

Market Scenario of Small and Medium Textile Industries in India



Management

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ABSTRACT

Indian Textiles Industry is one of the oldest industries in the country, occupies a place of strategic prominence next to agriculture and has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays a pivotal role through its contribution to industrial output, employment generation and the export earnings of the country. It contributes about 14% to the industrial production, 4% to the GDP and 11% to the country's export earnings. The textile sector is the second largest provider of employment after agriculture.

Introduction

The textile industry is the largest industry of modern India and the main contributor in the Indian economy. It accounts for over 20 percent of industrial production and is closely linked with the agricultural and rural economy. It is the single largest employer in the industrial sector employing about 38 million people. If employment in allied sectors like ginning, agriculture, pressing, cotton trade, jute, etc. are added then the total employment is estimated at 93 million. The net foreign exchange earnings in this sector are one of the highest and together with carpet and handicrafts, account for over 37 percent of total export earnings at over US \$ 10 billion. Textiles sector alone accounts for about 25 percent of India's total forex earnings.

Methodology

According to methodology, Inductive approach has been used for detailed observation about the world and move towards more abstract ideas and generalizations. The researcher goes into the reality without any expectations and develops generalizations to identify relationships (Neuman, 2003).

A qualitative approach is very important to use when researching the international market since the researcher often is unfamiliar with the foreign market and by using the approach it can help determine the differences between the domestic and the foreign market (Doole and Lowe, 2004).

Qualitative research approach is an unstructured, exploratory research methodology based on small samples (Bryman, 2002). When the purpose of the study is to develop a deeper understanding of the problem and the environment around it, a qualitative research approach is appropriate to use (Neuman, 2003). The most common way to use this approach is through interviews, which will enable the researcher to get more into depth regarding the research questions (Bryman, 2002). Furthermore, the approach is flexible and because of that the researcher has the advantage of being able to change parts where information is lacking (Jacobsen, 2002).

Structure of Indian Textile Industry

The Indian Textiles Industry constitutes with three independent sectors of mills, power-looms and handlooms. The mill sector is organized, mechanized and modernized concentrating in the production of yarn whereas the power-loom and handloom sectors have remained technologically backward and stagnant. Almost, all the spun yarn made in India comes from the organized mill sector, reflecting the highly capital intensive nature of yarn spinning. Weaving in the mill sector has been gradually suffering due to the competition from the power-looms and trend may continue. Most of the India's competitors in textiles in the world

market have a much larger number of shuttles-less looms. The hosiery sector caters mainly to the inner garment requirements.

India's textile industry is comprised mostly of small-scale, non-integrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labour-intensive, small-scale operations and discriminated against larger scale firms:

Cotton farming and harvesting.

Cotton is grown in tropical as well as sub tropical area in India. Mostly the cotton grown in India is from dry lands and crops mostly depend on the irrigation systems available and not only on the rain water.

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right from processing to trading of cotton. The Indian Textile Industry consumes a diverse range of fibres and yarn, but is predominantly cotton based. Cotton accounts for more than 75% of the total fibre consumption in the spinning mills and more than 54% of the total fibre consumption in the textile sector.

• Ginning:

Ginning is the process where cotton fiber is separated from the cotton seed. The first step in the ginning process is when the cotton is vacuumed into tubes that carry it to a dryer to reduce moisture and improve the fiber quality. Then it runs through cleaning equipment to remove leaf trash, sticks and other foreign matter. Ginning is accomplished by one of two methods. Cotton varieties with shorter staple or fiber length are ginned with *saw gins*. This process involves the use of circular saws that grip the fibers and pull them through narrow slots. The seeds are too large to pass through these openings, resulting in the fibers being pulled away from the seed. Long fiber cottons must be ginned in a *roller gin* because saw gins can damage their delicate fibers.

• Oil mill:

in the operation the oil is extracted from the cotton seeds that are coming from the ginning process. The cotton seeds coming from the ginning unit are then passed through the pressing unit and crude cotton oil is produced. The pressed cotton seed oil cake is supplied as the cattle feed. The crude is further modified as the biodiesel which could be used as the one of the energy source. The refined cotton oil is also used as the edible oil but it is proved to be unfit for the human health.

•Spinning.

Spinning is the process of conversion natural fiber (cotton) and manmade fiber (Polyester) into yarn which is used for weaving and knitting. Spinning also entails production of yarn that is not made from fiber i.e. Manmade Filament yarn. Spinning is one of the most consolidated and technically efficient sectors of India's textile industry. Yarn is the final product of the spinning. Cotton value chain starts from ginning that adds value to it by separating cotton from seeds and impurities. Spinning is the basic process of all the subsequent value addition i.e. weaving, knitting, processing, garment and made-ups depends on it. Any change in the quality of spinning products directly affects the entire chain. In 2012, India's spinning sector consisted of about 1,341 small-scale independent firms and 1,764 larger scale independent units.

