CHAPTER-1

INTRODUCTION
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1.1. Indian Textile Sector:

The Indian textiles renowned for their fineness and captivating colours for ages beyond 5000 years have attracted connoisseurs from all parts of the world. The textile of India bears the imprint of the fine craftsmanship of the Indian weaver which has been handed down through generation from father to son from time immemorial. The Indian textile industry with its extremely long and rich history has had a massive impact on the Indian as well as world textile market and economy.

Textile Industry is providing one of the most basic needs of people and holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of processing; it is a major contribution to India's economy.

The textile industry occupies a unique place in India. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 20% of the total exports and is the second largest employment generator after agriculture. It is also significant in a global context, ranking second to China in the production of both cotton yarn and fabric and fifth in the production of synthetic fibers and yarns.
India accounts for 22 per cent of the world installed capacity of spindles and about 6 per cent to the world rotor capacity installed and is one of the largest exporters of yarns in international market. The industry contributes about 25 per cent share in the world trade of cotton yarn. It has second highest spindleage in the world after China with an installed capacity of 38.60 million. Indian textile has the highest loomage (including handlooms) in the world and contributes about 61 per cent to the world loomage. In terms of high-tech shuttleless looms, the contribution is only about 2.8 per cent to the world loomage. It contributes about 12 per cent to the world production of textile fibres and yarns (including jute). It is the largest producer of jute, second largest producer of silk, third largest producer of cotton and cellulosic fibre/yarn and fifth largest producer of synthetic fibres/yarns\(^1\).

On the eve of Republic Day President Kalam said "India is presently exporting six billion U.S. Dollars worth of garments, whereas with the WTO regime in place, we can increase the production and export of garments to 18 to 20 billion U.S. Dollars within the next five years. This will enable generation of employment in general and in rural areas in particular. By tripling the export of apparels, we can add more than 5 million direct jobs and 7 million indirect jobs in the allied sector, primarily in the cultivation of cotton. Concerted efforts are needed in cotton research, technology generation, transfer of technology, modernisation and upgrading of ginning and pressing factories and an aggressive marketing strategy"\(^2\).
1.2. Global Textile and Clothing Industry:

The global textile and clothing industry is worth over US$ 4,395 billion, with clothing accounting for 60 per cent of the market and textiles the remaining 40 per cent. Global trade in textile and clothing is currently at US$ 356 billion and is expected to grow to US$ 600 billion by 2010. The bulk of the increase is expected to be in clothing, which is projected to grow from US$199 billion to about US$ 400 billion. USA and the European Union (EU) together dominate consumption, accounting for 64 per cent of clothing and 39 per cent of textiles consumption in 2004. The US market alone accounts for US$ 15 billion and is growing at five per cent a year. Among the other countries, Japan, Australia and New Zealand are significant consumers of home textile.

1.3. Exports of textiles and clothing from India:

Exports of textiles and clothing from India have also been growing strongly over the last 10-15 years. Since 1992, Indian textile and clothing exports have grown 7.7 per cent annually, reaching US$13.4 billion in 2002 and accounting for 4 per cent of global trade in this sector. In 2002, India was the fifth largest global exporter and the second largest net exporter of textile and clothing cotton based products next to China. The dominant markets for India’s textile and apparel exports are the US and EU, which together accounted for nearly 83 per cent of exports in 2003. Exports to US have further increased after the Multi Fibre Arrangement (MFA) ceased. Analysis of the trade figures as made available by the US Census Bureau shows that post MFA imports from India into US have been nearly 27 per cent higher than the corresponding period last year.
During 2005-06, the share of textiles exports including handicrafts, jute and coir, in country's total exports was 16.63%. The textiles exports, as per Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata, have registered strong growth in the post quota period increasing from US$ 14.03 billion in 2004-05 to US$ 17.08 billion in 2005-06, recording a growth of 21.76%. Therefore, the Government has fixed a higher target of US$ 19.73 billion for 2006-07.

