CHAPTER - II

REVIEW OF LITERATURE

The chapter makes a brief review of the literature relevant to the study. There are only very limited studies which are directly relevant to the study concerned. The researcher has made an attempt to present a brief review of the literature available which consist of articles and technical papers published in Journals and Ph.D thesis in the related area.

Mehtani and Singh\(^1\) explained that cotton accounts for 65\% of total fibres consumption in the textile clothing. Out of total textile exports of 34,871 crore, 25,484 crore of rupees worth of exports is related to yarn, fabrics made-ups and garments of cotton origin. This clearly indicates the importance of cotton fibre. Availability of cotton fibres at reasonable rates in sufficient quality will have to be accepted as a strategic requirement for the greater value in addition to exports as well as in generating employment to millions in the manufacturing and trade.

Rajamanickam\(^2\) revealed the different aspects of working of spinning mills through the comprehensive analysis. The present capacity of the spinning industry including small mills have been studied. The quantity of spindles required to meet the projected target for 2002 has been determined. The profit levels in the spinning mills in cotton textiles was

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being compared with profitability level of other industries. A detailed analysis of the same comprised of cost comparison, level of modernisation and fund management etc.

Pushpa Gandhi¹ have found out that the success of textile industry mainly lie on management styles and organisational effectiveness. The primary requirement will be of adoption of relevant management style in relation to organisational objectives. It was based on different factors which decides the ultimate success of the organisation. The organisation has to be optimistic for successful performance. Fanety judgment can have a far reaching impact on the textile mills functioning as it adversely affect labour productivity, waste level, quality of products etc.

Venkata Kesavan² has explained that total quality management ensures total customer satisfaction in the Textile industry. The association of TQM to customer satisfaction has been broadly identified and proved. It is found that management should go for selection of relevant factors for TQM. No matter how scientific is the method of selection, some margin of error will always prevail. The purpose is to reduce this as much as possible and select those who will, by and large, perform well in the textile mills in order to yield higher customer satisfaction.

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Shanmughandam\textsuperscript{1} in his study covered the average consumption of major store items. A critical analysis of consumption rate vis-a-vis machine productivity and average count has been made. Intermill variation in cost aspect was highlighted in the study. More emphasis on stores consumption and packing material cost in the cost analysis of textile product have been made.

Parveez A. Dholakia\textsuperscript{2} examined the importance of public relations in textile industry. Public relation is also viewed as one of the vital marketing strategies in textile field. The better the relations maintained lead to favourable performance. The Public relations in textile mill towards suppliers, traders and manufacturers help in the success of textile industry. Necessary factors have to be identified to associate with public relation for success of textile mills in terms of performance and total customer satisfaction. The importance of public relations in textile industry has been exhibited.

Venkatraman\textsuperscript{3} elaborates that Indian's cotton production during 1995-96 was 149 lakh bales of 170 kg each. For the period 1996-97 cotton production was estimated at 155 lakh bales. India ranks third in the world in cotton production. Its share in the international trade in cotton during 1992-93 was around 6%. The unorganised small scale spinning units are estimated to have consumer virgin cotton of 6.50 lakh bales. In India,

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\textsuperscript{1} Shanmughundam. R., - A Report of SITRA, Vol. 42, April 98, p.14
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Therefore efforts need to be made to achieve cotton production of 180 lakh bales by the end of the century. The study revealed demand and supply position in cotton and the periods of demand exceeding the supply and vice versa cyclically. In India R.D. efforts are to increase the cotton yield.

Study Division of ATRA\(^1\) attempted to study the financial performance of textile industry with particular reference to performance of composite mills for the year 1989-90 in comparison with 1988-89. There was a net loss of 104 crores as against 175 crore in 1988-89. The number of profit making mills increased from 9 participating mills in 1988-89 to 21 mills in 1989-90. But profit has increased only marginally from 3.4% in 88-89 to 3.8% in 1989-90. The reason found out for improvement of profit was drop in the prices of raw materials by about 2% over prices in 88-89. The number of mills who declares dividend increased from 9 mills in 88-89 to 12 mills in 89-90. Of these mills, seven mills declared dividend in both the years.