•Weaving and Knitting.

Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India's weaving and knitting sector remains highly fragmented, small-scale, and labour-intensive. This sector consists of about 3.9 million handlooms, 3,80,000 "power loom" enterprises that operate about 1.7 million looms and just 1,37,000 looms in the various composite mills. "Power looms" are small firms with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttle less looms account for less than 1 percent of loom capacity.

• Fabric Finishing.

Fabric finishing includes dyeing, printing and other cloth preparation prior to the manufacture of clothing, is also dominated by a large number of independent small scale enterprises. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving or knitting units.

• Clothing.

Apparel is produced by about 77,000 small-scale units classified as domestic manufacturers, manufacturer exporters and fabricators (subcontractors).

•Composite Mills.

Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 196 composite mills are now operating in India, most owned by the public sector and many deemed financially "sick."

SWOT Analysis of Indian Textile SMEs

Strengths

- India enjoys benefit of having high quality sufficient resources of raw materials. India is one of the largest producers of cotton yarn around the globe and having good resources of fibres like polyester, silk, viscose etc...
- There is wide range of cotton fibre available within the country and developing high potential synthetic fibre industry.
- India has shown great competitiveness in spinning sector which has good contribution in total textile export and has presence in almost all processes of the value chain.
- India is enjoying with the availability of highly trained manpower in both, management and technical. The country has a huge potential to grow due to lower wage rates. Because of low labour rates the manufacturing cost in textile automatically comes down to very reasonable rates.
- The total installed capacity of spindles in India contributes

for 24% share of the world and it is one of the biggest exporters of yarns in the global market. India is having modern functions and favourable fiscal policies which help to boost the industry. It also accounts about 25% of the world trade in cotton yarn.

- The apparel industry is contributing its largest foreign exchange earning which contributes nearly 12% of the country's total exports.
- The garment industry is very diverse in size, manufacturing facility, type of apparel produced, quantity and quality of output, cost, requirement for fabric etc. It comprises suppliers of ready-made garments for both, domestic or export markets.
- India has full resources of raw materials of textile industry. It is one of the largest producers of cotton in the world and is also rich in resources of fibres like polyester, silk, viscose etc.
- India is highly competitive in spinning sector and has presence in almost all processes of the value chain.

Weaknesses

- Indian textile industry is highly fragmented in its structure and it is led by small & medium scale companies. The reservation of production for very small companies that was imposed with the intention to help out small scale companies across the country, led substantial fragmentation that distorted the competitiveness of industry. Smaller companies do not have the fiscal resources to enhance technology or invest in the high-end engineering of processes. Hence, they lose in productivity.
- Indian labour laws are relatively unfavourable to the textile industries due to its structure i.e. organised and unorganised sector which require an urgent reforms for the labour in India.
- India is also need seriously in trade pact memberships which leads to restricted access to the other major markets.
- A major loop-hole in Indian textile industry is its huge fragmentation in industry structure, which is led by small scale companies. Despite the government policies, which made this deformation, have been gradually removed now, but their impact will be seen for some time more. Since, most of the companies are in small size, the example of industry leadership is very less which is inspirational model for the rest of the industry.
- Smaller companies do not have the fiscal resources to enhance technology or invest in the high-end engineering of processes. The skilled labour is cheap in absolute terms; however, most of this benefit is lost by small companies.
- The uneven supply base also leads barriers in attaining integration between the links in supply chain. This issue creates uncontrollable, unreliable and inconsistent performance.
- Political and Government Diversity: The political instability is also one of the impediments for the growth of small & medium companies. The different state government has imposed many reforms with an intention to help out small scale companies. This substantial fragmentation has distorted the competitiveness of the textile industry. However, most of the sectors now have been de-reserved and major entrepreneurs and corporate are putting-in huge amount of money in establishing big facilities or in expansion of their existing plants.
- The foreign investment was kept out of textile and apparel production. Now, the Government has gradually eliminated these restrictions, by bringing down import duties on capital equipment, offering foreign investors to set up manufacturing facilities in India. In recent years, India has allowed foreign direct investment in textile sector which has provided a global manufacturing platform to the multi-nation-

al companies that manufactures in textile products; it has certainly provided a concrete base for textiles and apparel sectors.

