Rationale of the Ambar Charkha

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Ambar Charkha is a beginning from scratchy as there does not exist any traditional small-scale industry for spinning. The All India Khadi and Village Industries Board's Ambar Charkha programme is expected to be completed by 1960-61 when a new small-scale industry on a village basis will have been established in the country, at a cost of Rs 75 crores per annum in subsidy. The capital cost of the programme, however, will be small, only about half of the annual cost of the subsidy.

This process of developing upwards from the village base may be compared with the alternative of proceeding downwards from the existing centralised modern industry as recommended by the Textile Enquiry Committees. A modern spinning unit can be set up in every important cotton growing centre, at no greater cost.

The Ambar Charkha programme of the All-India Khadi and Village Industries Board is founded on the policy decision, which is one of the cardinal principles of the Second Five Year Plan, that during the Plan period, the bulk of the increased supplies of consumer goods should be reserved to the village and small-scale industries and that the employment provided by these industries should progressively increase. A committee, called the Village and Small-Scale Industries Committee (briefly the Karve Committee), was appointed chiefly to examine the issues arising out of this policy decision. The Committee has laid down fairly fully the grounds on which it would support such a decision. Briefly stated, these grounds are as under:

The basis of the above decision is not a general opposition to technical improvement such as is implied in the view, if held anywhere, that a less advanced technology is in itself the more desirable. Its main purpose is to rehabilitate, in their own occupations, persons possessing traditional productive equipment and skills; to protect those who are at present employed; and to offer to the unemployed and the under-employed, additional or fuller employment in their traditional occupations though their productive effort here will be so meagre that it will have to be supported by direct and indirect subsidies to yield to them a minimum level of subsistence income. An advantage in providing such part relief employment within traditional occupations is that by its means existing capital equipment, and trained personnel can be put to some use, however uneconomic and be made to produce the needed supply of consumer goods.

Such a course is therefore to be recommended provided (1) the contribution of the productive effort in the traditional industry substantially lowers the cost of the relief and social security which would otherwise be necessary; and (2) recruitment into the relief programme of new persons who are not traditionally engaged in the industry or creation of new equipment which can provide no more than relief employment is avoided so that the fulfilment of the immediate objective may not hamper the future rational development of the industry.

Does it Reduce Burden of Relief?

Let us now examine the Ambar Charkha programme in the light of these principles. To begin with, let us see to what extent the productive effort on the Ambar Charkha reduces the burden of relief. To do this we should work out the cost of production of yarn on Ambar Charkha and compare it with the cost of production of comparable mill yarn. On the basis of (i) a wage of 12 as. a day to the spinner with a daily output of 8 hanks; (ii) raw cotton at Rs 700 per candy for 20 counts and Rs 600 per candy for 16 counts; (iii) a margin of 12 1/2 Per cent for wastage and (iv) handling charges at 6 1/2 per cent of the costs, the Khadi Board has worked out the cost per lb of Ambar yarn of 16's, 18's, and 20's. (Report of the Ambar Charkha Enquiry Committee: pp. 63).

This Is shown in the table below.

The Khadi Board proposes that this entire difference be met by direct subsidy. Thus, of the Rs 1-8-0 which the spinner will earn on a lb. of 16's yarn, Rs. 1-0-3, which is more than two-thirds, will be met by a direct subsidy; of Rs 1-11-0 which he will earn on a lb. of 18's yarn, Rs 1-4-1 which is three-fourths, will be met by a direct subsidy; and of the Rs 1-14-0 which he will earn on a lb. of 20's yarn Rs 1-6-3 which again is nearly three-fourths, will be met by a direct subsidy. The contribution of the productive effort on Ambar Charkha is therefore between one-fourth and one-third of the total relief to be provided.

The Khadi Board expects that this difference will be somewhat reduced in the rural area since the transport and other charges on the mill yarn will have to be added to the price of the mill yarn. Taking the instance of 18's yarn, the Board expects that the difference of Rs 1-4-1 on this yarn, will be reduced to Rs 1-1-0 on this account. It is doubtful whether the differential transport costs of the mill yarn will be as high as 3 as. per lb. But even if this is granted, out of the Rs 1-11-0 which the spinner will earn on a lb. of this yarn, Rs 1-1-0 is nearly two-thirds which have to be met by direct subsidy.

Only by One-fourth

On the other hand, in the above calculation of the production costs, no allowance is made for overhead charges. In reply to the questionnaire from the Ambar Charkha Enquiry Committee, the Khadi Board stated that "the overhead charges on the present traditional khadi are com-
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posted at 18% per cent; there inclusive of establishment, transport, insurance, etc. In the Anbar Charkha scheme, the Board expects a progressive reduction in the overhead costs from the present 18 3/4 per cent to 12 1/2 per cent. By what stages this reduction will be effected and by how much art points that cannot now be indicated. Further in explanation of the handling charges, the Board stated that it "contemplates a thorough revision of its earlier Ambar Charkha Programme and directly undertaking the manufacture of cloth from yarn produced on the Ambar Charkha. The question of handling charges or its appropriate percentage to total costs may not, therefore, arise."