The profitability of the mills generally improves with the increase in average prices of cloth. Mills with average cloth price realisation is below Rs. 14 per meter which will have grim chances of economic viability. Mills of public sector also showed improvement in their financial performance, while the mills of private sector earned cash profit before interest of order of about 2% in 89-90 as against a cash loss of 2% in 88-89. By virtue of their typical

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positioning, spinning mills performed far better in 89-90 as compared to their counter-part composite mills.

Ratnam and Indira Doraisamy\(^1\) aimed to study the financial performance and measures to increase the profit of spinning mills. They found out that amongst numerous causes that affect profits, raw materials cost and yarn selling price are more important. Fluctuations in cotton prices from time to time would also adversely affect the working results of mills, in particular for those mills which incur losses or obtain low profit margin. Cotton price are found to vary between years very widely from 50% to 70% relative to yarn selling prices. They are also found to differ considerably within a year to the extent of about 30%. Interestingly they found out that the yarn selling prices in different mills are not found to be significantly influenced by the raw material costs, the correlation co-efficient being only 0.33. The lack of association between the yarn selling prices and raw material costs can be attributed to various possibilities such as: high raw material costs need not necessarily mean good quality cotton, better quality cottons may not result in a high quality yarns and good yarns may not always keep to fetch prices. The cotton purchasing efficiency, financial resources, spinning performance and marketing methods of mills are some of the other important factors that keep to realise high net support values.

They also suggested measures to mills to improve their profits such as identifying high cost areas, special efforts to control the cost of raw

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materials, increasing persuasion per spindle aiming at higher priority for maintaining the ring frame utilisation at 95% and testing of cotton for every lot etc.

P.K. Kadole\textsuperscript{1} explained that with the liberalisation policy making in roads in Indian Textile industry, the foreign investment in different sectors of this field is growing. There is a total change with almost all players in the industry extending their reach to international markets. This access to complete international markets has been one of the saving grace for the industry. Another visible change relates to the scale of operation. The small sector is now able to freely compete with the larger units. Technocrats have been able to make it possible to have a small size spinning, weaving and processing mills. He has listed demographic trends, changing taste and preferences, knowing quality discrimination etc. as broad external changes.

Maheshbai J. Shah\textsuperscript{2} revealed that - excessive capacities and reduced margins over time have led to massive excise duty evasion in the textile industry. he has examined the rationalisation of duty structure on various fibres, yarns and blends of fabrics of textile industry. He has explained that - the government policies and fiscal measures should be designed to protect honest manufacturing practices. He has found that not only the infrastructural costs remain very high as a result of cross subsidisation but the quality of supply is erotic due to poor financial conditions of the stat

undertakings. He suggested that suitable incentives must be provided by the
government in the form of duty drawback schemes.

A study team of SITRA\textsuperscript{1} made two important observations on the
study of mills.

i. Mills with modern machinery particularly bigger units should
diversify their production to polyester cotton blended yarns.

ii. Mills processing yarns of 20s and below should gradually opt for
open and spinning system and

iii. Spinning mills with large installed capacity should adopt power
looms in the unorganised sector.

Thackersey\textsuperscript{2} in his report stated that existence of an enormous
weaving capacity in the decentralised sector, the diminution of demand for
mill made cloth, large scale smuggling of man made fibres and yarn,
irrational excise duty structures on cotton and man made textiles, large scale
piracy of mill names are some of the problems of textile industry.

Mohanakumar\textsuperscript{3} explained that "The future of Textile Industry appears
to be tough on one side due to lack of modernisation and inefficient

\begin{itemize}
  \item \textsuperscript{1} A Study Team of SITRA, "Impact of Textile Policy on working and
  \item \textsuperscript{2} Thackersey. S., "Problems of Textile Industry", Bombay Mill Owners
  \item \textsuperscript{3} Mohanakumar P.S., "Cotton Textile Industry - A Comparitive
\end{itemize}
resources utilisation of public sector units. On the other side the future of spinning mills appear to be very bright due to fast expansion of textile especially from Tirupur. The European countries are drastically cutting down the yarn production due to increased labour cost. This increases the export potential of Indian goods, subject to fulfillment of quality specifications. On analysis of cost, the study revealed that major difference in raw material cost are mainly due to difference in quality, poor purchasing policy etc.