As per the DGCI&S data, during 2005-06, the European Union (EU) and the USA accounted for about 62% of Indian textiles exports. The USA is the single largest destination of Indian textiles exports, with a share of over 26%. The other major markets for Indian textiles exports, apart from EU and USA are United Arab Emirates (UAE), China, Canada, Bangladesh, Saudi Arabia and Japan. During January-July 2006, as per EUROSTAT data, India's position in the EU textiles and clothing markets, with a share of 8.1%, was third after China and Turkey. During calendar year 2006, as per US Department of Commerce, Census Bureau, Foreign Trade Division, India's position was third after China and Mexico in the US textiles and clothing markets with a share of 5.78%. During 2005, as per the latest available WTO data, India's percentage share in the global textiles and clothing trade was 3.9% in textiles, and 3% in clothing, India's rank in world trade has been seventh in textiles and fifth in clothing.

The textile policy of 2000 aims at achieving the target of textile and apparel exports of US $ 50 billion by 2010 of which the share of garments will be US $ 25 billion. The main markets for Indian textiles and apparels are USA, UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh and Japan.
Table 1.1

INDIA'S SHARE IN WORLD TEXTILE EXPORT

<table>
<thead>
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<tbody>
<tr>
<td></td>
<td>World</td>
<td>India</td>
<td>World</td>
<td>India</td>
</tr>
<tr>
<td>Textile yarn, fabrics, made-up articles</td>
<td>11371</td>
<td>461</td>
<td>4.10%</td>
<td>48884</td>
</tr>
<tr>
<td>Woven cotton fabrics</td>
<td>1436</td>
<td>98</td>
<td>6.80%</td>
<td>6632</td>
</tr>
<tr>
<td>Woven fabrics of man made fibres</td>
<td>3967</td>
<td>189</td>
<td>4.80%</td>
<td>9325</td>
</tr>
<tr>
<td>Woven fabrics other than of cotton or man made fibres</td>
<td>270</td>
<td>2</td>
<td>0.80%</td>
<td>3188</td>
</tr>
<tr>
<td>Articles of apparel and clothing accessories</td>
<td>109</td>
<td>0</td>
<td>0.00%</td>
<td>32365</td>
</tr>
<tr>
<td>Total</td>
<td>17153</td>
<td>750</td>
<td>4.37%</td>
<td>100394</td>
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</table>

### Table 1.2

SHARE OF TEXTILE PRODUCTS IN THE OVERALL INDIA'S EXPORT

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile (including Jute, Coir &amp; Handicraft)</td>
<td>218</td>
<td>34%</td>
<td>376</td>
<td>25%</td>
<td>1614</td>
<td>24%</td>
<td>8098</td>
<td>25%</td>
<td>47758</td>
<td>24%</td>
<td>50571</td>
<td>17%</td>
<td>62602</td>
<td>17%</td>
</tr>
<tr>
<td>Other Products</td>
<td>424</td>
<td>66.00%</td>
<td>1159</td>
<td>75%</td>
<td>5097</td>
<td>76%</td>
<td>24455</td>
<td>75%</td>
<td>155813</td>
<td>76%</td>
<td>242796</td>
<td>83%</td>
<td>312738</td>
<td>83%</td>
</tr>
<tr>
<td>Total</td>
<td>642</td>
<td>100%</td>
<td>1535</td>
<td>100%</td>
<td>6711</td>
<td>100%</td>
<td>32553</td>
<td>100%</td>
<td>203571</td>
<td>100%</td>
<td>293367</td>
<td>100%</td>
<td>375340</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Export/Import data from Director General of Commercial Intelligence & Statistics, Kolkata
INDIA'S TEXTILE EXPORT

Year

Rs. in crores

Textile Products  Other Products
The Table 1.1 reveals that total exports of textile and clothing industry raising from 750 US $ Million in 1970 to 15072 US $ Million in 2000 and accounting for 3.48 per cent of global textile and clothing trade. Table 1.2 and figure 1 shows the share of textile products in the overall India’s export. In 1960-61 export of textile products (including Jute, Coir & Handicraft) came to a modest Rs. 218 crores: but in 2004-05, it had raised to Rs. 62,602 crores - more than 287 times. The share of textile product accounts for 17 per cent against the total export from India in the year 2004-05.

