CHAPTER- I

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1.1 INTRODUCTION
Small Scale Industry’s growth has been one of the major boards of India’s economic progress strategy since independence. India operates today in sheer size which is perhaps the largest small industries programme in any developing country. India has traditionally always had a very vibrant and competitive SSI. The public policy in India has been attaching lot of importance to village and SSI on the following grounds SSI being labor-intensive, helped to increase the volume of employment particularly in rural areas. Today, Small Scale Industry resides in a position of strategic significance in Indian economic structure due to its substantial contribution in terms of output, exports and employment.

Small scale industries in India are largely separated into two main categories. On one hand there are the traditional industries situated in rural areas and using traditional methods to produce “traditional products”. Their linkages are mainly on local level itself. Family labor is more or less an important factor in this industry. On the other hand, the modern small scale industries which have been in existence in the post independent India are mainly located in semi-urban and urban areas.

The government has initiated several policies for the growth and development of small scale industries. They included reservation of certain items to be manufactured only by the small scale sector. Other measures
include credit marketing, technology, and entrepreneurship development, fiscal, financial and infrastructural support. In 1999, the government established the Ministry of Small Scale Industries and Agro and Rural Industries to make policy decisions for the development and well being of the small scale industries.  

This much contribution has appeared in spite of the sector being exposed to growing competition during almost two decades since 1991. Small scale industry in India has been meeting with mounting competitive environment since 1991 due to liberalization of investment system in the 1990s, support foreign direct investment (FDI) at the international level, mostly in developing countries, the configuration of World Trade Organization in 1995 forcing its associate countries to considerably scale down the quantitative and non-quantitative restrictions on imports and domestic economic transformation. The growing impact of all these is a notable alteration of the economic environment in which small industry function involving that the sector has no option but to fight or to die.

1.2 INDIAN TEXTILE INDUSTRY

Textile is a well established industry in India and it has been major source of foreign trade since ancient time. The size of India’s textile industry is US$14 billion. It encircles all the activities like production of yarn to value added products like garments. Industry uses natural fibers like cotton, jute, silk and wool to man made fibers like polyester, viscose, acrylic and multiple blends of such fibers. Textile industry has three sectors: Power loom, handloom and mills. It includes various sub sectors like spinning,
weaving, knitting and garmenting. The textile industry plays a significant role in Indian economy by providing direct employment to an estimated 35 million people, by contributing 4 per cent of GDP and accounting for 35 per cent of gross export earnings. India's current share in the world textile trade is only 4 per cent, according to a study by the World Trade Organization. Government expects to rise by 8% by the end of 2010.

1.3 CHALLENGE OF INDIAN TEXTILE INDUSTRY

- **Productivity**
  
  o The wages to the Indian worker is lower compared to Chinese worker but the productivity of an Indian factory worker is considered to be lower compared to one in Sri Lanka, Nepal, Bangladesh and Dubai. Indian garments are also said to be 20-30 times costlier than those from China or Bangladesh.

- **Scale**
  
  o Indian textile industry is highly fragmented and dominated by small to medium firms. So it doesn’t enjoy the economy of scale in production. Strict labor laws of life time employment stop small scale manufacturers to employ large numbers of labors. Very few Indian firms are able to process large orders of foreign buyers.

  o To add to the point, most of the manufacturers have manufacturing facilities at more than one location. Buyers
perceive this as obstacle to maintain harmony in quality and color.

- **Heavy dependence on cotton**
  - The international fiber mix consists of 42% of cotton and 58% of the man made fibers. But Indian textile industry is dominated by cotton and exports 86% off cotton made fabric and only 14% of man made fabric. India can tape huge opportunity by switching over to man made fiber.

- **Limited product range**
  - Indian textile industry is largely dependent on clothing. But the opportunity exists for the non clothing textile terry towel, house hold textile (bad sheets, covers, and curtains), technical textile etc.

- **Technology**
  - India has slow pace for modernization. The looms used processing are mainly discarded looms from textile mills. It is estimated that out of 16.61 lakh looms in power loom sector only 30,000 are automatic and 5000 are shuttle less. There are nearly four lakh semi automatic looms and remaining are conventional shuttle looms with virtually no process or quality control attachments.
  - Low level of automation of machinery can be attributed to government policy to use textile as employment generator rather than capitalization of its strength.
• **Foreign investment:**

  o Most of the foreign investors in textile don’t consider India as suitable place for investment because of government restriction on labor wages, permanent employment, and unfavorable tax structure to large manufacturing capacity.

  o They prefer brand licensing to direct investment. US brands have larger presence in the market like Levi’s, Lee, Wrangler, Benetton, Pepe, Reid and Taylor, Zegna, Arrow, Louis Philippe, Van Heusen, Lacoste and Ralph Lauren

  o Branded apparels are predominant in men’s wear. Women’s and children wear segments are less penetrated.

1.4 **INDIAN TEXTILE INDUSTRY: TRANSITION TOWARDS POWER**

Indian textile industry has started ground work to convert weaknesses into strength. Government has also announced lot of incentives to boost performance and achieve target of double market share by the end of 2010.

