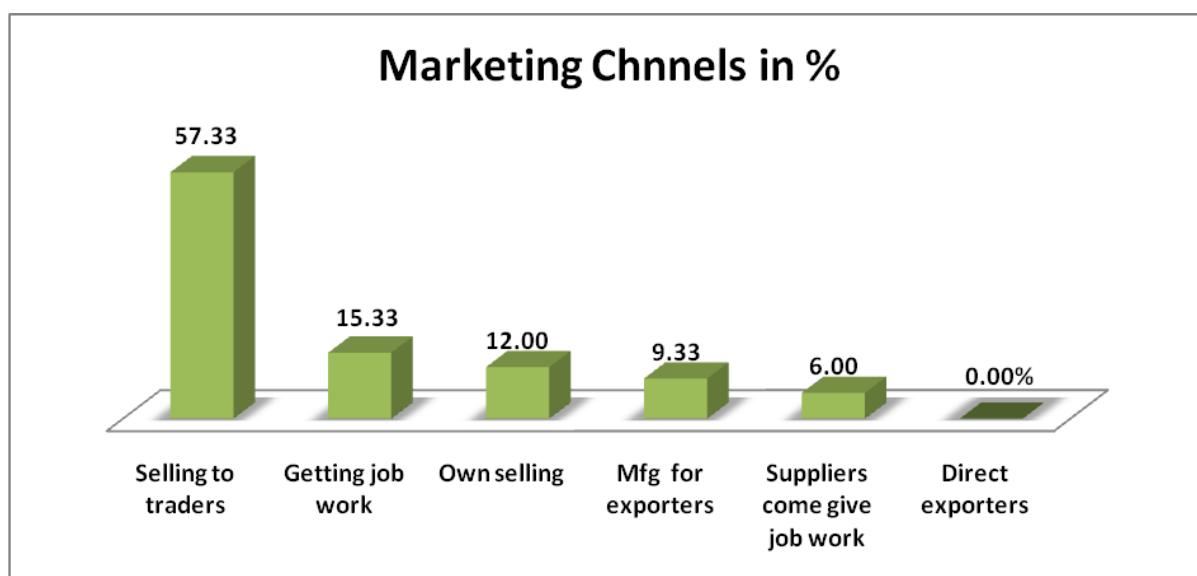


Table below clearly illustrates the dependency of the entrepreneurs on local Marwari's for their raw materials to the extent of 55% and few suppliers of other community to the extent of 17%. Some entrepreneurs to the extent of 9.3% are getting raw materials direct from the mills and 6% are making group purchases from the mills and dealers from Mumbai and mills from south. Whatever the raw material supplied by the local suppliers are to be taken by the entrepreneurs without having choice of quality. About 12% are covered under co-operatives. More than 70% yarn market is under the control of private operators and they manage the pricing. Hence, there is a dire need for the raw material banking at Malegaon is very much essential. It can be organized by the group of entrepreneurs with the Govt funding and manage by their own to cut down the cost of raw materials.



Marketing channels are also very weak as they are dependent on the local traders who exploit the micro enterprises in pricing as they need the immediate cash or the counter trade of taking yarn from the same traders in exchange. This is one of the weaknesses of this cluster and intermediaries are playing a key role in controlling the markets of yarn and also the final product pricing. Only 12 % of the enterprises are only doing the direct selling through some agents at different locations. About 20% are doing job work on conversion basis and only 9% are working for the exporters of Mumbai / Ichalkarnji to make the products as per their specifications. There is no focus of exports from the micro entrepreneurs as they are not aware of the marketing channels and not having financial capability.

The main challenge for the micro entrepreneurs is the marketing. Since the total trade is in the hands of local traders, entrepreneurs are not realizing the actual prices. Traders are getting more profits than entrepreneurs. Under this circumstance, there is a need for market resource centre which can be controlled by entrepreneurs to get direct marketing linkages from the sources and get more realization to micro enterprises. This can be possible with the support of govt funding under marketing development funds from textile departments or other departments like Minority Development Corporation of State / Central.

When we look at various marketing support channels, the cluster is deprived of various important marketing support mechanisms. Still the entrepreneurs need support from govt and various other service providers for reaching the untapped markets like – Mumbai, Ichalkaranji,

Surat, Rajasthan and South markets. Strengthening of these marketing channels enhances their income levels in turn their net incomes from the businesses. Hence, a separate marketing strategy needs to be evolved for these units.

### **Access to Government Schemes:**

Following are the list of different Government schemes for the benefit of the Powerloom Industry and the copy of the each scheme is given as annexures:

#### **Central Government Schemes:**

1. Technology Upgradation Fund Scheme:
  - a. 5% interest subsidy schemes
  - b. 15% capital subsidy schemes
  - c. 20% Margin Money scheme for Powerloom SSI
2. Modified Group Workshed Scheme(MGWS)
3. Revised Group Insurance Scheme for Powerloom workers

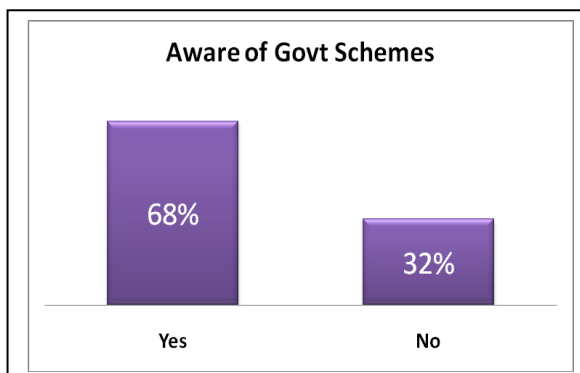
#### **Government of Maharashtra Schemes:**

(Under the Textile Policy of the Government of Maharashtra, for the year –2011 –2017.

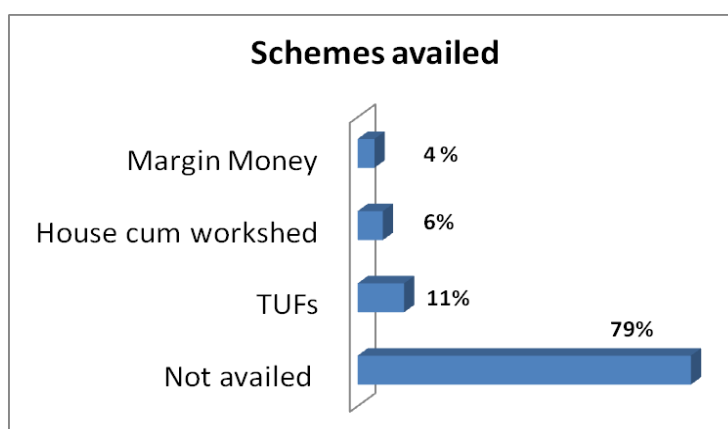
1. Scheme of interest subsidy on long-term loans linked to the Centrally sponsored TUF scheme.
2. 10% Capital Subsidy for **modernization of existing Powerloom** unit belonging to Scheduled castes/Tribes and minority communities Under the Textile Policy- 2011-2017. (besides Central subsidy)
  - a. Projects of Scheduled Castes / Tribes / Minorities eligible if more than 80% of the share belongs to the respective categories.
  - b. Provision of own share capital, Government Share Capital and Loan in the ratio of 5:45:50 instead of 10:40:50 will be considered in consultation with the concern Departments.
  - c. Besides the concessions received from other sources, by such units 10% capital subsidy of the capital investment [i.e. 10% of the permissible investment for the purpose of interest subsidy for projects which are approved in TUFs] on machinery will be provided for SC/SC/Minorities.
3. 10% capital subsidy to units in Vidarbha, Marathwada and North

Maharashtra.

Unfortunately the awareness among micro entrepreneurs about the Government schemes is very less and they are fully involved in their day to day routine activities. They feel that getting the benefits under any Government schemes are not so easy. Hence, they neglect the schemes though Government



is doing a lot for the welfare of the micro and small entrepreneurs. Hence, bringing awareness of the schemes is to be undertaken by the concerned ministry to the gross level of the beneficiaries with the help of banks who are finally disbursing and recovery authorities.



From the above tables, it is evidence that about 80% of the entrepreneurs has not availed any Government schemes which are meant for the benefit of the Powerloom industry. Though the Malegaon is the one of the major Powerloom production centers, utility of TUFs is to the extent of only 11% by the entrepreneurs covered under this study, which is very less. In order to support the small and medium enterprises to have the structured work sheds and also to support the seed money for the investments into upgraded technology has shown little impact with its utility by 6% for work shed and 4% to margin money scheme.

