CHAPTER – VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

Based on data collected and analyzed the major findings are generated and given below.

- It is clear from the study that India has fundamental strength of the textile industry which starts from its strong production base.
- It is found from the analysis that fabric production rose to 60996 million sq meters in the year 2011 from 52665 million sq meters in the year 2007.
- It is analyzed that in post slowdown/recession period in developed economies, the export performance of Indian textiles continues to lag substantially behind that of China’s as regards rate of growth and share in the world textile exports.
- USA is in the first place in importing textile fabric from India whereas UAE and UK prevails the next two positions respectively.
- As per the CRISIL estimation, the largest investment need will be in processing sector, which is a critical segment in the value chain that determines the quality of the fabric.
- It is clear from the data that textile sector accounts for nearly 14% of the total industry output whereas Indian textile export accounts about 30% in the India’s total export.
- From the study we can understood that in recent years, the textile industry is undergoing a substantial re-orientation towards technical textiles which means production of cloth from new combination of filaments, yarns and threads.
- It is clearly stated from the study that the world textile market has become competitive because of the lifting up of the import restrictions of the Multi Fabre Arrangement (MFA) from 1st January, 2005 under the World Trade Organization Agreement on textiles.
- It is found that the reason for the China’s continuous rise in textile industry and export are government incentives to textile industry, encouragement of
foreign direct investment, productivity improvement and fixed exchange rate.

- From the analysis it can be understood that there are some trade barriers to China’s textile export such as increasing domestic demand, carbon emission, shortage of technical labor supply and increasing protectionism in international trade.

- It can be forecasted from the study that China will remain the biggest exporter but with rising costs and rising domestic demand, it may cede some export opportunities which will lead to new opportunities for other countries like India, Pakistan, and Bangladesh.

- India is the one of the major beneficiaries of US restrictions on Chinese textile exports.

- It is clear from the study that districts such as Erode, Tiruppur, Coimbatore plays dominant role in the textile industry in Tamilnadu.

- As far as Tamilnadu concern, the textile industry is the forerunner in the industrial development of the state as it provides large scale employment to the rural people next to agriculture.

- It is clearly understood that spinning, handloom, power loom and garment sector are the four pillars of the textile sector in the Tamilnadu state.

- Design development, encouragement of weavers in export activities, product diversification, setting up of apparel parks, textile centre infrastructure development scheme, establishment of hi-tech weaving parks are some of the initiatives taken by the Tamilnadu textile department.

- With the phasing out of quota regime, there is tremendous scope for the Indian textile industry in general and the state textile industry in particular to reap the advantages of post quota free regime.

- Organized textile mills in Tamilnadu are 933 which is nearly 50% of total mills in India which are 1853 in the year 2009-2010.

- The total spun yarn production in Tamilnadu is 1592.74 million kg which is nearly 36% of India’s total yarn production which came to 4178.84 in the year 2009-2010.
As per the cloth production regards, total cloth produced in Tamilnadu in the year 2009-2010 was 112.60 which came to nearly 6% of India’s total cloth production which was 2015.53 in the same year.

It is found from the study that number of workers engaged in (both SSI and non SSI) textile industry was around 257 lakhs in Tamilnadu whereas it was 862 lakhs in all over India in the year 2009-2010.

60% of the total employment in Salem was contributed by power loom yarn dyed woven fabric manufacturing industry.

PDEXCIL is constantly carrying out its developmental and export promotional activities to boost the export by way of various activities such as international textile exhibitions, gathering market information, survey, dissemination of trading enquiries, giving information about the latest development in export front etc., especially in Salem.

The immensely popular cheese cloth in the American and European market for the past twenty years was born in Salem.

The prime strength of the Salem district in textile industry are its creativity, flexibility, ability to do most difficult fabric weaves, low overhead, highly skilled manpower etc.

The important problem of Salem dyed woven fabric manufacturers and traders is total unwillingness to take any kind of marketing or investment risks. Apart from this introvert nature of sale mites; lack of technology upgradation is another challenge of Salem weavers because they are using very old looms.

Local resources available at Salem, Government programmes, incentive schemes are the opportunities available to Salem weavers. Thus they may go for aggressive marketing for their products in the fashion segment by participating in the Indian and international tradeshows or other means of aggressive promotion.