There has been a rush for capacity expansion and modernization by leading companies like Welspun India, Raymond, verdhman, and Rajasthan spinning and weaving mill. Arvind mill has planned to open new plant of amount Rs. 150 crore near Bangalore with capacity of 18,000 shirts and 20,000 per day. Raymond will invest Rs. 40 crore to make 5,00,000 suits per day. 1.4
Foreign Institutional Investors have also started picking up equity in leading textile companies. All these efforts have pumped investment of Rs. 10,000 crore which is still very less compared to what is needed. Many foreign companies like Brandix from Singapore, SR Gent from Singapore, and Trevison from Italy are interested to establish manufacturing unit in India. Industry has initiated cluster based approach to work collectively. All the firms within cluster will work collectively sharing their facilities with each other. In this way, problems of economies of scale and fragmentation will be solved. Arvind Mill has planned to open cluster at Santej near Ahmedabad. Tirupur, a well known area for textile in south India has also developed cluster based culture. 180 companies have come together to establish windmill which will cut power cost by 35%. Government has announced scheme named Technology Utilization Fund under which loan for technology upgradation will be available at 5% interest rate. Government has also de reserved garment sector from SSI. Large scale manufacturers have tapped this opportunity and economies of scale will be possible within near future.

The textile commission under ministry of textile has focused on quality improvement to make industry more competitive. Commission has identified some companies and they are certified with ISO 9001. EU requires this certificate so now they will view Indian suppliers as viable.

Most of the companies in India have raised quality standard and moved their Acceptance level from 7 to 1. This means rejection rate is 1 out of 100. Textile commission has also targeted two other certifications like ISO 14000
and SA 8000 (Code of Conduct Management Standard). International market demands greater attention to accounting practice so cost can be controlled and suppliers would be better able to quote orders. Last year, government invested 20,000 crore rupees in the textile industry and this year, government expect that another 30,000 crore rupees will be invested in textile industry, which means the textile entrepreneur envisages a very bright future.  

Duties on filament yarn and polyester yarn reduced to 15%. Government also has announced zero duty for natural fibers. So the prices of the raw material will be competitive which is the biggest boost for textile.

So, Indian textile industry is on the right path of transition. Within a short period of time, it will be able to solve problems of productivity, scale and technology. But issues of low labor productivity, strict labor laws, consistent quality of raw material and textile products and government intervention in pricing of raw material are still major challenges for India.

1.5 STATUS OF SMALL SCALE SECTOR IN GUJARAT & STATE GOVERNMENT INITIATIVES

Gujarat, since many years has been known as the land of entrepreneurs. It is this entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium scale industries in the state. Small-scale industries are the major contributors to the economy of any region. Looking to the nature of investment and technology adopted by them, they offer wide scope for employment opportunities thus helping to alleviate the core problem of unemployment in our country. The sector has matured over a period of time driven by the business acumen of the entrepreneurs in terms
of their technical skills and capability to run units with lower overheads. However, with the Indian economy steadily aligning with the global environment, a need is now felt to strengthen small and medium sector units in terms of an array of needs like capacity building, infrastructural support, financing, technology upgradation, research and development activities, quality improvement, market access and many more ... so as to enable them to have competitive advantages in the international market.

1.6 CLUSTER DEVELOPMENT APPROACH

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very vibrant manufacturing base for the state. Each of these sectors is located in clusters spread throughout the state. With increasing extent of globalization and liberalization, when economies of scale and quality would play predominant role in the international trade, empowering industries of the state to meet with such challenges is an imperative need of the present time. The cluster development approach is therefore an important initiative for empowering the clusters to face the challenges. 1.12

The Government therefore, plans to strengthen existing clusters in the state to provide necessary support to meet with the challenges ahead. A cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location. The number of 50 units could be relaxed by the Government in respect of certain sectors having regard to the managerial and technical competence, size and the nature of the industry. The Government
aims to empower the clusters by providing need-based financial assistance for taking up strengthening activities. For the purpose, individual clusters will be rated by accredited rating agencies in terms of technical and managerial competence, level of maturity, administrative set up, past track record, transparency of operations, etc. Based on the grading, quantum of financial assistance will be decided. The assistance will be provided for the purpose of helping the clusters in upgradation of both product design and technology, quality improvement, R&D activities, common branding and marketing facilities, development of common facilities such as library, testing and certification laboratories, tool room, soft skill development, capacity building for workers and supervisors in terms of skill upgradation and productivity, etc besides the upgradation/creation of common infrastructure facilities. Assistance to the identified clusters will be from existing schemes of the government. Detailed guidelines for assistance will be laid down separately. 1.12

The Government also has decided to offer concessions in the form of electricity duty exemption for a period of first five years to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants. 1.12

1.7 SCOPE OF THE RESEARCH – INDIAN SSI AND TEXTILE INDUSTRY IN GUJARAT

Global textile industry has undergone a tremendous change after removal of quota system in USA and EU. Pattern of textile trade have been changed worldwide and winners will be those countries which can provide textile products at low cost with consistent quality. Indian textile industry is one of
the oldest industries and tends to be more traditional in terms of manufacturing. India has stiff competition from other low cost textile producer’s countries like China, Sri Lanka, Indonesia, Thailand, Bangladesh etc. Traditional nature of the Indian textile industry is obstacle to take large share in global trade of textile. The focus of this research is to find out competitiveness of textile manufactures of Gujarat state to cope up against the changing scenario in domestic and world market for survival as well as for future growth.