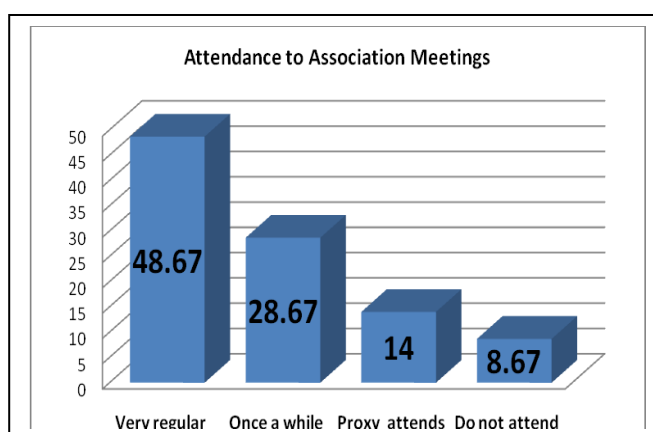
### Role of Associations

Various associations are existing Malegaon Powerloom Sector with a special objectives and functioning for the welfare of members and industry as a whole. Most of the entrepreneurs are the members to one or other association and some are associated with multi membership with

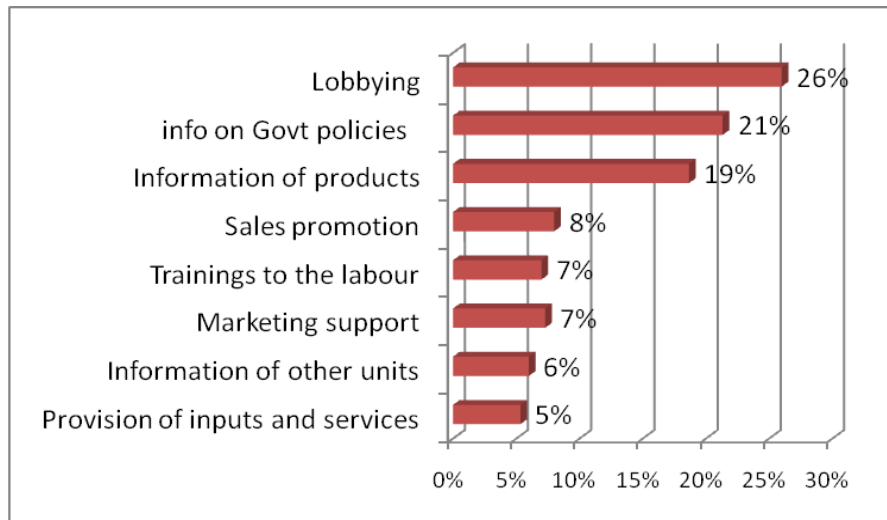
different associations. Following are the active associations in the Malegaon Powerloom Sector:

- Malegaon Powerloom Association
- Powerloom Action Committee
- Malegaon Industry Association
- Khandesh Powerloom Welfare Association
- Association of Power loom Modernisation
- Yarn Merchants Association
- Cloth merchant Association
- Industrial Co-operative Association Ltd

Most of the members are very long relation with their respective associations and from the findings it shows that more than 70% of the respondents are having associated with the some or other association from 5-20 years. That means every one is associated with some or other association for various reasons. The table also shows that about 50% of the members do attend the association meetings regularly and about 30% once in a while.



Following are the responses from the participants that how the associations are functioning and what is their main role. From the following findings, it shows that out of 150 respondents, about 47% indicated that the associations are mainly doing lobbying on some issues and giving information on Govt.policies and changes pertaining to their sector. Very less focus on business development of marketing and providing other services like training and sales promotion of the member products etc.,

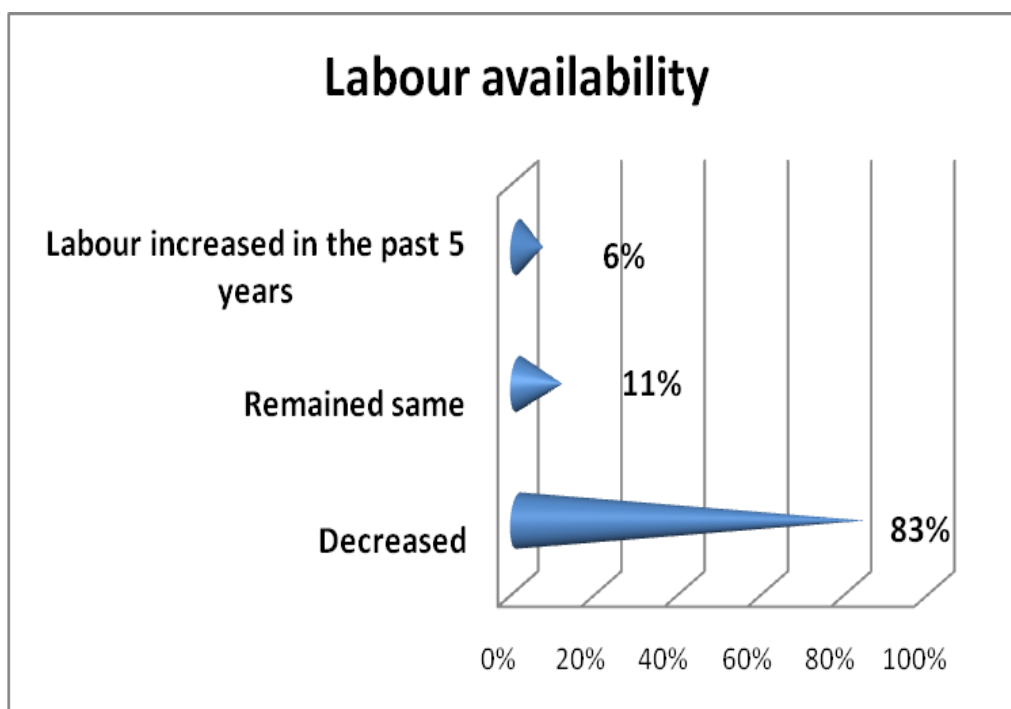


Awareness within the association on required aspects is also a big question. Hence it is essential to build the capacities of the leaders of the associations. A strategic business plan for the association with specific set of activities is vital at the point of time.

#### **SCHEME FOR GROUP WORKSHED FOR POWERLOOM SECTOR**

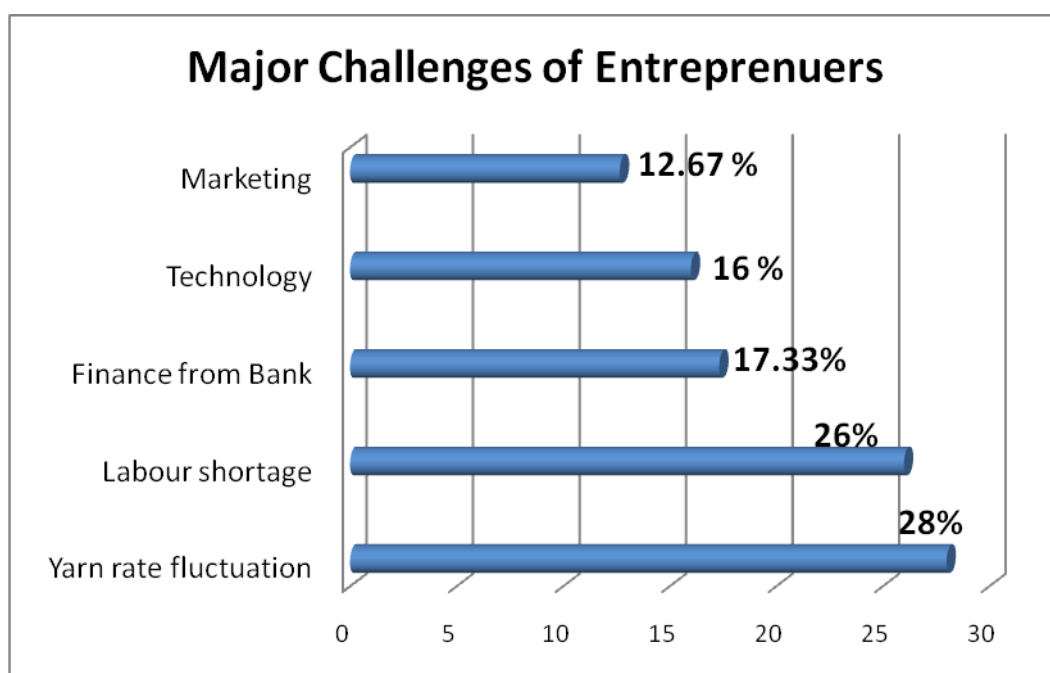
*The "Scheme for Group Work shed" for Power loom sector is formulated by suitably modifying the existing Group Work shed Scheme for decentralized power loom sector to organize power loom units in a cluster and to provide improved working condition in terms of more space, work environment, improve the work efficiency to enhance their competitiveness' in the global market. The beneficiary will be eligible for infrastructure benefit i.e. internal road to the extent of 10% of eligible expenditure provided the total number of sheds is 4 (four) and above and at least one of the sheds is proposed to house weaving preparatory equipments i.e. sizing, warping etc. with or without power looms.*

Unfortunately, labour force is decreasing year by year from the waving profession. Some of the main reasons are: migrating to various other activities leaving weaving profession.



