CHAPTER - 1

INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

The Indian textile industry has a significant presence in the economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. It contributes 20 percent of industrial production, 9 percent of excise collections, 18 percent of employment in the industrial sector, nearly 20 percent to the country’s total export earning and 4 percent to the Gross Domestic Product. In human history, past and present can never ignore the importance of textile in a civilization decisively affecting its destinies, effectively changing its social scenario.

Textile export plays a crucial role in the overall export from India. Through export friendly Government policies and positive efforts by the exporting community, textile exports increased substantially from US $5.07 billion in 1991-92 to US $12.10 billion during 2000-01. In world level, textile trade has risen to 3.1 percent in 1999-2000 as against 1.80 percent in early nineties. Exports have grown at an average of 11 percent per annum over the last few years, while world textile trade has grown only about 5.4 per cent per annum in the same years. Thus textile and clothing have formed the single largest group of commodity in the country’s export. It has been considered as the single largest foreign exchange earner.¹

During the year 2000-01 India’s textile export was US $12014.4 million. It was increased in the year 2004-05 to US $13038.64 million. The export of textiles (including handicrafts, jute, and coir) formed 24.6% of total exports in 2001-2002, however this percentage decreased to 16.24% during 2004-2005.² The textile exports recorded a growth of 15.3% in 2002-2003 and 8.7% in 2003-2004. Textile

¹ Rajendran Nair, I.A.S. : Handloom Exports Beyond 2002, Ministry of Textiles, New Delhi, 2002, P.4
² Annual Survey of Industries, The Hindu, 2002
export during the period of April-March 2003-2004 amounted to $11,698.5 million.

During 2004-05 textile export were US $13,039 million, recording a decline of 3.4% as compared to the corresponding period of previous year. However, during April-November, 2005, the textile exports have shown growth of 8.2% as compared to the corresponding period of previous year. Against a target of US$ 15,160 million during 2004-05, the textile export were of US $13039 million, registering a shortfall of 14% against the target. The overall export target for 2005-06 has been fixed at US $15,565 million. In 2005 textile and garments accounted for about 16% of export earning. India’s textile export to the US has shown a good rise of 29.5% from the month of January-2005 to June-2005. It all shows the good sign for export of textile as well as production of dyed yarn woven fabric from India.

1.2 INDIAN EXPORT HISTORY

International trade is very important trade for countries all over the world in building the economy of a nation. Export is the key factor in contributing the reserves to a country. India had a glorious export tradition. Indian spices and fine cloth were exported over countries in the East as well as to the West. It is during the colonial era that India exported raw materials in abundant. India’s export amounted to Rs.300 crores in 1920’s. In 1926, India was reported as fifth largest exporting nation in the world. During 1947-48, in the first year of independence and aftermath of partition, India’s export amounted to Rs.400 crores. India followed a liberal import policy after independence to overcome the war time shortages. The export efforts of India received comparatively little attention in fifties when the balance of payment was well supported from accumulated sterling balances and through external aid obtained by the country. A serious export effort commenced only by early sixties after realizing the necessity to conserve the sterling reserves as it won’t last long.

The first major step taken for the improvement of export was to devalue the Indian rupee in 1966, so as to make the Indian products more competitive. The trends from 1967-68 to 1972-73 shows the import fell from Rs.2008 crores in 1967-68 to Rs.1861 crores in 1972-73, while the exports rose from Rs.1193 crores in 1967-68 to Rs.1971 crores in 1972-73, an increase of 65% in exports registered during this period.\(^4\) It is mainly due to the export policy called “Export Policy Resolution 1970” released by the then Government in 1970. This policy is considered as a landmark in the history of exports of our country. It was for the first time that the Government stated clearly the kind of policies it would pursue.

Again a spectacular growth in the field of exports was registered between 1972-73 and 1976-77 with an annual average increase of 25%. There was a recession in the world market in the seventies and the consequences of the increase in oil prices threatened the foreign exchange reserves of many countries. The developed nations embarked on a drive to reduce their oil imports and on the other hand the developing nations which had to import their entire oil needs, had no choice to curtail their other imports. From 1979-80 onwards, trade deficits began to build up because of imports outpaced exports. At this stage India embarked up on a planned effort to increase its export of non – traditional products and services.