1.8 RESEARCH OBJECTIVES:
1. To identify opportunities and challenges of the small scale textile units of Gujarat specifically after removal of quota restriction.
2. To study and analyze financial mechanism of various SSI units of Gujarat of Textile Industry and to find out future scope for improvement.
3. To study existing marketing practices of various units of Gujarat of textile industry and to identify innovative practices to make these units more progressive in totality.

1.9 RESEARCH DESIGN
The entire research is carried out in the two phases. First phase is having major focus on macro-environment while second one is on micro-environment. In the first phase exploratory research design is used to study the environment in which the various firms of textile industry are operating. Mainly focus group interviews and Depth interviews techniques are used during this exercise.
Literature review is done to study the overall business environment and relate various findings with the outcome of exploratory research to identify critical success factors for Textile Industry in India & Gujarat.

In second phase of specific Field (applied) research is conducted to test the assumption and to understand the criticality of individual factors, which have been derived as critical success factors from exploratory research.

THE SAMPLE
As, textile industry has high degree of variation in terms of scale of production and business models of individual firms, there is no predefined formula for sample size selection. The researcher has used convenience sampling method for selection of the samples. The data and information are collected from following organizations.

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Nandan Exim Limited, Ahmedabad</td>
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<td>2</td>
<td>Krishna Fashion, Surat</td>
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<td>3</td>
<td>Tirupati (Gujarat) Cot.Spit Ltd, Chatral</td>
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<td>4</td>
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<td>Raja Industries, Kadi</td>
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<td>6</td>
<td>Umiya Textile, Surat</td>
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<td>9</td>
<td>Madhusudan Group of Companies, Surat</td>
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<td>10</td>
<td>Ragini Prints Pvt. Ltd, Surat</td>
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<td>Shree Jagdamba Dyeinng &amp; Printing Mills Pvt. Ltd</td>
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<td>Mahadev Silk Mills Pvt. Ltd</td>
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<td>Mukesh Textile</td>
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<td>35</td>
<td>Ambika Textile</td>
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QUESTIONNAIRE DESIGN

Questionnaires structure is finalized on the basis of objective of individual research and characteristic of sample segment. For individual field research, specific objectives are identified and on the basis of these objectives questionnaire structure is finalized. The selection of scale is depend upon objective of that individual question, level of response required and type of response group and individuals.

DATA COLLECTION

Both primary and secondary sources are used for the data collection.

1. Primary Data is collected through personal interview as well as structured questionnaire.

2. Secondary data is collected from periodicals, journals, magazines, newspapers and web-sites and other reference material available from various sources.

DATA ANALYSIS

Varieties of analytical tools are used to collect data, coding and decoding of data, analysis of data and for establishing relationship among various factors.
1.10 PRESENTATION OF THE STUDY
The chapter scheme of the study is as follows,

CHAPTER 1 - INTRODUCTION
The introductory chapter provides information pertaining to the nature and scope of the study, objectives of the study, research hypotheses, data collection, sample size and methodology.

CHAPTER 2 – STATUS OF SMALL SCALE INDUSTRIES (SSI) – INDIA
The chapter presents structure of the Indian small scale industries, role of governments in the growth of small scale industries, contemporary development in global economy and its impact on Indian small scale industries, contribution of small scale industries in Indian economy and position and performance of small scale industries in domestic and export markets.

CHAPTER 3 – OPERATIONAL STRUCTURE OF TEXTILE INDUSTRY AND PERFORMANCE OF INDIAN TEXTILE INDUSTRY IN DOMESTIC AND EXPORT MARKETS
The chapter presents history of cotton and textile industries, demand and supply of textile products in local and global markets, value chain of textile sector, critical factors & driving forces of textile sector and performance of Indian textile industry in domestic and export markets.
CHAPTER 4 – POTENTIAL AND PERFORMANCE OF VARIOUS INDUSTRIAL SECTORS IN ECONOMICAL DEVELOPMENT OF GUJARAT STATE

The chapter presents contribution of various industries in the economical development of the state, Infrastructure facilities and various initiatives taken by the states and central governments and comparative analysis of industrial growth in various sectors.

CHAPTER 5 – RESEARCH DESIGN

This chapter provides comprehensive detail about study, research design, sample size, characteristics of samples and questionnaire design.

CHAPTER 6 – ANALYSIS AND FINDINGS OF PRIMARY RESEARCH

This chapter provides comprehensive details of data analysis, survey findings, interpretation of data, correlation of various findings, etc.

CHAPTER 7 – CONCLUSIONS AND RECOMMENDATIONS

This chapter provides comprehensive details of various findings of the studies, summary of the present findings in terms of implication of the study, applicability of the outcomes of the study, scope and areas for further research and limitations of the study.
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