



ORIGINAL RESEARCH PAPER

Commerce

AN ANALYSIS OF GROWTH AND LONG TERM TREND OF TEXTILE INDUSTRY IN INDIA

KEY WORDS: Agro-based sector; growth; long term trend; India; textile industry; Compound Annual Growth Rate

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ABSTRACT

After independence, Indian economy was predominantly dependent on the agricultural sector. It contributed to more than 50% of GDP. However, the last few decades witnessed the Indian government focussing on the manufacturing sector as well. Agro-based sector, which is one of the major upcoming industrial sectors in India, plays prominent role in strengthening industrial and agricultural linkages. Agro-based industries help in promoting integrated development of both agriculture and industry. Looking at the strategic importance of the agro-based sector, its major industries should be studied and analysed. Textile Industry is one of the most significant agro-based industries in India. Present study attempts to analyse the growth of Textile Industry in relation to six growth parameters namely: number of factories, number of employees, productive capital, profits, net-value added and invested capital. The study period is 24 years from 1993-94 to 2016-17. Simple growth rates and compound annual growth rates have been calculated for various parameters. An attempt has been made to study the long term trend for Textile Industry in India.

1. Introduction

Post-independence, Indian economy was predominantly dependent on the agricultural sector. It contributed more than 50% to the Gross Domestic Product (GDP). Over a period of time, Indian economy gradually moved from being an agriculture-based economy to a service based economy. Since the last few years the manufacturing sector has been the major focus for Indian government. The 'Make in India' initiative started by Indian Government is one of the biggest steps taken by any government in order to attract foreign investors to invest in the Indian manufacturing sector. Some of the major upcoming industrial sectors in India are aviation, automobile, electronic and semi-conductor, chemical, mechanical, pharmaceutical and agro-based.

Agro-based industries are those industries which depend on agricultural products as primary raw-material. They help in promoting integrated development of both agriculture and industry. Agro-based sector is classified into Agro-produce processing units, Agro-produce manufacturing units, Agro-input manufacturing units and Agro-service centre.

From the above broad classification, agro-based manufacturing sector is considered for this study which is mainly divided into the following industries:

- 1) Processing of food, beverages and tobacco.
- 2) Textile industry (cotton, silk, jute, wool, etc.)
- 3) Sugar industry
- 4) Paper and paper products industry
- 5) Leather goods industry
- 6) Rubber industry
- 7) Wood and wood products including furniture

Looking at the strategic importance of the agro-based sector, its major industries should be studied and analysed. Hence this study focuses on Textile Industry which is one of the largest agro-based industries in India. It is one of the oldest and most wide-spread industries in India. The close linkage of the Textile Industry to agriculture (for raw-materials such as cotton) and the ancient culture and traditions of India in terms of textiles, make Indian textile a unique sector. The Indian textile industry, currently estimated at US \$ 150 billion, is expected to grow significantly. It contributed 10 per cent to the manufacturing production, 2 per cent to India's GDP and 14 per cent to overall Index of Industrial Production (IIP) during the year 2017-18. The future of Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. (www.ibef.org)

This research paper includes the following sections presented next. To begin with, literature review of past work done in this field is discussed. It is followed by objective of the study, research methodology and an analysis of growth and long term trend of Textile Industry in India. Later scope for further research is discussed and finally the conclusion.

2. Review of Literature

A literature review is an evaluative report of information found in the literature related to selected area of study. Prior research studies regarding Textile Industry is as follows:

Marimuthu (2012) studied the financial performance of listed companies in the textile industry of Tamil Nadu in India. He compared and analysed the performance of 5 selected companies on the basis of a few selected ratios. Data was collected for the period 2001-02 to 2010-11 from Centre for Monitoring Indian Economy (CMIE). Various tools of Analysis of Variance (ANOVA) and descriptive statistics were used. It was concluded that current ratio, quick ratio, debt-equity ratio, interest coverage ratio, debtor's ratio and creditor's ratio of selected companies differ significantly. He finally concluded that K P R Mills Limited (KPRML) is most efficient in generating income. Its assets and overall efficiency are better as compared to other companies.