India’s export increased by 25% in 1987-88 which was amounted to Rs.15,719 crores and in 1988-89 it was increased by 28% and by 17% in 1990-91 when it reaches a figure of Rs.32,553 crores. During the above period the world trade also registered a fast growth. After the radical political changes in East Europe in early nineties, the export of India took in its stride the loss of the Russian and East European markets. In 1990-91, India’s exports to USSR alone amounted to Rs.5,208 crores which are amounting to 16% out of total export of 32,553crores. But in 1992-93, India’s export to entire East Europe including

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Russia declined to Rs.2,365 crores which is amounting to 3.4% out of total export of Rs.69,548 crores.\(^5\)

Many expected that the loss of the East European markets would seriously affect our exports, but it was not so. India recovered quickly from this critical situation. This illustrates to the world that Indian exporters were becoming more professional and able to withstand such reversals and exploit other areas of markets to increase the exports.

Our foreign exchange reserve touches the lowest in 1991 to 2 million dollar, which is not even enough to cover our imports for a month. India pledged around 67 tons of gold in Bank of England and in Union Bank of Switzerland in 1991-92 to raise the reserves to meet India’s import needs.

To overcome this critical situation, reforms were undertaken which brought a revolutionary change in the Indian export trade. The most important reform is devaluation of Indian rupee by 23% in the first week of July and rupee has been made fully convertible\(^6\). Another fundamental change was new Industrial Policy, which changed the concept of regulated industrial licensing, foreign investment and ownership criteria of industries. For the first time since the Independence, the entrepreneur had full freedom to choose what he wanted to produce, where and what process or technology to adopt, the manner of investment, without any Government interference.

**1.2 STATEMENT OF THE PROBLEM**

One of the major industries in Salem District is the Yarn Dyed Fabric manufacturing and which contributes more than 60% of the total employment, next comes the starch and sago industry and the third is silver articles industry.

The District has the advantage of being traditional weaving centre. Even in the absence of modern infrastructure, Salem District had basic facilities to develop their business. The major strength is its weavers’ ability to create most complex

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\(^5\) Compendium of Textiles Statistics, 1995: Textile Committee, Bombay

\(^6\) Ishwar C.Dhingra, “The Indian economy environment and policy”, 2005, P. 139
designs, with in no time. Today, while most companies use computerized colour systems for matching the colours of yarn, the weavers till date use their experience for the same. Buyers find flexible in all aspects, especially for small orders in different designs. The delivery offered by weavers is too quick to believe and makes the buyer comfortable. The weavers mostly produce yarn dyed fabrics to meet apparel manufacturer’s needs, though it still makes small quantities of dhoties, sarees, towels and lungies.

WHAT IS HOLDING SALEM DISTRICT BACK?

Salem District’s prime problem has been its total unwillingness to take any kind of marketing or investment risks and a strongly introvert nature of weavers, leading to a real life frog in the well situation of the town.  

The weavers are basically high skilled people in weaving and hard working in nature. Over these years the manufacturing process has not grown up many fold, most of them are still using the primitive machines and technology. The current demand is not for these fabrics which are made on outdated looms whereas the fabrics produced from auto looms moves well in the market. But it needs huge amount of capital, that’s why many small upcoming entrepreneurs could not invest that much amount.

In spite of having all its inherent strength the industry also suffers from some problems such as modernization in weaving, dyeing, processing and export marketing. How far these challenges managed by manufacturing units? What is their production pattern? What are the difficulties they are facing while manufacturing the fabrics? What type of technology they adopt?

What is the nature of capital? What is the share of borrowed capital in their investment? What is the role of ECGC in their field? What is the share of incentives given by the Government in working capital? What is the impact of raw

7 B.P.Mishra and Mohammed Nazer, Clothesline, September 1998, P35
cotton export on production of these units? What kind of market entry they made while exporting their goods? What kind of difficulties they face while obtaining export license? What is the role of agents in exports? What is the level of ‘Buyers’ influence on the organization?