Young generation is not seen in the profession as next generation is not put into this profession. Above all, the main reason is meager wages and no proper recognition and rewards from the employers. Even the workers who are engaged in the profession are also only trained by co-workers right from assistant level. Slowly over the period of time, with the experience, they become the senior weavers / jobbers without having any knowledge on the loom / loom mechanism. From above findings with 150 entrepreneurs samples, it is clear that there is a labour shortage in the cluster and about 83% of the respondents indicated that there is a decrease in labour during the last 5 years. Whoever is working at present they are under the age of >50 years and their next generation is not brought to this field by the weavers. Hence, it is an alarming situation that associations / Govt. should take it seriously to bring the new blood to the workforce for the survival of the industry.

## INDUSTRY CHALLENGES





Out of 150 entrepreneurs interviewed, 28% of the respondents expressed that yarn rate fluctuation is one very important problem faced by the enterprises in the cluster which is affecting the profitability of the enterprises. They are not able to predict the uptrend and the same enhanced inputs cost is not expected while they are selling the products as prices contracts have already been signed / committed. Labour shortage is another alarming issue in the industry as many workers have migrated to other activities which are fetching more income at less time. 26% of the respondents expressed as major concern of the industry. Further to that availability of the skilled labour is also major issue in the same lines. Finance is another biggest challenge for the small entrepreneurs in expanding their loom capacities with banking support with finance. More than 17% have expressed this as one of the top 3 issues of the industry. Coming to technology adoption, many enterprises are not able to adopt because of the financial weakness and non co-operation from the banks in financing their units. Marketing is also one of the major concerns as more than 60% of the people are selling their products to traders where the profits are squeezed by the middle person.

### Industry Demands:

A list of demands/actual requirements were shared by the entrepreneurs. These requirements includes the efforts to stabilize the yarn rate fluctuation has received highest priority as every one is affected by this. Out of 150 respondents 38% of them felt as top most priority to do by the Government. Second highest priority is the extending TUFs for the **old looms modernization** which are not considered as eligible machines to consider under the TUFs. Hence, entrepreneurs are not able to expand their capacities. With

Sr. No.	Demand	No. of Responses	%
1	Yarn rate should be stabilized	57	38%
2	Extend TUF for the old looms modernization	54	36%
3	Marketing support from Govt.	24	16%
4	Establish labour training center	9	6%
5	Subsidy required on yarn and textile components	6	4%
		150	100%

the experience of the entrepreneurs, with the age old looms they are competing the quality with

the latest technology looms. Some of the products produced on these machines are made equal to modern looms and supplying to exporters for exports.

Based on the above demands, how these are going to be implemented is a point for discussion. Enhancing the capacities of these entrepreneurs in accessing these schemes is a vital point. In the entire Country, community organization is helping the communities in various forms. An example of the that is the recent trend of evolution of Self Help Groups in India, the way, the groups are getting the financial assistance from Commercial banking system is a good example. Several SHGs are getting a credit of up to 5 lakhs under total financial inclusion. Hence some discussion should happen among these community leaders on how they can be brought together, what the community needs are? Who takes the leadership with in the community? What motivates them in taking a larger leadership role with a cause of strengthening of both the enterprisies and the work force etc.

## **6. Analysis of Business Operations:**

### **Business Status**

In Malegaon, all of micro enterprises were working as sole proprietorship and everyone started with 4-8 looms at the residence and slowly expanded their installation to 16 – 48 looms of age old plain looms in the same locations or nearby in the residential areas. So it is like a cottage industry and house cum workplaces. So most of them are on ownerships and run as individual entity for business. The whole community is of weavers or technicians from the mills sectors which were closed during last 2-3 decades. Slowly they expanded the business and in recent times some have advanced to more organized status and converted their enterprises to Pvt. Ltd Companies.

### **Finance**

As indicated in the previous chapters of the report that the businesses were being mostly started with own funds and slowly grown up. No banking institute had yet recognized the potential of

the cluster and hadn't come up with any type of scheme for the enterprises to finance the old machinery modernization or adding additional features. This situation is mainly due lack of accounting and no banking relations with the banks. CAs to fulfill the formalities of filing income tax returns on behalf of entrepreneurs with minimum turnover to evade the taxes. But those who had obtained financing for either machinery or working capital needs had been enjoying good pay-back history with banks.

### **Human Resource**

Entrepreneurs of Malegaon Powerloom sector are very poor in human resource management as the labour is engaged on piece rate. Upper Management tasks were performed mostly by the owners of the companies, who in most cases were not appropriately educated and trained because of limited vision and local supply. Other hierarchy levels were very limited. Production floor labor was available but, unskilled and irregular and irresponsible for duties. Availability of labour is the biggest challenge for the cluster and our findings also shows that there is a gradual decrease in availability of labour to the industry.

### **Raw material Procurement**

Almost all the entrepreneurs are procuring raw materials from the local traders. The raw material supply is controlled by the Marwari community and the sale purchased prices are determined by them and it runs in the market. Since the micro enterprises do not have capacity to purchase bulk in advance, they procure as and when required. This causes high rate from the local suppliers and rates are also highly fluctuative.

### **Availability of inputs:**

As Malegaon is one of the important Powerloom center, spare parts for the plain looms to automatic looms are available locally. Availability of textile related consumer items like pirns, shuttles, reeds, healds and other related materials have made Malegaon less dependent on Mumbai. Many companies have established their offices for the supply of various Powerloom consumer items.

### **Process Houses:**

Malegaon Powerloom sector is producing various dyed products and the industry is backed with the processing houses.

### **Product Sale**

Enterprises located in this region were selling their products directly to the local markets and some are having agents. Some are doing job work and some directly producing for the exporters as per the order requirements. Local selling and purchasing yarn against the sales from the same party is affecting the profit ratio to the enterprises. Details of the Malegaon marketing channel are already explained in the previous chapters. Some major firms do participate in International exhibition for buyer-seller meet but small and medium firms can't afford and hence seldom participate in Int'l fairs and exhibition.

### **Social & Regulatory environment**

As far as domestic laws of the country were concerned, firms don't face much difficulty in complying with them. Workers are engaged on contract for piece rate are paid weekly for the work done. Hence workers are not on the rolls of company. Of course, companies are following other regulatory compliances of the local administration and state government.

Very few examples of a firm being ISO certified could be seen in the cluster and those also engaged in export or a medium/large unit.

## **7. Role of Public and Private Service Providers:**

### **Role of Public Service Providers:**

Though Malegaon is one of the important prominent centers of power looms sector and contributing a lot from this segment, no public service providers are present in this cluster. Major related public sector service providers like BITRA / NITRA service are not contributing to Malegaon Powerloom industry. This is one of the weakest points of this cluster. There are private testing laboratories which provide the basic testing services like count of the yarn, colour fastness, cloth analysis etc.

#### **1. Banks:**

Malegaon has almost all the branches of all commercial banks and some private banks. Medium and large textile entrepreneurs are having good close relations with the banks in utilizing the finances and having regular banking. Micro entrepreneurs are shying away from the banking and not able to utilize the banks for the growth and development

In Malegaon there is Janata Co-operative Bank, Malegaon, which is exclusively serving for the Powerloom Sector. All the members are of Powerloom entrepreneur and it has 11 branches in the



Maharashtra. They are serving to the Powerloom community with all types of terms loans, working capital loans for their members. Unfortunately their bank is not listed in the TUFs schemes as only nationalized commercial banks are eligible to extend the loans under TUFs. Formation of bank exclusively by Powerloom entrepreneurs is a unique concept in the sector. Dr. GUK Rao and other team visited to bank and interacted with bank chairman and discussed about their services.

### **Associations:**

There are various associations in Malegaon like Malegaon Powerloom association ,Malegaon Powerloom owner association, Yashwantrao Chauhan Jobber (Mukadam) Yantramag Union Malegaon, Malegaon Powerloom Education & Social Welfare Society, Malegaon Powerloom Jobber Association, Khandesh Rahebar Powerloom Worker Union, Kranti Powerloom Worker Union , Bhai Madane Jobber Association.

Kranti Powerloom Workers Union met our team and officials during their visit to Malegaon and expressed their concerns about weaving trainings to youth and also skill upgradation of existing workforce on auto looms. They informed that those who are joining in the industry after getting training are given more wages than un-trained. Hence, present workers are getting training from Yashwantrao Chauhan Maharashtra Open University at Nasik by Rs.1100/- per candidate for one month training. After that they are getting certificate which is fetching them the position of Jobbers in the industry.



Dr. GUK Rao from ni-msme interacting with workforce of Malegaon and noting down important issues

Govt of Maharashtra or under any Central Government Schemes, these workers may be given skill up gradation trainings with the government funding at free of cost. Any other departments like Minority Development may also undertake this activity for the benefit of workers as well as it provide the qualified man power to the local Powerloom industry.