Memon, Bhutto and Abbas (2012) investigated the impact of capital structure on financial performance of firms in the textile sector of Pakistan. Data of 141 textile firms of Pakistan was collected for the period 2004-2009. Return on Assets (ROA) was employed as a dependent variable and debt to equity, size of firm, tangibility, growth, risk and tax were taken as independent variables. Multiple regression model was used to estimate the cause and effect relationship. The results indicated that capital structure had a significant impact on performance of firms and the findings suggested that Pakistan textile sector is performing below the optimum capital structure level and large textile firms have also failed to achieve economies of scale.

Tufail, Bilal and Khan (2013) studied the impact of working capital management on profitability of textile sector of Pakistan to provide some helpful recommendations for the better management of this sector. 117 textile firms listed on Karachi stock exchange were selected and secondary data for the period from 2005 to 2010 was analysed. Panel data methodology was used in the study. They concluded that conservative investing policy of working capital and

conservative financing policy leads to more profitability. Moreover there was positive correlation between investing and financing policy of working capital. They recommended balance between assets and liabilities of the firm.

Desrani (2013) did a comparative study of selected textile companies of India. Secondary data from 2008 till 2012 of five selected companies was analysed using ratio analysis. Various statistical tools like ANOVA were used. The study concluded that textile industry has a wide scope in the international market. It suggested that this industry needs to focus on quality design, quality products and advancement in technology in order to increase its share in the international market.

Bhunia and Das (2014) conducted a case study on the liquidity position of two private sector textile companies in India in order to study the impact of working capital management on the profitability of the firms. Secondary data was collected from the CMIE database for the period 2008 to 2013, and descriptive statistics, correlation and regression analysis were calculated. Their conclusion shows poor liquidity position of both the companies due to improper investment in working capital and faulty liquidity management.

Anand (2014) did a financial analysis of the textile sector in India. Financial performance of the selected companies for 2009-10 to 2011-12 was studied to know the financial strength of the textile sector in India and the extent to which the textile sector companies had used their available resources effectively. The technique of comparative ratio analysis was used. The study concluded that profitability margin was slightly different due to volatile textile market and changes in raw material prices. Also, the liquidity and solvency position was almost same in all the textile companies.

Jayanthi and Lavanya (2020) attempted to examine and make a comparative analysis of the financial soundness and performance of 5 selected textile companies in Tamilnadu for the period 2015 to 2019. The tool Ratio Analysis was used and the mean, standard deviation and coefficient of variation was calculated. The study concluded that the overall financial performance of the company was moderate, which was due to

the steep rise in raw-material costs. Net profit showed a declining trend in all the selected textile companies.

3. Objective of the Study

The main objective of the research is to study the growth and long term trend of Textile Industry in India.

4. Research Methodology

For the current research, growth of Textile Industry is analysed on the basis of five parameters - number of factories, employment, productive capital, profits and net-value added. The period of study is 24 years from 1993-94 to 2016-17. Simple growth rates, average annual growth rates (AAGR) and compound annual growth rates (CAGR) have been calculated for various parameters considered for growth. These parameters have been selected as they are the key indicators of growth of Textile Industry in India. These parameters are calculated as follows.

$$\text{Simple Growth Rate} = \frac{\text{Amount of current year} - \text{Amount of previous year}}{\text{Amount of previous year}} \times 100$$

- Average Annual Growth Rate(AAGR) = (Growth Rate in Period A + Growth Rate in Period B + Growth Rate in Period C + [Other Periods]) / Number of Periods
- Compound Annual Growth Rate(CAGR) = (End Value/Start Value)^(1/Years)-1

Compound Annual Growth Rates (CAGR) was used to analyse the growth of various selected parameters. This is because CAGR is a better measure given the large Range and high Standard Deviation of the data.

5. Analysis of Growth and Long Term Trend of Textile Industry in India

Table 1 depicts the growth in number of factories, employment, productive capital, profits and net value added for the Textile Industry in India from 1993-94 to 2016-17. These five parameters constitute the most significant ones for studying growth trends in any manufacturing sector. Further, multiple parameter analysis can be undertaken from these five parameters.