1.4. Post Multi Fibre Arrangement (MFA) Era:

The Indian textile and clothing industry shall be able to prosper in the new competitive environment after the textile quota regime of quantitative import restrictions under the Multi Fibre Arrangement (MFA) came to an end on 1st January, 2005 under the World Trade Organisation (WTO) Agreement on Textiles and Clothing.

The industry expects investment of Rs. 1, 40,000 crores in this sector in the post-MFA phase. A Vision 2010 for textiles formulated by the government after intensive interaction with the industry and Export Promotion Councils to capitalise on the upbeat mood aims to increase India’s share in world's textile trade from the current 4% to 8% by 2010 and to achieve export value of US $ 50 billion by 2010. Vision 2010 for textiles, envisages growth in Indian textile economy from the current US $ 37 billion to $ 85 billion by 2010; creation of 12 million new jobs in the textile sector; and modernisation and consolidation for creating a globally competitive textile industry. There will be opportunities as well as challenges for the Indian textile
industry in the post-MFA era. But India has natural advantages which can be
capitalised on strong raw material base - cotton, man-made fibres, jute, silk; large
production capacity (spinning - 21% of world capacity and weaving - 33% of world
capacity but of low technology); vast pool of skilled manpower; entrepreneurship;
flexibility in production process; and long experience with US/EU. At the same time,
there are constraints relating to fragmented industry, constraints of processing, quality
of cotton, concerns over power cost, labour reforms and other infrastructural
constraints and bottlenecks.\textsuperscript{7}

The textile industry is undergoing a major re-orientation towards non-clothing
applications of textiles, known as technical textiles, which are growing roughly at
twice rate of textiles for clothing applications and now account for more than half of
total textile production. The processes involved in producing technical textiles require
expensive equipments and skilled workers and are for the moment concentrated in
developed countries. Technical textiles have many applications including bed sheets;
filtration and abrasive materials; furniture and healthcare upholstery; thermal
protection and blood-absorbing materials; seatbelts; adhesive tape and multiple other
specialized products and applications. India must take adequate measures for
capturing its market by promoting research and development in this sector.

With a constant growth of nearly 5 per cent in the domestic market and the
opening up of exports options after cessation of Multi Fibre Arrangement (MFA),
Indian textile and clothing sector grow further and take up a more significant position
in the domestic as well as in the global market.
1.5. National Textile Policy:

The textile industry, being one of the most significant sectors in the Indian economy, has been a key focus area for the Government of India. A number of policies have been put in place to make the industry more competitive in domestic as well as international market. The Government of India has been announcing series of Textile Policy from time to time to develop and strengthen Indian textile sector. A textile policy was announced in 1978, which was followed by 1981 and in 1985, since the earlier policy failed to restore the industry to sound health.

1.5.1. National Textile Policy 1985:

The Government of India set up an expert committee in October 1984 to review the situation in textile industry and suggest measures for its development. The Committee submitted its report in April 1985. On the basis of the report, the Government of India announced its New Textile Policy in June 1985. The policy is to be effective for five years. The ultimate aim of the policy is to enable industry to increase production of cloth of good quality at reasonable price for the growing population of the country at affordable prices as well as for export and also to develop the three sectors of the industry viz., mills, Powerlooms and the handlooms, in an integrated manner.

The new textile policy tries to evolve an integrated view of the industry as a whole instead of compartmentalizing it in terms of sector, Viz., organised, Powerloom, handloom, etc. In the policy, the industry would have the following three dimensions:
The following are the highlights of the National Textile Policy, 1985:

1. Undue curbs on Powerlooms removed;
2. Removal of curbs on expansion and new capacity in the mill sector including man-made fibers;
3. Full protection from Powerloom sector to the handloom sector. Compulsory registration of Powerlooms in the country;
4. Full potential of the textile industry for exports to be tapped through modernisation and other measures;
5. Availability of cloth at affordable prices, particularly for the weaker sections;
6. Unnecessary controls and regulations on the textile industry removed;
7. Powerlooms put on a par with mills;
8. A rehabilitation fund for the workers to be created;
9. Import of machinery for modernisation on reduced duty; and
10. Expansion of the khadi sector to be encouraged.
In spite of the various criticisms, the 1985 Textile policy did succeed to a large extent in increasing the production and exports of cotton and synthetics. In the last few years, the production of mills has continued to decline; but the production of Powerloom sector and handlooms has steadily expanded.