They also expressed their concern about the living standard and housing issues. Our team has explained about various schemes of central and stage governments for the benefits of workforce. As indicated in our findings, they are not aware of any schemes beneficial to them

Our team member has suggested to approach the State Government for the providing housing facilities for the Powerloom workforce. Accordingly their association executive body along with the help of our local team member prepared the memorandum to submit to the local municipal body to allot the land. Their application was submitted to their Malegaon local municipal authorities. This matter has come up during municipal monthly meetings and authorities has taken their request very positively.

On the next subsequent monthly meeting, municipal authorities have made a provision for 12000 workers housing by allotting the land at 3 different locations under Gruhakul Scheme.

Our sensitization and their efforts has resulted a housing scheme for the benefit of Powerloom workforce of Malegaon.

### Private Service Providers:

**1. Designers:**

Local CAD designers are giving an excellent doorstep services to the industry

**2. Yarn Suppliers:**

Giving local supply of yarn any quantity and any time

**3. Machinery Parts suppliers:**

Most of the spare parts for the looms / other textile machinery are locally available.

**4. Chartered Accountants:**

Presence of local CAs are helping them to file the returns and making bankable proposals for the industry.

**5. Marketing**

Local agent for the marketing is enabling the micro enterprises for more turnover of the business.

## 8. SWOT of Powerloom Entrepreneurs at Malegaon :

Strengths	Weakness
<ul style="list-style-type: none"> <li>➤ Self Entrepreneurship</li> <li>➤ Traditional business background</li> <li>➤ Good Technical knowledge</li> <li>➤ Quality with old plain looms</li> <li>➤ Capability to produce multi products</li> <li>➤ Marketing capabilities on their own</li> <li>➤ Unique creation of designing and excellent colour combinations</li> <li>➤ State Government own Textile Policy with lot of perks for Powerloom and SC/ST/Minorities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Still running on low technology</li> <li>➤ More labour dependent</li> <li>➤ Dependent on local markets</li> <li>➤ Not able to encash the Govt Schemes</li> <li>➤ No proper accounting of business</li> <li>➤ No direct raw material purchases</li> <li>➤ Banking sector is not supportive</li> <li>➤ Not able to expand their capacities</li> <li>➤ Lack of Marketing knowledge</li> <li>➤ Shortage of labour</li> </ul>



Opportunities	Threats
<ul style="list-style-type: none"> <li>➤ More productivity with technology</li> <li>➤ Use of TUFS for new looms</li> <li>➤ Skill up gradation to labour on high end technology</li> <li>➤ Less labour orientation</li> <li>➤ Exploring direct export markets</li> <li>➤ Becoming suppliers to exporters</li> <li>➤ Formation of co-operatives to get the full support of new textile policy 2011-2017</li> <li>➤ Make use of private business development service providers for competitiveness</li> <li>➤ Use of CAD facilities for new design developments</li> <li>➤ Establishing raw material banking for collective bargaining and low cost/unit</li> <li>➤ Formation of consortium for marketing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Competition from Mill sector</li> <li>➤ Tough competition from china products</li> <li>➤ High fluctuation of yarn rates</li> <li>➤ Govt. may anytime send the local industry to shift to industrial areas.</li> <li>➤ Pollution control may also ban the dyeing in the individual local units</li> <li>➤ Shortage of power to the local industry</li> <li>➤ Hike in power tariff may hit the profits</li> <li>➤ Allowing exports of cotton may inflate the cotton yarn prices and adversely affect the cotton yarn prices to the Malegaon industry</li> </ul>

## 9. Review of Schemes for Decentralized Powerloom Sector

### i).Technology Upgradation Fund Scheme:

The Technology Upgradation Fund Scheme (TUFS) was launched on 01.04.1999 for 5 years. It was subsequently extended up to 31.3.2007. The Scheme has been restructured w.e.f. 28.4.2011 and approved upto 31.03.2012. Restructured TUFS has been approved with the enhanced 11th Plan allocation under TUFS from Rs. 8000 crore to Rs. 15404 crore. Following are the different schemes under TUFS:

A] 5% Interest subsidy Scheme under Technology Upgradation Fund Scheme for any textile unit including powerloom unit.

B] 15% Credit Linked Capital Subsidy under TUFS for any textile unit including Power Loom unit in the SSI sector.

C) Margin Money Scheme @ 20% TUFS for exclusive small scale powerloom units

**Powerloom unit can opt either of the above Schemes and the details are as follows:**

- (i) The Scheme mainly provides for reimbursement of 5% (4% in respect new standalone/replacement/modernization of spinning machinery) interest charged by the financial institutions/banks for technology upgradation projects.
- (ii) In addition, the Scheme provides coverage of exchange rate fluctuation not exceeding 5% (4% in respect of spinning machinery) points per annum in respect of foreign currency loans instead of 5% interest support
- (iii) The Scheme provides an additional option to the powerlooms units to avail of 20% Margin Money subsidy in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 500 lakh and ceiling on subsidy Rs.60 lakh.
- (iv) The Scheme provides 15% Margin Money subsidy for SSI textile and jute sector in lieu of 5% interest reimbursement on investment in TUF compatible specified machinery subject to a capital ceiling of Rs. 500 lakh and ceiling on subsidy Rs.45 lakh.
- (v) The Scheme provides 5% interest reimbursement plus 10% capital subsidy for specified processing machinery excluding CETP, garmenting machinery and machinery required in manufacture of technical textiles.
- (vi) The Scheme provides 25% capital subsidy on purchase of the new machinery and equipments for the pre-loom & post-loom operations, handlooms/up-gradation of handlooms and testing & Quality Control equipments, for handloom production units.
- (vii) The Scheme provides Interest subsidy/capital subsidy/Margin Money subsidy only on the basic value of the machineries.\
- (viii) The Scheme provides 5% Interest subsidy or 25% capital subsidy on benchmarked machinery at par with handloom sector.

Budget Allocation and year wise release of funds towards reimbursement of interest/ capital subsidy under the TUFS is as follows:-

Financial Year	Budget Provision	Amount released to Nodal Agencies			Amount released to additional nodal agencies	O/o TXC (20% Capital Subsidy)	Total amount released
		IDBI	SIDBI	IFCI			

1999-00	1.00	0.75	0.23	0.02			1.00
2000-01	70.00	67.84	2.096	0.064			70.00
2001-02	200.00	168.08	30.674	0.14			198.89
2002-03	220.00	172.00	30.00	0.59			202.59
2003-04	250.00	199.00	48.00	1.97		0.09	249.06
2004-05	284.00	220.83	54.244	2.53		6.00	283.61
2005-06	485.00	244.34	67.3	1.86	151.5	20.00	485.00
2006-07	835.00	214.29	62.65	7.98	479.14	59.86	823.92
2007-08	1143.37	274.28	108.63	0	715.40	45.06	1143.37
2008-09	2632.00	635.02	829.01	0	1127.97	32.48	2632.00
2009-10	2890.00	391.13	62.52	2.95	2383.40	46.00	2886.03
2010-11	2786.68	186.38	70.96	0.89	2500.78	25.17	2784.18
2011-12	2980.00	239.71	14.90	0	2208.00	25.69	2488.30
<b>Total</b>	<b>14777.05</b>	<b>3013.65</b>	<b>1381.214</b>	<b>18.994</b>	<b>9566.19</b>	<b>260.35</b>	<b>14247.95</b>

### Segment-wise progress of Restructured TUFs as on 29.6.2012 (IN Cr)

Category	No. of Application	Project Cost	Sanctioned Loan amount	Loan under TUFs	CAP for Project Cost	Subsidy for All	CAP for Subsidy Amount	Subsidy claimed	
								No. of Applications	Amount
Spinning	216	7933.22	4326.27	3980.55	12194	820.94	210	115	15.40
Weaving	515	1475.64	1067.02	1032.36	6097	280.46	225	190	18.74
Processing	221	1051.61	685.56	651.31	9849	183.02	424	87	13.76
Garmenting	241	406.90	273.29	243.01	3752	63.62	200	97	8.72
Others	1332	16266.93	9232.52	8388.86	15008	2237.56	799	727	79.13
<b>Total</b>	<b>2525</b>	<b>27134.30</b>	<b>15584.66</b>	<b>14296.09</b>	<b>46900</b>	<b>2585.60</b>	<b>1858</b>	<b>1216</b>	<b>135.75</b>

It may be seen from the segment-wise table of claims under TUFs, though there was a

provision for 280 cr earmarked for the Powerloom sector, only 18.74 crs were utilized during 2012-12, that too, may be share of major industrial clusters. Malegaon powerloom industry could not take the full advantage of the TUFs mainly on the following criteria :

***A) Plain looms are not eligible under TUFs. Only TUF compatible machinery as identified / notified in TUF Guide Book by Government of India.***

Malegaon powerloom industry is highly decentralized and mainly running the plain looms. The investment ranges from 5 lakhs to 25 lakhs to establish 4 looms to 24 / 32 looms as per the make of the looms. Many entrepreneurs have established old plain looms by purchasing from the closed Mumbai Mills/NTC/Malegaon composite textile units. They have added jacquard to the looms to produce designed towels and bed sheets. Also added the drop box mechanism to produce check fabrics. With the simple plain looms industry is producing excellent designs, quality products and quantities.