All the above questions require a detailed and deep study about the functioning and marketing practices of these units in the study area. So the present research study is undertaken to describe the various practices of yarn dyed woven fabric manufacturing units relating to production, finance, personnel and marketing.

1.3 OBJECTIVES OF THE STUDY

01. To study the organization profile of yarn dyed woven fabric manufacturing units.
02. To study about the financial structure of export units.
03. To study the marketing strategies of yarn dyed woven fabric manufacturing units.
04. To analyze the pattern of market entry of these units.
05. To study about export contracts and documentations involved.
06. To study the role of Export Credit Guarantee Corporation (ECGC) towards the performance of manufacturing units.
07. To analyze the general problems faced by them in the field of marketing.
08. To offer suggestions for the betterment of export units.

1.4 HYPOTHESES OF THE STUDY

01. There is no association between ownership of units involved in production and production method adopted by the units.
02. There is no association between size of business and need of finance to the units.
03. There is no significant difference in manufacturing units and the basis of area of distribution.
04. There is no association between nature of organization and kind of market entry.
05. There is no significant difference in marketing practices and various export organizations.

06. There is no association between export of raw cotton in the field and woven fabric export of these units.

07. There is no direct relationship between size of business and problems faced in various field of organization.

08. There is no significant difference in challenges faced by these units and in the execution of orders.

1.5 METHODOLOGY

This research study is based on a survey and descriptive approach is followed in this study. The major objective of this study is to portray a picture about the functional areas such as production, finance, market entry, personnel and marketing practices of selected yarn dyed woven fabric manufacturing units in the study area.

The study area refers to Salem District, where 9 Taluks are exists. A total of 600 yarn dyed woven fabric manufacturing units were located in and around Salem District. A research design is a master plan specifying the methods and procedures for collecting, analyzing the needed information. It is a framework for the research plan of action. The descriptive study is concerned with determining the frequency with in which something occurs or how two variables vary together.

Out of 600 yarn dyed woven fabric manufacturing units, 117 units were selected by applying simple random sampling method.

This study is made to describe the problems faced by yarn dyed woven fabric manufacturing units with respect to production, marketing, finance, market entry, contracts and documentations and personnel aspect. The data collection pertaining to this study involves on the basis of primary data and secondary data.

1.5.1 DATA COLLECTION

The pilot study was conducted in five units located in Dadagapatti and necessary changes were made in interview schedule. The primary data as well as secondary
data were collected by means of interview schedule consisting of various questions under different heads namely organizational profile, production, market entry, contracts and documentations, marketing, finance, personnel and others. The secondary data were collected from the Government officials, manufacturers and publications.

1.5.2 STATISTICAL TOOLS

Statistical tools such as percentage, cross tabulation, chi-square, t-test, descriptive statistics, Fried man test and ANOVA are used to analyze the data.

1.6 LIMITATIONS OF THE STUDY

This research study was done from the yarn dyed woven fabric manufacturing units’ point of view. An in-depth study of production process, finance and personnel was not done. The research is mostly concentrated towards marketing practices of these units. Only latest five years data are collected from export units for this research.

PERIOD OF STUDY

The data collected for the study covers 5 years starting from 2007-2008 to 2011-2012. The accounting year of yarn dyed woven fabric manufacturing units is from April to March.

1.7 SCHEME OF CHAPTERISATION

Chapter-I – Introduction

The first chapter deals with introduction, Indian export history, statement of the problem, objectives of the study, hypotheses of the study, methodology, data collection, statistical tools, limitations of the study, period of study and scheme of chapterisation.

Chapter-II – Review of literature

The second chapter deals with the review in brief which were related to this study.
Chapter-III – Export marketing practices in India

This chapter identifies the usual marketing practices adopted by the export organizations.

Chapter-IV – An overview of cotton textile industry in India, China, Tamilnadu and Salem District

The fourth chapter deals with an overview of cotton textile industry prevailing in India, China, Tamilnadu and Salem District.

Chapter-V – Data analysis and interpretations

Analysis and interpretation of data by using various statistical tools were made in this chapter.

Chapter-VI – Findings, suggestions and conclusion

The final chapter relates to findings, suggestions and conclusion of the research study.