Environmental pollution due to dyeing of fabric, raw cotton export, fluctuating dollar value is the constant threat to Salem weavers.
Most manufacturers and exporters in Salem can offer all basic infrastructures like dyeing, preparatory, weaving and sewing under one roof; thereby Salem exporters could be matching competitive global prices.

Generating skilled personnel, accessing world markets by adopting an appropriate strategy for Salem fabrics are few challenges of budding exporters in Salem.

Organization Profile

Majority of small size units started their production during 2000-2005, whereas 40% of medium size units started their process during 1995-2000. Major large scale units started their production during the period 1995-2000.

It is clear from the analysis that very small percentage (4.76%) of large size units are sole proprietor concerns whereas majority (76.19%) of them are partnership concerns.

It is found from the analysis that there are no small size units exporting directly their fabrics to other countries. At the same time no large size units are merchandise exporter.

Majority of the respondents are stated that their future plan is to expand the scope of their business.

Small and medium size export units are not registered in ECGC (Export Credit Guarantee Corporation) whereas 80% of the large size units are registered in ECGC.

It is identified from the study that small and medium size units are not getting any form of incentives from the Government. Very small percentage (4.76%) of large size units receives incentives from Government.

Most of the exporter hired the processing units in production process. Majority of the export units hired spinning units whereas 70% of the exporters hired dyeing units. As far as looms concerned nearly 56% of the
exporters are hiring them from outside whereas regarding washing and finishing units nearly 78% of exporters are hiring them from outside for production of fabrics.

**Production**

- 50% of the exporters and large size units are purchasing the raw material directly from the supplier.

- It is found from the analysis that 70.45% of the exporters made payment to the supplier both in the form of cash and credit.

- 49.57% of the exporters adopt both the methods for production which are direct production and through sub agent production.

- It is identified from the analysis that 60.68% of the organization took 3 to 6 weeks for own production.

- 54.7% of the organization’s production expenses were between 81%-90% of the total expenses.

- It is clear from the analysis that 55.36% of medium size export units execute 31-45 orders per annum whereas in large size units, 90.48% of them execute above 45 orders per annum.

- It is concluded from the study that majority (51.28%) of the respondents agreed high with the factor that raw cotton export affect production of fabrics. At the same time 51.28% of respondents agreed high with the factor of need for immediate change in Government policy in raw cotton export.

- It is found from the analysis that regarding opinion about the impact of various factors on raw cotton export, “effect of raw cotton export on production was ranked as first and “Satisfaction on Government policy relating to raw cotton export” was in sixth rank.


Personnel

- The majority of medium size units engaged 5-6 employees at the beginning and increased to 11-15 employees at present.

- Large size units employed above 15 men and above 6 women in their organizations.

- It is clear from the study that small export units have 3-4 employees, medium export units have up to 2 employees and large export units have above 6 employees are having educational qualification of Higher secondary.

- The small and medium size units have 3-4 employees and large size units have above 6 employees in 3-5 years experience.

- The majority of small and medium size unit’s employees are getting income of Rs 501 – Rs 1000 per week and large size units are getting income of Rs 1001-Rs1500 per week.

Market entry

- It is identified from the analysis that 67.52% of the respondents stated other reasons for entering into textile business such as surplus money availability, encouragement from supplier, good demand for textile products etc.

- Majority of the respondents stated as family business is the reason for entering into textile export.

- 31.62% respondent’s export market entry is direct and 68.38% of them are indirect entry. It is concluded from the study that majority of the type of market entry is indirect entry.

- 43.24% of exporters export their fabrics to the country USA.
It can be understood from the study that only 14.53% of exporters were participated in trade fair. Hence majority of the exporters do not participate in the trade fair.

It is clear from the study that only minimum (28.21%) respondents were doing market research before entering into field.

15.38% of export units have two agents in abroad whereas 0.85% of export units have four agents and above in abroad for selling and distribution function.

**Export contracts and documentation**

- Only small (31.62%) percentages of respondents are getting the help of agent to obtain license.
- Majority of the respondents (61.54 %) stated the reason for delay in obtaining the license is cumbersome formalities.
- Majority (55.56%) of the respondents entered into export contract through agent and very minimum (17.09 %) were through export houses.
- It is clearly found from the analysis that major custom formalities are mainly in terms of invoice, GR form and bill of lading and remaining factors are meager.