Taking the most favourable view of these expectations of the Board, we may suppose that the total overhead charges will be 12½ per cent including handling charges if any. In the above computation of the production costs of Ambar Charkha yarn, only handling charges at 6 1/2 per cent have been allowed. The cost of production will have therefore to be raised by at least another 6% per cent or by anything between 2 to 3 annas per lb. As a result it will appear that the difference between the costs of the Ambar and mill yarns will be at least three-fourths of the wages payable to the spinner on Ambar Charkha. Let us therefore suppose that the spinner, with a daily production of 8 hanks, will earn 12 as. as wages of which nearly 9 as will have to be met by a direct subsidy.

Cost Under-estimated

The Khadi Board's view, which also was the basis of the above computations of production costs, that a spinner working on the Ambar Charkha can produce, on an average, 8 hanks of 20 counts per day of 8 hours, from carding of cotton to spinning, has not been accepted by the Ambar Charkha Enquiry Committee. The majority view of the Committee, after considering all available data including the data from the field tests conducted by the Khadi Board, was that the Ambar Charkha can give a daily production of 6 hanks on the average; the minority view placed this figure lower still.

What happens If this view turns out to be correct and the average production does not come to 8 hanks a day? Either the spinners will earn less than 12 as a day or else, if higher proportion of their wages will have to be met by direct subsidy. Thus supposing that the spinner is able to produce on an average only 6 hanks instead of 8 hanks, he will be able to earn only 9 as a day if the cost of yarn is not to rise further. On the other hand, if it is decided that, in any case, an average spinner must earn 12 as. a day, the cost of yarn will increase by an addition of one-third of the spinning wages shown in the above computations. Thus taking the average case of 18's yarn, the spinning wages per lb. will be Rs 2-4-0 instead of Rs 1-11-0. The difference in the cost of the Ambar and mill yarn of this count will be Rs 1-3-1 which is more than 80 per cent of the wages payable to the spinners.

Thus the productive effort on the Ambar Charkha cannot be expected to contribute more than one-fourth of the total relief. Whether this may be regarded as substantial is a matter of opinion.

Basic Condition Violated

The Ambar Charkha programme does not also satisfy the second requirement laid down by the Karve Committee, namely, that the programme should not involve the recruitment of new persons who are not traditionally engaged in the industry or the creation of new equipment which can provide no more than relief employment. For, as it happens, there is not presently in existence in the country, any large traditional handspinning industry with recognisable capital and labour structure, either unemployed or underemployed which has to be rehabilitated. The findings of the Pilot Survey of the handspinning industry at Tirupur conducted by the Khadi Board, as well as the experience of the organizers of the industry In all the 512 khadi production centres in the country show that (i) over 90 per cent of the spinners are women from the lower middle class families whose social status prevents them from going out in search of any other alternative occupation as a means to supplement their family's meagre income; and that

"(ii) retired, superannuated Government and other service personnel constitute a substantial portion of the total number of male spinners. All-India Khadi and Village Industries Board: Common Production Programme for Cotton Textile Industry—page 13.

It is obvious therefore, that the existing hand-spinning industry is not traditional but is entirely artificially created. Also, the classes of persons which are attracted to this industry, are certainly not those whose claims on social relief are most urgent.

No Long Term Rational Programme

Is it then possible to regard it not as a short-term relief operation but as a long-term rational programme of development of the textile industry in this country? The Karve Committee has laid down the following considerations in this connection:

In the long-term development of an Industry, on a rational basis, a decentralised economic structure consistent with a progressive economic development at a fairly rapid rate should be accepted as a socially desirable goal. The bias towards decentralization would mean that in the future programme of technical improvement, the techniques adopted are appropriate to the decentralized pattern and further that continuous effort is made to adjust existing improved techniques for particular production activities which are centralized in modern economies to a decentralized mode of operation or to invent or to discover decentralized substitutes for them.

Thus it seems that there are two distinct routes to effect the deliberate transition from the traditional small-scale industry to an improved modern but decentralized industry. One is by discovering or inventing decentralized substitutes for the existing centralized techniques. The other is by continuous effort to adjust the existing centralized techniques to a decentralized mode of operation. In the first, the progress will be from the village base upwards around small towns and existing small centres of urban life. In the second, the progress will be from the large Industrial centres downwards by spreading small industrial units among the small towns located all over the country.

Base for Future Development?