Table 1: Growth Of Textile Industry In India

Annual Survey : Manufacture of Textiles in India: Data from 1993-94 to 2016-17										
Year	Number of factories		Total employees		Productive capital		Profits		Net value added	
	Numbers	Growth Rate (%)	Numbers	Growth Rate (%)	million	Growth Rate (%)	million	Growth Rate (%)	million	Growth Rate (%)
1993-94	11,800		12,58,534		2,37,523.20		12,266.80		82,485.60	
1994-95	12,003	1.72	12,69,621	0.88	2,52,396.90	6.26	25,018.40	103.95	1,02,731.90	24.55
1995-96	13,055	8.76	14,31,633	12.76	3,08,647.60	22.29	-4,837.10	-119.33	95,800.40	-6.75
1996-97	12,533	-4.00	13,18,754	-7.88	9,30,521.40	201.48	26,390.20	-645.58	1,26,912.60	32.48
1997-98	12,639	0.85	13,75,394	4.29	4,36,946.00	-53.04	3,298.00	-87.50	1,23,246.30	-2.89
1998-99	13,425	6.22	13,34,568	-2.97	4,24,582.20	-2.83	-9,915.40	-400.65	1,12,184.80	-8.98
1999-00	13,612	1.39	12,83,225	-3.85	4,81,635.20	13.44	-25,466.20	156.83	1,13,139.80	0.85
2000-01	13,561	-0.37	12,88,647	0.42	5,02,185.70	4.27	-7,414.30	-70.89	1,27,097.30	12.34
2001-02	12,558	-7.40	11,82,123	-8.27	4,30,472.30	-14.28	-16,782.00	126.35	1,05,968.80	-16.62
2002-03	12,764	1.64	11,78,519	-0.30	4,53,515.60	5.35	-377.5	-97.75	1,20,623.50	13.83
2003-04	13,035	2.12	12,10,384	2.70	5,09,178.50	12.27	933.7	-347.34	1,26,591.90	4.95
2004-05	13,520	3.72	12,64,427	4.46	5,76,613.00	13.24	17,996.70	1,827.46	1,44,867.40	14.44
2005-06	13,810	2.14	13,37,007	5.74	6,79,648.80	17.87	49,906.50	177.31	1,84,134.50	27.11
2006-07	15,034	8.86	18,06,009	35.08	10,38,958.30	52.87	53,184.70	6.57	2,25,005.40	22.20
2007-08	12,859	-14.47	14,53,898	-19.50	9,87,775.10	-4.93	47,446.10	-10.79	2,27,011.60	0.89
2008-09	13,360	3.90	13,93,742	-4.14	10,58,204.40	7.13	2,651.30	-94.41	1,98,215.70	-12.68
2009-10	13,345	-0.11	13,79,264	-1.04	12,49,046.40	18.03	54,305.40	1,948.26	2,63,345.80	32.86
2010-11	18,584	39.26	14,47,476	4.95	13,43,788.60	7.59	1,35,644.50	149.78	3,79,559.80	44.13
2011-12	18,790	1.11	14,48,489	0.07	15,19,498.60	13.08	12,572.60	-90.73	3,10,904.90	-18.09
2012-13	18,468	-1.71	14,03,894	-3.08	15,27,508.90	0.53	1,65,440.60	1,215.88	4,68,071.00	50.55
2013-14	18,645	0.96	14,90,212	6.15	24,86,063.50	62.75	1,08,143.80	-34.63	4,57,858.20	-2.18
2014-15	18,744	0.53	15,32,725	2.85	16,39,925.50	-34.04	41,175.70	-61.93	4,49,722.20	-1.78

2015-16	17,669	-5.74	15,60,780	1.83	17,39,540.70	6.07	60,026.80	45.78	4,81,139.80	6.99
2016-17	17,714	0.25	15,55,249	-0.35	18,82,967.70	8.25	71,506.20	19.12	5,23,786.50	8.86
AAGR (%)	2.16		1.34		15.81		161.56		9.87	
CAGR(%)	1.78		0.89		9.42		7.97		8.37	

Source: Industryoutlook.cmie.com.Retrieved On 26th July, 2019

5.1 Analysis of Key Parameters Data

Analysis of key parameters is done on the following basis.

5.1.1 Single Parameter Analysis

Single parameter analysis of each selected key parameter is as follows.

A. Number of Factories

As per table 1, number of factories has increased from 11,800 units in 1993-94 to 17,714 units in 2016-17. This shows growth in units engaged in manufacture of textile products in India. It is also observed that except a few years, there is positive growth in number of factories engaged in Indian Textile Industry. CAGR for the entire range of 24 years was 1.78%.