Though establishing an auto looms will enhance their production and profits, small entrepreneurs are not able to invest huge capital for the automatic looms. Investment for the Auto/Shuttle less looms comes to 8 to 15 lakhs depending upon the features and origin of the make. China looms are available right from 4 lakhs. To start a small unit, they need to set up with minimum 4 looms for viability. It costs about 16 lakhs and need working capital. Similarly to establish 4 plain looms it may cost them ONE LAKH investment. Hence, small entrepreneurs of Malegaon are not able to avail the benefits of TUFS.

***B] Taking a term loan from a Schedule Bank identified by the Nodal Agency is mandatory for availing any incentives under TUFS.***

Present Scenario: Most of the small and medium enterprises of the powerloom industry transactions are on cash basis and nor proper accounts are maintained and banking transactions are nominal. Only just to file the returns, entrepreneurs approach to CA and they file the income tax returns for the nominal amount. In this kind of practice, most of the units does not have the proper accounting and banking relations. Hence, Banks are not favouring to extend the loan to powerloom units in absence of their profitable track record.

But, under the scheme, TUFS are getting eligibility only if the unit is getting eligibility from the banks. This is one of the drawbacks for the Powerloom entrepreneurs to avail the benefits of this scheme as they not able to submit the bankable proposals under this scheme.

***C] A minimum 15% of contribution from the entrepreneur is expected.***

Some of the entrepreneurs who wish to avail the TUFS has to invest upfront 15% of the project cost. For micro and small entrepreneurs this 15% for the minimum set up of 4 looms would cost about Rs. 4.8lakhs. (ie.15% of 32 lakhs each looms costing Rs.8 lakhs). If the entrepreneur is having about 4.8 lakhs investment, they can establish 16 ordinary plain looms unit with any financing.

With this concept, MSMEs of Malegaon Powerloom Industry has neglected scheme and they do not want to have the burden of bank loan.

*D]. Only approved list of machinery is eligible under the TUFS Scheme.*

**ii). Modified Group Workshed Scheme(MGWS)**

With a view to improve the working environment and enable powerloom workers to obtain higher productivity, the Central Government has approved a **Group Workshed Scheme**, to provide subsidy for construction of worksheds, limited to 40% of the unit cost of construction subject to a maximum of Rs.120/- per. sq. ft. In order to improve other infrastructure facilities the scheme envisages a link with the Textile Centre Infrastructure Development Scheme (TCIDS), which provides central assistance for improving critical infrastructure in existing or emerging textile centers.

**Silent Features for review are:**

*1] A group of minimum 4 powerloom weavers constituting an Executive agency for implementing Group Workshed Scheme is eligible to avail the benefits.*

**Real Scenario:**

Powerloom weavers do not have the capacity to go for construction of new shed while they are not having funding to set up their looms in their living places itself.

*2] Under the said scheme, 40% of the unit cost of construction subject to maximum of Rs.120/- per sq ft. will be given by the Government as subsidy for construction of Worksheds.*

Though the subsidy is increased from 25% to 40%, still workers are not able to come forward as they are not financially strong to invest on infrastructure.

*3] The maximum subsidy per beneficiary is restricted to Rs.12 lakh. Each group has to install minimum 24 Nos. wider width looms or 48 Nos. shuttleless / automatic looms. The unit should function for a minimum lock-in period of three years*

The looms prescribed under these are again need to be complied with the list of approved looms under TUFS . They can't install any plain looms of old ones. Investment for infrastructure and looms are a big burden for weavers community. Banks are also not supporting them for various reasons mentioned earlier.

Under the light of above facts, MSMEs are not able to encash the full benefits of the schemes.

### **iii). Revised Group Insurance Scheme for Powerloom workers**

**A Group Insurance Scheme for Powerloom Weavers** has been introduced in association with the Life Insurance Corporation of India since July 2003. This Scheme has two components-- **Janashri Bima Yojana & Add on GIS for Death**. Under **Janashri Bima Yojana** powerloom workers aged between 18 to 59 years and below the poverty line (BPL) or marginally higher than the BPL are eligible for an insurance coverage of Rs. 50,000 on accidental death / permanent disability; Rs. 25,000 on permanent partial disability; or Rs. 20,000 on natural death / partial disability.

The total annual premium per beneficiary is Rs.330/-, which is shared by Government of India apart from Social Security Fund of the Government of India as under :-

- GOI contribution - Rs.150/-
- Weaver's contribution - Rs. 80/-
- Contribution from social security fund - Rs.100/-
- Total premium - Rs.330/-

#### **Benefits:**

1. During the working age of 18 – 59 years, in the event of natural death of a member, a sum assured of Rs.60,000/- will become payable to the nominee.
2. On death or permanent disability due to accident a sum of Rs.1,50,000/- and partial disability due to accident, a sum of Rs.75,000/- will be paid to the nominee.
3. The scheme is operational on yearly basis and premium paid will cover for one year.
4. Additional benefits like educational grant of Rs.600/- per child per half year for two children of weaver's family, who are studying in class IX to XIIth Std. for maximum period of 4 years under Shiksha Sahayog Yojana.

#### **Real Scenario:**

Weavers are not aware of the existence of this scheme for the own benefit and also for the benefit of their children education. This is an excellent scheme and need to disseminate the benefits among workers to make them aware of the benefits.

This Group Insurance Scheme for powerloom workers and small powerloom weavers those having 4 looms are eligible

### **10. Critical bottleneck that are hindering development of the clusters particularly from the point of view of inclusive development.**

**Based on the personal interactions with the association members, stakeholders and**

**the individual entrepreneurs of Malegaon, following are the major findings of the study.**

- Obsolete Technology is the major bottleneck for the growth of Malegaon powerloom sector.
- Lack of skilled workforce and availability of skilled labour is another major concern of this cluster
- Dependency of owners only on the textile industry only.
- Traditional products like no product diversification to meet the contemporary requirements
- Lack of knowledge in marketing and management skills
- No marketing information and support for marketing
- Lack of accountability at all levels and also lack of through monitoring and reporting system.
- No product diversification
- Low wage workers, especially with no or little training old machinery which requires heavy breakdown maintenance extending environment costs.
- Lack of knowledge on new production techniques and technology to improve the production and profitability of individual entrepreneurs.
- Ignorance of excellent Central Govt schemes for the inclusive growth of Powerloom industry for the micro enterprises.
- Non utilization of State Government support provided under Textiles Policy 2011-2017 for the benefit of all sectors of textiles and including all the segments of caste wise incentives of 10% additional subsidy.

## **11. Conclusion**

On the basis of the above finding obtained in the study it is concluded that,

- 1) Malegaon Powerloom sector is filled with 92% older plain looms and contributing to 55% of the grey cloth production by the micro enterprises. They are not able to go for fresh investment on capital goods and advanced technology due to their financial soundness and most of them do not want to opt for loan as they need to pay installments irrespective of their returns.
2. Most of the entrepreneurs to the extent of 65%, have invested their own funds without being dependent on loans. Banks contribution is to the tune of only 10% for the modern units. Hence, banks should also be flexible in extending its loans to MSMEs with some flexible norms. MSMEs biggest problem of that they are not good at book keeping and



banking relations. Hence, they are not able to meet the requirement of bank norms in submitting 3 years profit and other requirements. Only 11% of the respondents have availed the benefits of TUFS out of 150 members.

3. Many unit owners don't know about various government policies, schemes of subsidies, seed capital formation etc. and policies regarding development of textile industry. It was observed that efforts are not being made by unit owners for obtaining such information. From the point of view of unit owners, it is very difficult and time consuming procedure of obtaining subsidy for technology up gradation, due this reason also there is no any response from the unit owners.
4. Because of low rate of investments in micro enterprises (upto Rs. 25 lakh) majority of the textile product are in low cost, low value added segment, which will never generate enough economic surplus for continuous investment in technology, practices and research.
5. Because of using low cost and inferior quality of machinery and equipment in production process, the productivity is less, which is resulted in high cost of production and less profit margins
6. About 72% of the local entrepreneurs purchase raw materials from the local traders and 57.33% of their products sell to the local traders. Due to cut throat competition, raw material deficit, marketing problems unit owners are not getting the right margins.
7. In the entire supply chain, marketing plays a significant role and the same is under the control of local trader and have monopoly in price fixing. There is no scope found that there is no any collective efforts by unit owners for controlling the malpractices such as hoarding of yarn by some trader. Because of hoarding yarn there is no any control over the price of yarn and therefore unit owners are always facing the problem of price fluctuation.
8. Majority of unit owners have no direct contact with their end users to know their needs, like and dislikes. They do not have any knowledge about the needs, like and dislikes of the consumers. Establishing Marketing information to these micro entrepreneurs and linking them with markets by some agency would improve their reach in markets.
9. About 78% of the entrepreneurs expressed that the availability of skilled labour is one of the major concern of the industry. As per the data, 83% of the respondents confirmed that there is a decrease of labour during the last 5 years.
10. Skill Development programme of weaving, designing, loom mechanism etc to the workers at BTRA with the support of Government Funding and linking them to industry. This would enhance the skills and also earnings to the workers as well as quality production and output to the entrepreneurs.
11. Establishing National Powerloom Development Corporation who takes care of yarn supply to the decentralized Powerloom industry on the similar lines of National Handloom Development Corporation, (NHDC) supplies raw materials like yarn, Dyes & Chemicals
12. In order to remain competitive the global market and to withstand increasing competition in domestic market it is necessary to ensure the large investment in