1.5.2. National Textile Policy 2000:

The last few years have seen tremendous changes in the textile scenario. The regime of liberalisation and free trade has initiated a process of integration of world textile market by world wide phasing out of quantitative restrictions on imports. The change has created new opportunities for growth as global market has become available to the trade; at the same time it has led to new challenges for the domestic industry as import barriers will have to be considerably reduced, if not totally removed, in near future. Therefore, there is a need for a new look at the Textile Policy which Government had announced in 1985. To enable the textile industry to face the global competition the Government of India announced the New Textile Policy 2000 on 02.11.2000.

The New Textile Policy 2000 aimed at preparing the textile industry for successfully meeting the challenges of the barriers free era and taking advantages of liberalisation and free trade. The policy also aims at developing a strong and vibrant textile industry capable of providing quality cloth at an acceptable price, contributing increasingly to the provision of sustainable employment and economic growth of the country and competing and competing with confidence for an increased share of global market.
Important Targets:

Some of the important targets and main trust areas of National Textile Policy 2000 are as follows:

- Achieve the target of textile and apparel from the present level of US $11 Billion to US $50 Billion by 2010 of which the share of garments will be US $25 Billion;
- Implement the Technology Upgradation Fund (TUF) Scheme covering all manufacturing segments of the industry;
- Achieve increase in cotton productivity by at least 50% and upgrade its quality to international standards, through effective implementation of the Cotton Technology Mission;
- Encourage the private sector to set up of world class, environment friendly, integrated textile complex and processing units in the different part of the country;
- De-reserve the garment industry;
- Strengthen and encourage the handloom industry to produce value added items and assist the industry to forge joint venture to secure global markets;
- Facilitate the growth and strengthen Human Resource Development Institutions including National Institute of Fashion Technology; and
- Review and revitalize the working of the Textile Research Associations to focus research on industry needs.
**Thrust Areas:**

In furtherance of the objectives, the strategic thrust will be:

1. Technological Upgradation;
2. Enhancement of productivity;
3. Quality Consciousness;
4. Product Diversification;
5. Increase in exports and innovative marketing strategies;
6. Financial arrangements;
7. Maximum employment opportunities;
8. Integrated Human Resource Development; and

**1.6. Budget 2006-07:**

In the Budget 2006-07, the following important announcements concerning the textile sector have been made.

- Excise Duty on Man-made Fibre and Filament yarn reduced from 16% to 8%
- Import duty on Man made Fibre and Filament yarn reduced from 15% to 10%.
- The allocation for Technology Upgradation Fund Scheme (TUFS) has been enhanced from Rs. 435.00 crores to Rs. 535.00 crores.
- An allocation of Rs. 189.00 crores has been provided for the Scheme for Integrated Textiles Parks (SITP).
- The Jute Technology Mission has been announced.
- A Jute Board is proposed to be established.
- Yarn depots will be established to ensure the uninterrupted supply of yarn to weavers.
- A ‘Handloom Mark’ on the pattern of ‘Wool Mark’ will be introduced.
• TUFS will be extended to the handloom sector to provide interest subsidy on term loans.

• The provision for the handloom sector has been enhanced from Rs. 195.00 crores to Rs. 241.00 crores.