- Despite some motivating step taken by the government, other problems still sustains like various taxes and excise imbalances due to diversification into 29 states and Union Territories. However, an outline of VAT is being implemented in place of all other tax diversifications which will clear these imbalances once it is imposed fully.
- In India, labour laws are still found to be relatively unfavourable to the trades, with companies having not more than ideal model to follow a 'hire and fire' policy. Even the companies have often broken their business down into small units to avoid any trouble created by labour unionization.
- There are some high-level disadvantages for India due to its geographic location. For the foreign companies, it has a global logistics disadvantage due the shipping cost is higher and also takes much more time comparing to some other manufacturing countries like Mexico, Turkey, China etc. The inbound freight traffic has been also low which affects cost of shipping-though, movement of containers is not at reasonable costs.
- India is serious lacking in trade pact memberships, which leads to restricted access to the other major markets. This issue made others to impose quota and duty which put scissors on the sourcing quantities from India.

Opportunities

- It is anticipated that India's textile industry is likely to do much better. Since the consumption of domestic fibre is low, the growth in domestic consumption in tandem is anticipated with GDP of 6 to 8 % and this would support the growth of the local textile market at about 6 to 7 % a year.
- India can also grab opportunities in the export market. The industry has the potential of attaining high reputation in global market by supplying high value items in reasonable price.
- The regulatory policies are also helping out to enhance infrastructures like apparel parks, specialized textile parks, EPZs and EOUs.
- The Government support has ensured fast consumption of clothing as well as fibre. A single rate will now be prevalent throughout the country.
- The Indian manufacturers and suppliers are improving design skills, which include different fabrics according to different markets. Indian fashion industry and fashion designers are marking their name at international platform. Indian silk industry that is known for its fine and exclusive brocades is also adding massive strength to the textile industry.
- The industry is being modernized through the exclusive schemes which have set high investment in improvisation of machinery. International brands, such as Levis, Wal-Mart, JC Penny, Gap, Marks & Spencer and other industry giants are sourcing more and more fabrics and garments from India. Now, India is developing as a world's resource centre due to its support from fibre to fabric.

Threats

- Competition arises from other developing countries, especially China.
- Continuous Quality Improvement is need of the hour as there are different demand patterns all over the world.
- Elimination of Quota system will lead to fluctuations in export demand.
- Threat for Traditional Market for Power loom and Handloom Products and forcing them for product diversification.
- Geographical Disadvantages.
- International labour and Environmental Laws.
- To balance the demand and supply.

- To make balance between price and quality.

Conclusion & Suggestions

Small and Medium Enterprises is highly emerging, inevitable, profitable market for India and rightly considered to be the backbone of industrial development. SMEs employ 90 per cent of the India's workforce and account for more than 50 per cent of the country's GDP. They are consistently growing at the higher rate. SMEs in India and across the world are facing unprecedented challenges brought on by economic concerns and global competition. India is emerging as a future super power for the growing export driven economic. Small & Medium Enterprises credited with generating the highest rates of employment growth, account for a major share of industrial production and exports.

The SMEs have will have to be more competitive by reducing overall costs of the operation which help them to make their presence in volatile market. This can also provide an opportunity to grow. It is a need of the hour for the SMEs to make such strategies which is more suitable for them in this competitive market.

It is imperative for Indian small and medium textile industries to achieve efficiency, reliability and flexibility and consolidate themselves to face global competition. It is a responsibility to all business entrepreneurs to take initiative for development and assess on how to best utilize their resources to make their position in highly competitive market.

Some suggestions are as follows;

- Use the latest technology as a tool to play an important role in helping businesses to improve productivity and reduce the cost of operation in market uncertainty.
- Due to economic development and global competition, many unprecedented challenges (Domestic product & Cross border products) arise in different part of the world. SMEs have to make their strategy to face these in future.
- It is vital for small and medium Indian textile industries to make internal arrangement to utilize their resources in the best possible way to face resource crunch in future.
- It is important for the SMEs to develop high quality segments as par global standard level to face competition in global scenario.
- Govt. should make such policies which help the SMEs to achieve objective of higher growth with greater employment opportunities.
- Govt. should find the way to sort out the problems in the area of availability of cheap and timely finance, technology and marketing.
- Govt. should make such plans and strategies for SMEs which help them to succeed and benefitted in a long run.
- Small and Medium Enterprises has increased the quality of production in the large industries as they have to compete with the perfection and quality of the hand-made products of the SSI's there by sharpening the competitiveness of the large scale firms. It is important for the government to realise the importance of the SMEs and lend an ear and helping hand to alleviate and remove all the barriers especially which is prevailing in technology acquisition and product innovation.

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