In the case of hand-spinning, as there does not exist any traditional small-scale industry with which to make a start, a logical procedure is to begin by setting up a spinning industry in the small-scale and village industries sector so that its future development may proceed on
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upwards. The All-India Khadi and Village Industries Board proposes to do this by manufacturing and installing 25 lakh Ambar Charkhas which are estimated to produce about 400 million lbs of yarn annually. This will involve a capital expenditure of Rs 32.5 crores calculated at Rs, 130 per Charkha and will provide full time employment to about 38 lakh spinners. These calculations are based on the Board's estimate that a man working on the Ambar Charkha can produce, on an average, 8 hanks of 20 counts per day of 8 hours. As mentioned earlier the Ambar Charkha Enquiry Committee was of the opinion that the production might be much lower, say only 6 hanks. In this case, the proposed 25 lakh Ambar Charkhas may not be able to produce the expected 400 million lbs of yarn but much less, say only 300 million lbs.

There is also another reason why the actual production in the Ambar Charkha programme may fall much below the expectations. Ambar Charkhas will be widely distributed and the production will be highly decentralised; that in fact is its principal social goal. It is unlikely therefore that the Charkhas will be fully employed over the whole year. Therefore in order to supply the estimated requirements of 400 million lbs of yarn, there may be necessary a larger number, say 30 lakhs of Ambar Charkhas. The capital expenditure may in that case amount to about Rs 40 crores. Of course this will be compensated by the fact that the programme will offer increased employment, say to 44 lakh spinners instead of the estimated 36 lakh only.

Pre-condition for Productivity

The programme is expected to be completed by 1960-61 when a new small-scale industry on a village basis has been established in the country. Among other features of the traditional Industry, it will have the important characteristic that employment in it will be of a part-relief nature. Thus on the basis of 12 annas a day, the 44 lakh spinners will earn a daily wage amounting to Rs 33 lakhs of which more than three-fourth or say Rs 25 lakhs will be in the nature of relief payment to be provided in the form of a direct subsidy. Calculated for 300 days of the year, this will amount to Rs 75 crores per annum. In comparison with this, the capital cost of the programme appears indeed small amounting to only about half of the annual cost of the subsidy.

Once the hand-spinning industry is so established, its future development may proceed on a rational basis as laid down by the Karve Committee. As and when the existing capital and labour structure of the industry is found to be fully employed and the demand for its product continues to rise beyond its full capacity, conditions will be regarded ripe for the Introduction of superior methods of production. It is to be hoped that when such conditions arise, the principles laid down by the Karve Committee will be borne in mind and that no further expansion of the industry on the present lines will be attempted. At the same time, it will be incumbent to see that only such technical improvements are adopted as will not greatly disturb the locational and social set-up of the persons employed in the industry and also not cause any unemployment or underemployment among them. For instance, it is only when the per capita consumption of cloth rises to 25 per cent above its level in 1960-61, that such technical improvements in the Ambar Charkha will be permitted as will enable a worker, working for 8 hours, to produce 10 hanks, rather than the present 8 hanks, of yarn.

Developing from Village Base

It should be clearly understood that there is no prejudice against technical improvement as such and that there is no objection in principle, to even the productive efficiency of the modern industry provided the same can be attained in a decentralised pattern of production. But if the productive efficiency of the modern industry is say 20 to 25 times that of the traditional industry, as it will be in the case of spinning industry, it should be aimed at and attained only when the per capita demand for the products of the traditional industry rises to 20 to 25 times its present level.

This process of developing upwards from the village base may be compared with the alternative of proceeding downwards from the existing centralised modern industry. It does not run against the principles laid down by the Karve Committee whenever there does not exist any traditional industry as in the case of hand-spinning. The course was also recommended by the Textile Enquiry Committee. This Committee recommended that all additional yarn requirements should be met by setting up new spinning units of the modern industrial type. According to its recommendations, the additional requirements of 400 million lbs of yarn will require 2 million additional spindles on the basis of production of 5½ oz per spindle-shift, working two shifts a day and for 25 days in a month on average of 20's count. These may be provided by setting up, for example, 100 units of 20,000 spindles each. At a cost of Rs 40 lakhs each, these will involve a capital expenditure of Rs 40 crores which is not greatly in excess of what will be required for the Ambar Charkha programme. Such a proposal as this is also not opposed to the social goal of a decentralised Industry. Thus with 100 units to set up, there can be a spinning unit in every important cotton growing centre.

Decentralisation

There is also no reason why decentralisation may not be carried still further by setting up even smaller units. Progressing along these lines, the effort will be to adapt the modern machine spinning industry to a decentralized pattern and to set up all over the country small but efficient spinning units which will always be in a position to adopt or adapt future technical improvements leading to further increase in productive efficiency.

A disadvantage of this course is that it will not offer employment on a scale comparable with that offered by the Ambar Charkha programme. But it should be under, stood that as there exists no traditional Industry in hand-spinning, such a procedure as outlined above will also not create any unemployment or underemployment in any traditional industry. As for the large volume of relief employment which the Ambar Charkha programme promises to create, it is worthwhile examining the implications and advisability of such a course in view of the heavy burden of subsidy and relief that it will almost permanently throw on the economy.