**Marketing**

- It can be identified that in the selection of buyers, enquiries from friends and relatives residing in abroad, Government agencies, commodity board play an important role.
- Majority (66.67 %) of respondent’s source of advertisement is internet.
- It is concluded from the analysis that majority (24.79%) of respondent’s channel of distribution is export houses/trade houses.
- It is clear from the analysis that major area of distribution is USA.
➢ It can be clearly stated from the study that all export units are doing inspection process towards defect deduction.

➢ Majority of storages were detached with administrative office.

➢ Majority (76.92%) of the textile exporters from Salem are using lorry for their transport.

➢ Most of the export units (59.83%) spent 10%-20% of total expenses towards marketing expenses.

➢ As far as challenges faced in export marketing concerned, competitors ranked as first, dollar value fluctuations as second, controls on export as third and cultural difference is as fourth and last rank.

**Export Finance**

➢ Majority of respondents (58.12%) stated that quantum of finance involved in production depends up on type of fabric.

➢ Majority of respondent’s (66.67%) are having their working capital at present are above Rs.5, 00,000.

➢ It is identified from the analysis that majority (69.23%) exporters are in need of medium term loans.

➢ Majority of the exporters are using both pre shipment finance and post shipment finance. There is significant association is found between the organizational profile of size of unit and purpose of finance.

➢ Most of the respondents (44.44%) stated that they receive payment after one month.

**General information**

➢ As far as challenges faced by Salem export units, majority of the respondents stated that arrangement for finance is the first challenge when comparing to other factors such as quality maintenance, design perfection, laborers co-operation etc.
Regarding kind of support needed from outside, exporters clearly stated that they immensely in need of Government support rather than other support such as raw material supply, technical laborers, financial support etc.

Regarding various problems faced by Salem exporters, dollar value fluctuation was ranked as first. It is followed by pricing, finance, marketing, market entry, personnel, production and documentation respectively.

As far as level of buyer’s influence on various factors in the organization, pricing was in first rank. It is followed by other factors such as production, market entry, finance, documentation, marketing, personnel.

It can be identified from the analysis that those units whose year of commencement is 1990-1995, large in their size, limited companies, direct exporters, and direct entry units need maximum level of support needed from the outside.

It could be noted from the analysis that maximum problems faced in various field in the organization was among those units whose year of commencement is 1990-1995, larger in their size, limited companies, direct export respondents and direct entry respondents.

It is clear from the above analysis that maximum level of buyers’ influence on various sectors in organization was among 1990-1995 respondents, large size units, direct export respondents, direct market entry respondents.

**Association between factors**

- **There is significant association between year of commencement and**
  - Method of raw material procurement, production method, production expenses.
  - Problem faced in various fields of organization.
  - Time taken for own production, number of orders executed per annum
- Type of export market entry, type of contract, channels of distribution,

- Area of distribution, amount of working capital at present.

➢ There is significant association between size of unit and

- Dwelling place of supplier, raw material procurement method, production expenses

- Number of employees engaged at present and at beginning

- Mode of payment to supplier, production method, technology used for production

- Time taken for own production, number of orders executed per annum

- Age of employees, educational qualification, work experience of employees

- Income level of employees, reason for entering textile field,

- Type of export market entry, participation in trade fair,

- Getting the help of agent to obtain license, delay in obtaining the license,

- Type of contract, source of advertisement, channels of distribution, area of distribution

- Nature of storage, transportation used within the country, marketing expenses

- Quantum of finance needed, amount of working capital at present,

- Type of finance needed, period of payment received,

- Problems faced in various fields of organization

➢ There is significant association between nature of organization and

- Method of raw material procurement, production expenses

- Problems faced in various field of organization
There is highly significant association between nature of organization and
- Production method, technology used for production,
- Number of orders executed per annum, type of market entry, type of contract
- Channels of distribution, area of distribution, nature of storage
- Transportation used with in the country, working capital at present

There is highly significant association between nature of export and
- Production method, time taken for own production, type of export market entry,
- Participation in trade fair, market research done before entering in to field
- Number of agents in abroad, type of contract, source of advertisement
- Area of distribution, channels of distribution, transportation used with in country
- Level of support needed from outside, problems faced in various fields of organization
- Buyer’s influence on various sectors in organization, type of finance needed.

There is highly significant association between type of export market entry and
- Participation in trade fair, channels of distribution, Area of distribution
- Problems faced in various fields of organization,
Buyers influence in various sectors in organization

There is significant association between nature of export and production expenses.
There is highly significant association is found between source of advertisement and transportation used with in the country.