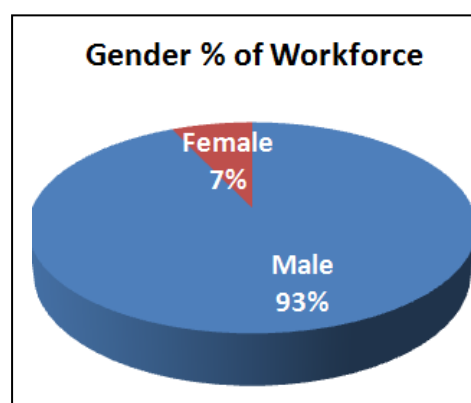
modernization and expansion. This will be possible only if the Technology up gradation fund scheme (TUFS) is properly utilized.

13. Maharashtra State Govt is also providing a specifiable package of additional 10% subsidy to SC/ST and Minorities over and above TUFS is an encouraging MSMEs in Powerloom sector.

## 12. Interpretation of socio-economic status of Workforce

### i. Gender:

Table 21: Gender wise work forces			
Sno	Sex	Numbers	%
1	Male	139	93%
2	Female	11	7%

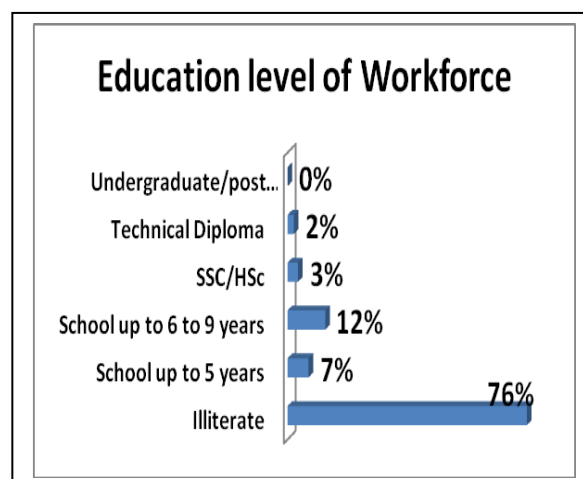


Interesting factor of Malegaon work force are dominated by male with 93% and female contribution of only 7% to the Powerloom sector. Total workforce is representing from only one religion of Muslim as the Malegaon is dominated with the Muslim community. No other communities are found from the units covered under this survey.

### ii. Education

Education level of the workforce is very low. Out of 150 workforce interviewed, 76% of them are illiterate without having any formal education and never saw the school. There are about 19% of them respondents have studied upto 9<sup>th</sup> standard. Only 3% have passed SSC and only 2% of them are having formal technical education of ITI and working as jobbers and takes care of mechanical fitter activities.

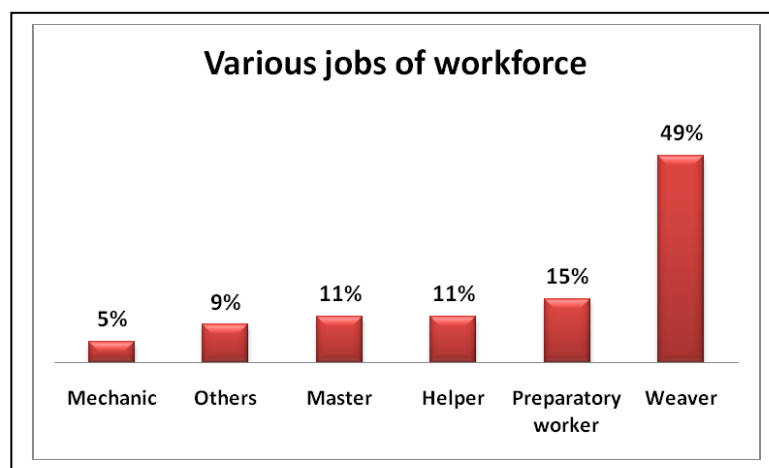
S.no	Education level	Numbers	%
1	Illiterate	114	76%
2	School up to 5 years	10	7%
3	School up to 6 to 9 years	18	12%
4	SSC/HSc	5	3%
5	Technical Diploma	3	2%
6	Undergraduate/post graduate	0	0%



### iii. Nature of Jobs:

Malegaon Powerloom workforce is performing various functions in the sector. Majority of them are involved directly in weaving activities like weaving, helpers, masters pooled together contributes to 71% only in the weaving. About 24% (Others + Preparatory) contributes to preparatory activities right from pirn winding, bobbins, reeling, sizing etc., 5% of them are directly contributing in to the maintenance activities for the smooth function of the industry.

S.npo	Occupation	Numbers	%
1	Mechanic	8	5%
2	Others	13	9%
3	Master	16	11%
4	Helper	16	11%
5	Preparatory worker	23	15%
6	Weaver	74	49%



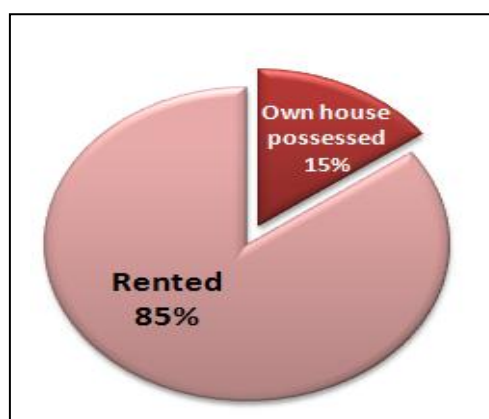
From the above results it shows that 71% of the worker force is contributing to the weaving activities which includes masters and helpers. As per the interactions with the entrepreneurs and also the personal interactions with the workforce, it was clear that none of them had a formal training for the weaving and they just learned the activity from the helper level and some of them became the jobbers with the experience of more than two to decades. Hence, there is a dire need of the formal training for these workers to enhance their technical skills and also to provide the quality skilled labour to the industry. None of this workforce is fit for the modernized looms as it requires skilled labour to operate the high technology looms.

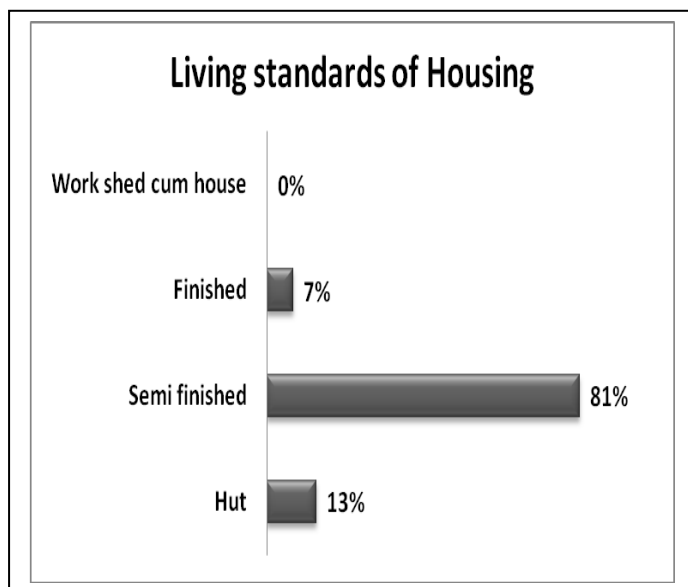
If these workers are given a formal training on the shuttleless looms / modern looms, they can be easily absorbed by the entrepreneurs to provide the employment on the modern looms. Malegaon has Bombay Textile Research Association (BTRA) Service Center who gives the training in **weaving** on modern looms, **loom mechanism**, **designing** etc. which are very much required for weavers.

If the workers are trained with some Govt. funding / Any agency funding, they can be given immediate employment by many firms and also with higher wages because of his skill up gradation with qualification.

#### iv. Housing

About 85% of the workforce covered under this study is living in rented houses and 1/4<sup>th</sup> of their income goes toward their house rents. This is one of the major issues expressed by the respondents on housing aspects. Only 15% of them have built their shelter at on their own with most difficulty in the unauthorized locations. Employers do not have any provisions or do not provide any housing facilities to the workers. Hence the workforce has to find their own way to live and work.