Kathirvel Pandian stated that the mills generally have a list of approved or registered cotton suppliers. These mills call for "basic sample" (which is a sample of cotton drawn to represent a lot, normally weights upto 2 kgs). The basic samples are divided into 2 parts. One part of the sample is instrumentally evaluated and visually graded for the important fibre characteristics. If the results of the sample match with the mill standards, order is placed. The second part of sample is preserved for verification of its properties on arrival of lot or arbitration if any. After receiving the lots, samples drawn from them called "Lot samples" are tested again for their decisive fibre characteristics. If the results of the lot samples do not differ by more than the mills tolerances, the lot is accepted or else it is rejected. An important observation made here was that most of the mills provided equal weightage for both instrumental estimation and visual grading of fibre characteristics for the procurement of cotton.

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1 Kathivel Pandian. G, "Cotton Selection and Applications of high volume in strument in mills".
Keith Stuart-Smith explained that Indian Cotton yarn exports have shown a different performance because of a differentiated product range with a consideration on medium and finer count yarns or twisted yarns as well as semi processed or processed yarns. Consequently the exports had an average price level of 16% which is higher than the overall European Union import price in 1995. In fact India’s export price was on par with that of Egypt with a similar volume. Egypt has of course an excellent reputation in the markets for fine count yarns.

The Ahmedabad Textile Industry Research Association has observed that income is single most important determinant of textile consumption expenditure. International Trade in textile is becoming increasingly competitive and India holds competitive advantage in yarn and cloth manufacture. The study revealed that greater attention to machinery maintenance and a commitment to extract a best art of installed technology is a must for improving quality and productivity.

Madan Gour has stated that multifibre approach should be adopted for further development of textile industry. He has also observed that unless the Government plays an important role, the development of textile industry becomes almost impossible. The various factors responsible for success of

this industry have also been identified apart from the helping hand of the Government.

Dudeja\(^1\) has observed that the inadequacy of internal resources as the main reason for the non replacement of obsolete machines in mills. He has also stated that replacement of old machinery with new one is a must because the new machinery may be sophisticated and technically advanced. It is also found that inadequate profits and high rates of taxes had made textile mills to suffer.

Sreenivasan\(^2\) explained that the textile industry occupies a key position in the economy of our country. He suggested that the textile industry has to go for modernisation and other process to become more efficient, more productive and homogeneous in order to meet the demand for cloth due to increasing population.

The Study Team of ATIR\(^3\) found out that International trade in textile is becoming increasingly competitive and India holds competitive advantages in yarn and cloth manufacture. The study suggests that textile industry should show greater attention on machinery maintenance and should have a commitment to extract the best out of installed technology by way of quality and productivity.

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2 Sreenivasan K., "India's Textile Industry", SITRA, 1984, Coimbatore.
3 The study Team of Ahmedabad Textile Industry & Research Association (ATIR), "Rehabilitation of the Textile Industry", 1985, Bombay.
Krishnan and Krishnamoorthy\textsuperscript{1} in their study examined the need for standardisation for purpose of reducing cost of producing textile products. The study revealed that standardisation of purchase and production would go a long way in reducing the cost of production of mill made cloth and fibres.

Hadora and Haour\textsuperscript{2} explained that the cotton industry is changing from a labour-intensive to capital intensive industry which shows the industry involve heavy investments in terms of machineries and infrastructure. As a result the industry is at an obligation to keep their plants fully engaged and react sharply to the changing environment of market.

Anubai\textsuperscript{3} examined the need for modernisation of Textile industry. It is stated that only a phased programme for improving the performance and productivity of the spinning industry can help the modernisation of textile industry. She also explained that the wide gap between labour productivity and machine productivity is due to the absence of the modernisation programme in the textile mills.

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Mehta Suresh\textsuperscript{1} observes that the restructuring of the textile industry is possible only when the Government modifies the fiscal policies on excise, import duty, taxation, financing and interest rates. He has also stated that restructuring of textile industry further depends on the fact that whether Government is able to balance, differing interest of various sectors of industry such as organised, private owned, nationalised and co-operative sectors.

Sastry\textsuperscript{2} observed that raw material supply constraint affects the capacity utilisation rather than the demand constraint. He revealed that there is an increase in labour, productivity and decrease in capital productivity in Tamilnadu and Maharashtra. It is stated that mill cloth demand can be met easily provided the agricultural sector helps it.

In the light of the above, there is a specific need for the study of present nature.

\textsuperscript{1} Mehta Suresh, "Restructuring of the Textile Industry", Textile Industry and Trade Journal Vol. 10, No. 2, 1984, Baroda.