B. Employment

As per table 1, people employed were 12, 58,534 in the year 1993-94 which increased to 15, 55,249 in the year 2016-17. It is also observed that employment grew and it has remarkable increase in the year 2006-07 at 35.08%. CAGR for entire period of study was 0.89%.

C. Productive Capital

As per table 1, productive capital was ₹ 2, 37,523.2 million in the year 1993-94 which increased to ₹ 18, 82,967.7 million in 2016-17. It is observed that productive capital indicated a remarkable growth rate of 201.48% in 1996-97. CAGR for productive capital was 9.42%.

D. Profits

As per table 1, profit was ₹ 12,266.8 million in the year 1993-94 which increased to ₹ 71,506.2 million in the year 2016-17. This shows a growth of 482.92% in the last 24 years. It is observed that profit is fluctuating at a very high rate each year. Both negative and positive growth rates are observed year-on-year basis. However, CAGR for profit was 7.97%; indicating long-term growth trend.

E. Net Value Added

As per table 1, net value added was ₹ 82,485.6 million which has increased to ₹ 5, 23,786.5 million in the year 2016-17. Net value added each year has shown a constant positive growth rate. CAGR for net value added was 8.37%.

It is concluded that Textile Industry in India has achieved an impressive and noteworthy growth in number of factories, employment, productive capital, profits and net value added.

5.1.2 Multiple Parameter Analysis

Multiple parameter analysis is as follows.

A. Number of Factories-Employment

Growth rate in employment is relatively lower as compared to the growth in number of factories. This is a significant finding, given the pressure on government for creation of employment opportunities.

B. Productive Capital-Profits-Net Value Added

Analysis suggests that investment has yielded optimum returns, in the textile manufacturing sector in India. A balance can be seen in all the above three parameters of growth.

Thus, it is concluded that Indian Textile Industry achieved remarkable growth in last 24 years which indicates a positive long term trend in growth.

6. Scope for Further Research

The current study focused on growth of Textile Manufacturing sector in India during the last two and half decades. This

study points to the following scope for future research.

i) Growth trends of Indian Textile Industry can be compared with other developing economies textile industries like Pakistan, China, etc. Such a comparative study can highlight lessons for India.

ii) Growth trend and government measures of Indian Textile Industry can be compared with similar parameters of other agro-based industries in India.

iii) Growth trend for large scale textile units versus Micro, Small, and Medium Enterprises (MSME) can be undertaken; to compare the results for textile sector based on the scale of manufacturing units.

iv) Ratios relating to profits, capital and investment can be calculated for detailed analysis of the growth trend in Indian Textile Industry.

v) Advanced statistics can be used for hypothesis testing. Hypothesis can be generated based on comparison of company's parameters during the pre and post-reform period, impact of 'Make in India' initiative on Textile Industry, effects of Goods and Service Tax (GST) implementation on the Textile Sector, etc.

vi) Reasons for discrepancy between number of factories and number of employees CAGR can be analysed. This discrepancy certainly calls for further research due to the pressure on Indian government to generate employment.

vii) This work is based on secondary data. In future, primary data can be sought through structured and unstructured interviews of experts in the textile manufacturing sector in India. These experts could include textile entrepreneurs, government officials engaged in policy-making for this sector, senior researchers, etc. These experts could provide first-hand information on the issues and opportunities in this sector.

7. Conclusion

It is concluded that the Textile Industry in India achieved an impressive and noteworthy growth, as number of factories, employment, productive capital, profits and net value added show a considerable positive trend. But growth in employment is not as satisfactory as compared to the growth in number of factories. Apart from this, all other parameters show a balanced growth of the Indian Textile Industry in long term. The future of the Indian Textile Industry looks promising at both, the domestic as well as global level. It is further suggested that the growth of textile industry in India can be encouraged through Government intervention. If the Government frames policies which will enable to promote exports, introduces special packages, boosts domestic manufacturing sector, revises rates to incentivise export schemes, promotes Foreign Direct Investment (FDI) in the textile sector, revises labour laws to facilitate the generation of employment, up gradation in technology, etc., it will certainly help in a sustainable and unified growth of the textile industry in India.

Given the government's thrust on 'Make in India' initiative and the pressure to generate employment opportunities, the textile based manufacturing sector will be of paramount importance for researchers as well as practitioners in this sector.

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