When we deeply study their living standards and what type of housing they live, 81% of them are living in the semi finished houses and 13% are still living in huts and only 7% are living in finished houses. Though there is a provision of workshed cum house under the Central Government scheme, none of this workforce has availed this facility as they remained as workers and not able to become entrepreneurs. The roads

*This study finds a dire need of housing facilities to the workforce for the welfare of the workers of Malegaon Powerloom sector. During the interaction with the workers, study team has enlightened about various Government schemes to the workers. Most of the workers feel that they are deprived of many Government schemes and should approach the Government for housing. As a result, our team member helped them to frame a proposal to submit to local municipal authorities for allotting land for housing.*

#### v. Water Facilities

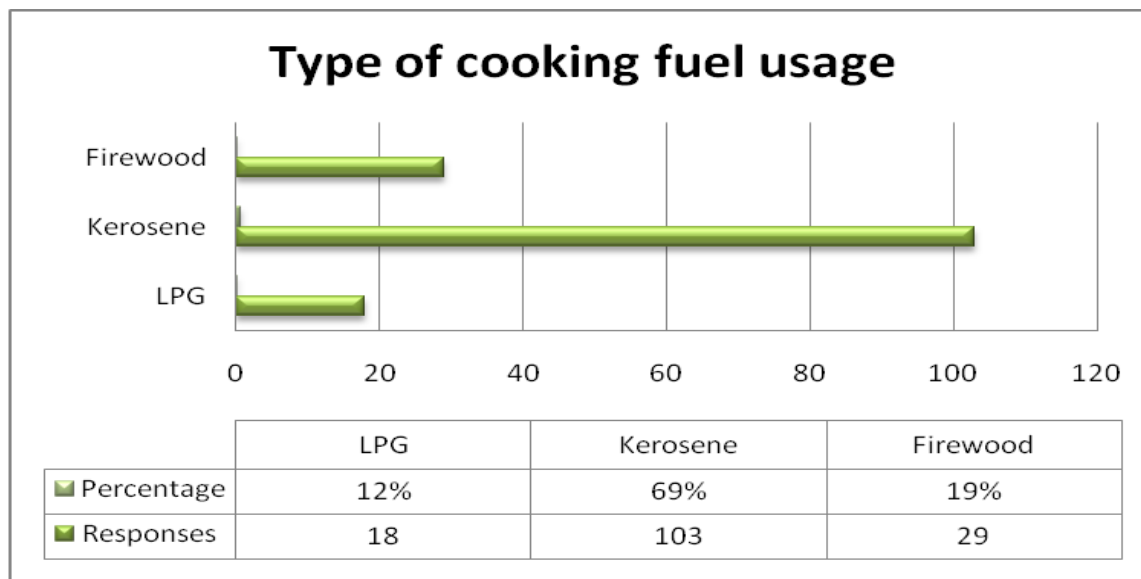
For comfortable living, availability of water is one of the major amenities. Fortunately there is no dearth of water for the Malegaon workforce, but they have to fetch the water from various sources. About 61% of the workers get the water from common tap and 25% fetch their water from handpump/ well/ bore well while 11% of the respondents

Table 28: Water facility			
S.no	Type of water source	Numbers	%
1	Common tap	91	61%
2	Hand pump/well/bore well	38	25%
3	tank/pond	16	11%
4	Tap in house	5	3%
		150	100%

source their water from the nearby tank or pond. Only 3% of the workforce gets the water to their house through tap in house who has their own houses. As usual there is a shortage of water for every summer and they have to struggle a lot to get the required water. Ofcourse this is a general problem now-a-days with everywhere.

#### vi. Cooking Fuel

After water, cooking fuel is also one of the major amenities. From the following data it is evident that only 12% of the respondents has the LPG facilities for the cooking fuel and most of them about 69% of them are using the kerosene which is purchased from the open market. Rest of them 19% of them are still dependent on the firewood for the cooking and some are combination of kerosene and fuel.



#### vii. Toilet Facilities

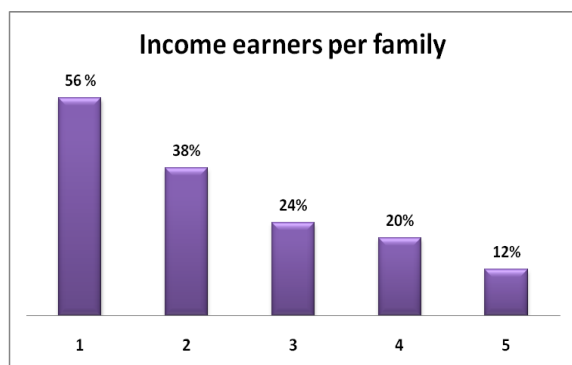
When looked at the overall scenario of the worker families, there is a poor access to health and hygiene in their habitations, living in vulnerable conditions. There is a dire need for the improvement of their sanitation and living conditions. Even today people are not having proper common amenities. About 58% of the respondents still share the common toilets and 30% use open fields.

TABLE 33: Toilet facilities			
S.npo	Type of toilet used	Numbers	%
1	Private in house	18	12%
2	Open fields	45	30%
3	Common shared	87	58%
		150	50%

Only 12% of the households has the in-house toilets. So there is a dire need for the improvement of sanitation facilities.

#### viii. Income Earners per family

Coming to the point of income earners per family, there are 56% of the respondents who support the family with only one family member earning. In this present scenario, it is very

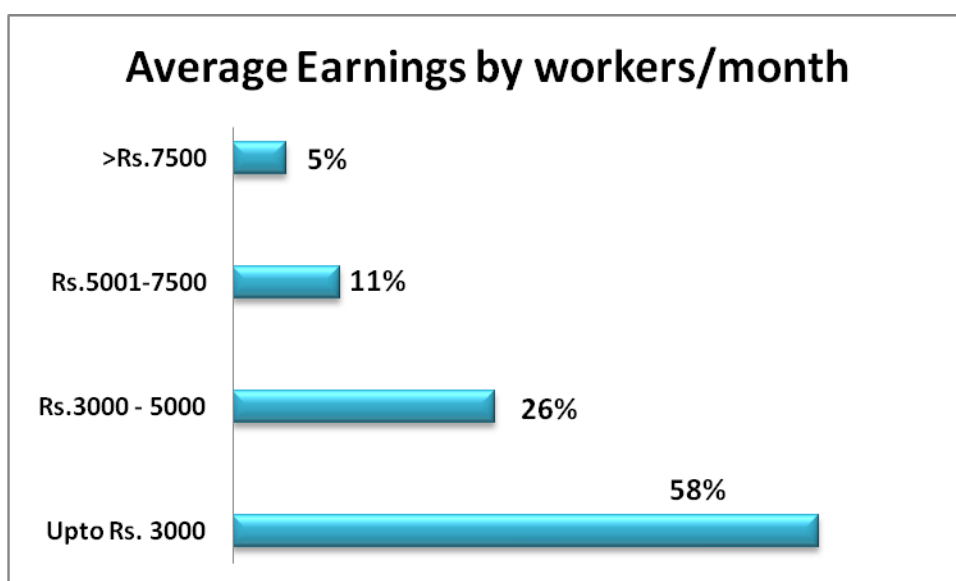


difficult to survive the family and we can imagine the economic status of that family. 38% of them are earning 2 members per family and 24% are 3 members per family. Whose family size is more than 10 are earning 4 to 5 members per family. This workforce is totally dependent only on this profession while next generation is not bringing them to this weaving profession.

Hence, this is posing a serious threat of labour shortage in future and losing skills after the present generation.

There is a need to retain and upgrade the skills of the present workforce to improve their earnings. Also bringing next generation of weavers to the industry by providing proper training to youth and organizing the employment linkages with the industry. This can be possible through the skill upgradation programmes being organised by the Ministry of MSME, Ministry of Textiles etc. Other Departments like Minority Developments of State Govts can also play a vital role in providing a new employment generation to youth.

#### ix. Income Earnings per worker



Above data clearly depict that 58% of the workforce are earning upto Rs.3000/- per month which is below average earning of Indian labour now a days. This one of the reason why the labour is migrating to various other activities which fetches more wages with scheduled timings. Where as in Powerloom sector, whatever they weave/ work, they get the wages as per their output. About 26% of the respondents get the wages of Rs.3000-5000/- per month and 11% are earning between Rs.5000 to Rs.7000/- . Only 5% of them are earning above 7500/- per month

Out of 16 respondents under the 11% and category and 8 respondents under 5% categories, women also contribute to the family earnings while working under the preparatory activities.

#### x. Awareness on Safety and Welfare

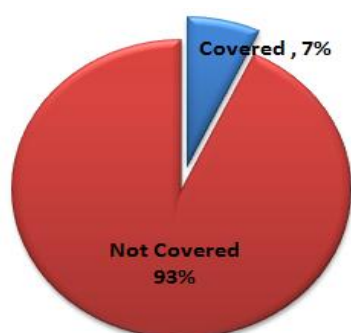
Though the Government of India has introduced various welfare schemes for the benefit of workers, the respondents covered under this study is not aware of the schemes like group insurance scheme, educational grant for the workers children covered under insurance scheme.