**DISCRIMINANT FUNCTION ANALYSIS**

- Discriminant Function has predicted 72.7% of the cases correctly in the Direct export group and 77.8% of the cases in the Merchandise exporter group, 94.3% of the cases in the Manufacturer exporter group and on the whole classified 89.7% of the cases correctly.

- Nearly 92% of the variation in the Discriminant Function is due to kinds of support needed from outside score, which contributes maximally, in discriminating between types of exporters. Next comes, problems faced in various fields in the organization score, which contributes about 83.8% in discriminating between the types of exporters followed by challenges in execution of orders and buyer's influence on various sectors in organization seems to contribute least in discriminating types of exporters.
SUGGESTIONS

- Most of the fabric manufactured in Salem is not being directly exported as the exporters do not have finished product. Keeping exports in mind we have to develop the infrastructure like good hotels, airport and internal container depot which is the basic necessity for any industrial sector looking at exports. In this the saddest part is that the airport, which is fully ready, is not operational as airlines find it unviable. Otherwise the buyers can directly step in to Salem to source fabrics and garments.

- Industrial estate for fabrics and garment parks has to be created to develop Salem as a major garment centre.

- To break away from the stagnation that Salem has been facing, specially in the last couple of years, manufacturers here need to do some serious strategic re thinking. The options available are
  
  - To go for modernization of their looms.
  
  - To go for capacity expansion and start producing basic fabrics instead of fashion fabrics.
  
  - To go for aggressive marketing of their fabrics in the fashion segment by participating in the Indian and International tradeshows or other means of aggressive production.

  - To go for co-operative marketing under powerful association.

  - Salem export people can uphold their business by building up the peripheral market with regular update of new accessories.

  - Salem dyed yarn woven fabric manufacturers can develop their exports by doing following practices:
    
    - By clearing off bottlenecks found in industry the form of regulatory practices
    
    - By liberalizing contract norms for textile and garment units
• By controlling export of raw materials which means export of raw cotton.

• By effectively installing a price discovery mechanism to track trend to take effective measures before hand a slump.

➢ Policy level decision to achieve export target will very much helpful to exporters to improve their quantity of export fabrics.

➢ Woven segment of readymade garment sector and knitwear have been de-reserved for improvement of exports.

➢ Technology Up-gradation Fund Scheme to be pursued till the desired improvement achieved in the textile sector.

➢ Duty drawback scheme wherein the exporters are allowed refund of the excise and import duty loss on raw materials.

➢ Timely financial help to Salem exporters will definitely relive the burden of exporters, so they can approach various institutions which are created especially for the purpose of lending financial help to exporters.

➢ Salem exporters must improve their risk taking personality which will lead them to new high. Since they are concentrating more on production they are not giving much importance to marketing.

➢ Finally it is suggested that the Government may give more attention and take more efforts to promote export in the study area. By solving environment pollution problem caused by dyeing fabrics, Government can open very big door to new fabric manufacturers.

➢ Most of the Salem yarn dyed woven fabric manufacturers are hiring most of the processing units such as spinning, dyeing and sizing. This is due to huge investment required to start them. So by giving long term loans we can encourage the manufacturers to enter in to other branch of production.
Besides, Salem needs to replace its old looms, add more advanced warp/weft stop motion and replace its manual yarn dyeing facilities with cheese or cabinet dyeing or other modern methods for higher productivity and more consistent quality.
CONCLUSION

The study is a rewarding exercise in the sense that, in addition to identifying the factors which affect the respondents, it also analyzes the problems they are facing in different angles and gives some practical solutions to their problems.

To sum up, the strong background of weaving Salem has a bright future. But the entrepreneurs should do a lot on the development in terms of modernization in weaving, dyeing and processing. Above all, a positive attitude towards establishing themselves as leading exporters in the next millennium is a must. Government also has to provide support to the industry. More so, infrastructure developments like roads, power and concessional loans for installation of machinery for dyeing, processing and weaving. The garment manufacturing which is the next step to production of woven fabric has begun in Salem. Obstacles for the growth of this sector are being identified in a focused manner and solutions are being looked into. Slowly, but surely, the changes are emerging in Salem. Business and society are finally willing to breakaway from the more than 200 years old work practices which have now become out dated.

The old thought process is giving way to information flow, initiative, collaboration, creativity and speed. Eventually, Salem may become an International center for woven casual wear and yarn dyed fabric in the world, overcoming the challenges and encashing on its advantages.