**Table 31: Awareness on group insurance scheme**

S.no	Awareness level	Numbers	%
1	Aware	23	15.3%
2	Not aware	127	84.7%

Following are some of the features of the schemes and findings from the study are as follows:

Only 7% of the respondents are covered under the insurance scheme while powerloom workers



aged between 18 to 59 years and below the poverty line (BPL) or marginally higher than the BPL are eligible for an insurance coverage of Rs. 50,000 on accidental death / permanent disability; Rs. 25,000 on permanent partial disability; or Rs. 20,000 on natural death / partial disability. Additional benefits like educational grant of Rs.600/- per child per half year for two children of weaver's family, who are studying in class IX to

XIIth Std. for maximum period of 4 years under Shiksha Sahayog Yojana.

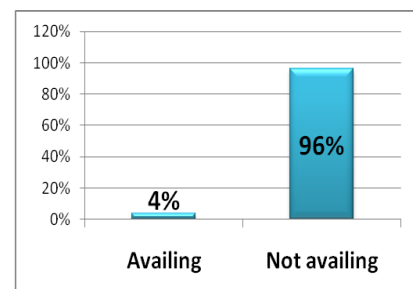


It is imperative that either the entrepreneurs or the workers are conscious of various social protection programmes or schemes. Hence it is important to create awareness among the work force particularly the women members of the families on the both the workers as well as the child welfare schemes.

With a view to improve the working environment and enable powerloom workers to obtain higher productivity, the Central Government has approved a Group Workshed Scheme, to provide subsidy for construction of worksheds,

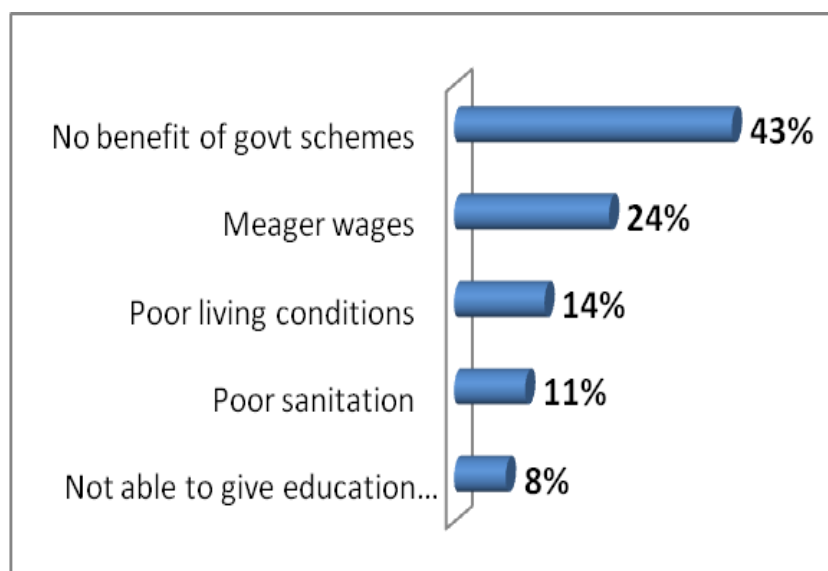
**xi. Knowledge of Govt. of schemes:**

Various schemes are being framed by both Central and State Government and there is no dissemination of the schemes to the ground level workers. Concerned Govt officials / local associations should take the responsibility to conduct the awareness seminars to give the benefit to the concerned. As a result many of the respondents in the study revealed that they are not aware of the schemes.



Even if they are aware, they are far from their reach. Findings of the study are evidence for this.

**xii. Major Concerns of workforce:**



During the personal interactions with the workforce, above are the major issues of concern which needs attention. The above work force in the Malegaon cluster expressed the major concern of not getting the benefits of any Government schemes. This is mainly due to the lack of awareness. The second major concern is the meager wages which is because of piece rate wages and not able to lead the comfortable life despite their hard work. Obviously the meager wages reflects to their living conditions and can't provide the education to their children. Adding to this, due to their living in slum areas, there is a problem of poor sanitation.

Hence a special attention to be given to the above issues on immediate priorities. Strategies needs to be worked out, required measures to be taken immediately by the concerned authorities. Local community organizations need to be promoted to handle the major sanitation issues.

**xiii. Major Bottlenecks for the inclusive growth of workforce:**

- Working on meager wages as 58% of the workforce earns upto Rs.3000/- per month

- More than 85% of the workforce lives in rented houses and 1/3<sup>rd</sup> of their income goes towards housing.
- No skill upgradation through employers workers can't go for trainings on their own.
- Only 4% of the sample are aware of any Government schemes as no one educates the workers on applicable schemes to workers.
- No benefits of paid holidays / bonus as they are on piece rate wages
- About 76% of the workforce are illiterate
- Not able to give the proper education to children
- Poor living conditions prevails among all the workers in the cluster
- Sanitation conditions are very bad, majority of the respondents of the study reports that the sanitation is one of the top most priorities for enhancing their living conditions
- Access to potable water is another important issue.
- No proper facilities for the children at work place
- Most of the workers are alcoholic addicts and they take off on the next day of their weekly pay outs.
- No provident fund facility
- No ESI facility for any health issues
- No crèche / school / Hospital benefits from the employers side
- No unity / association of workers

Under the light of the above facts, the workforce is not loyal to the entrepreneurs or owners of the units as they are not getting any benefits from the company. Hence, if the workers are given proper benefits and facilities, they can deliver good results to the entrepreneurs and be loyal at any point of time.

### **13. Action plan for the enterprises**

Objective	Strategy	Activity	Expected outcomes/outputs	Resource support (expert/financing)

Skill Development Programmes	To train weavers on Auto/Sulzer/ Shuttleless looms and linking to Industry	YCM Open University of Nasik may be used with the funding from Minority Development issuing a certificates to trainees	Skilled workforce will be available to industry and also the workers are well placed with good pay	Finance from the Minority Development corporation / Central Govt. Schemes of MSME/ Min of oTextiles
Market Resource Center (MRC)	To provide Marketing linkages to the Micro Enterprises	To establish a MRC to provide information and marketing linkages to local and international markets	This will enable the micro enterprises to get access to new markets and new avenues for the growth.	Finance from the Minority Development corporation / Govt. Schemes
To organize linkages with the govt institutions and banking	Delivery through Co-operatives/ Stakeholders	<ul style="list-style-type: none"> <li>• In depth study of each and every scheme against eligibility</li> <li>• Interface meetings between associations, govt and Banks</li> </ul>	Enhanced access to services and schemes Enabling environment created Entrepreneurs ability to cope with finance and schemes	NGO, professional organizations support required for Business planning
Restructuring of existing schemes for the benefit of Micro entrepreneurs	Delivery through Associations / Stakeholders	<ul style="list-style-type: none"> <li>• In depth interpretation of each scheme and resubmit with proposals which fits eligibility of Micro entrepreneurs</li> </ul>	Enabling schemes to mend according to the need of the micro entrepreneurs and for the benefit of only SMEs & large enterprises.	With the support of BMOs or professional organizations or political influence through local leaders.
To strengthen the existing associations	External mentor support	<ul style="list-style-type: none"> <li>- Training to the leaders</li> <li>- Business planning</li> </ul>	Enhanced capacities of leaders, enhance awareness on govt schemes A clear direction to the association	NGO/ professional organizations

To provide required assistance for organized linkages for water, sanitation and other timely support	Strategically utilize the services of the local bodies/local leaders	Training on Sanitation issues; Legal aid	Enhance sanitation situation in the location Reduced morbidity rate	Govt resources; and NGO assistance
Establishing Raw material Sources	To provide raw materials at the nominal costs by establishing raw material banking	To be operated on co-operative mode by making available of yarn, dyes & chemicals and other accessories and consumables	Increase the profit of the enterprises and easy availability. Rates are under the control stakeholders only	BMOs / Associations / Active Entrepreneurs
Motivational workshop for the workers and entrepreneurs	Educating the workers on ethics and morals	Conduct one day workshop or monthly classes on motivational, values and ethics	Results reflect in work environments and reduce absenteeism and enhanced production	BMOs / Associations / Active Entrepreneurs
Co-operative Consortium / Approach for marketing	Formation of producing companies into consortium for various benefits	8-10 companies may be formed as consortium for raw material purchases, marketing and other inputs	Collective bargaining power, cost effectiveness inputs, quality raw materials available due to collectiveness to purchase in bulk.	Finance from the Minority Development corporation / Govt. Schemes and individual contributions
Housing for Workers	To get the free housing allotments to Powerloom workforce from State Govt.	To follow up with Malegaon municipality to implement the order passed for Powerloom workers Gruhakul	Powerloom workers are going to get free housing from local municipality authorities.	Local associations / Workers Union, Local community leaders and Politicians

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