1.7. Statement of Problem:

The Indian textile industry is one of the largest and most important sectors in the economy in terms of output, foreign exchange earnings and employment in India. It contributes 20 percent of industrial production, 9 per cent of excise collections, 18 per cent of employment in industrial sector, nearly 20 per cent to the country’s total export earnings and 4 per cent to textiles to the GDP. The sector employs nearly 35 million people and is the second highest employer in the country next to agriculture. The textile sector also has a direct link with the rural economy and performance of major fibre crops and crafts such as cotton, wool, silk, handicrafts and handlooms, which employ millions of farmers and crafts persons in rural and semi-urban areas. It has been estimated that one out of every six households in the country depends directly or indirectly on this sector. India has several advantages in the textile sector, including abundant availability of raw material and labour. It is the second largest player in the world cotton trade. It has the largest cotton acreage, of about nine million hectares and is the third largest producer of cotton fibre production and fourth in polyester yarn production\textsuperscript{13}. 
### TABLE 1.3

**Sector-wise Production of Cloth by Textile Industries**

(Million Square Metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mill</th>
<th>Handloom</th>
<th>Powerloom</th>
<th>Hosiery**</th>
<th>Khadi, Wool &amp; Silk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>3544</td>
<td>4135</td>
<td>9534</td>
<td>-</td>
<td>-</td>
<td>17213</td>
</tr>
<tr>
<td>1986-87</td>
<td>3483</td>
<td>4305</td>
<td>10149</td>
<td>-</td>
<td>-</td>
<td>17937</td>
</tr>
<tr>
<td>1987-88</td>
<td>3173</td>
<td>4370</td>
<td>10429</td>
<td>-</td>
<td>-</td>
<td>17977</td>
</tr>
<tr>
<td>1988-89</td>
<td>2902</td>
<td>3993</td>
<td>13123</td>
<td>-</td>
<td>367</td>
<td>20385</td>
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<tr>
<td>1989-90</td>
<td>2667</td>
<td>3924</td>
<td>11632</td>
<td>2375</td>
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<td>20986</td>
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<td>1990-91</td>
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<td>1992-93</td>
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<td>1995-96</td>
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<td>30626</td>
<td>10418</td>
<td>769</td>
<td>49577</td>
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</table>

Source: Annual reports from 2001-02 to 2006-07, Ministry of textiles, Government of India.

**Prior to 1989-90 the production of cloth by hosiery sector was included in the Powerloom sector.**
CHART 2

SECTOR-WISE PRODUCTION OF CLOTH BY TEXTILE INDUSTRIES

Mill Handloom Powerloom Hosiery** Khadi, Wool & Silk

The Indian Textile Industry comprises of mostly of small-scale, non-integrated spinning, weaving, processing, knitting and apparel making enterprises. The structure of the textile industry is extremely complex with the modern sophisticated and highly mechanized capital intensive organised Mill sector on the one hand and the hand spinning and hand weaving Handloom sector on the other; with the decentralised Powerloom sector and Knitting sector coming in between.

The textile industry produces on the whole 49,577 Million Square Metres of fabrics in the year 2005-06. The table 1.3 and figure 2 shows the sector wise production of fabrics for the past 20 years. It is seen from the table that the volume of production of powerloom units works out to about 62% of the overall production i.e. nearly 1/3 of the total countries textile production, indicating its major role in cloth production of the country and in clothing the millions of people in India and abroad.

The Powerloom sector provides one of the basic necessities of life. But the most significant contribution is that decentralised Powerloom sector provides an estimated 2.9 million jobs directly and 1.7 million jobs indirectly. Most of the powerloom units are situated in rural and semi urban areas, it contributes substantially to the growth of the economy in those area. More than 18.73 lakhs looms are installed in this sector which shows its strength in the textile sector. Moreover, it accounts for nearly 95% of the total number of looms in the country i.e. Mill Sector 86,000 looms; Powerloom Sector 18,73,171 looms as on 2004-05. However, the size of the powerloom unit is not large and not needed more investment like textile mills. Each powerloom unit has looms ranging from six looms to a maximum of one hundred and fifty looms. Powerloom units in India mostly concentrated in four or five states like Maharastra, Tamilnadu, Gujarat, Uttar Pradesh and Andhra Pradesh.
India has significantly lower raw material costs, wastage costs and labour costs when compared to other countries. Therefore, the decentralised powerloom is in a position to supply the product at cheaper rate than other textile sector. Also, the process of economic liberalisation has enabled the decentralised Powerloom sector to become globally competitive, not only in terms of price, but also of quantity. The powerloom products are exported not only to the developing countries but also to the developed countries like USA, France, Germany and Hong Kong.

Even though the decentralised Powerloom sector performs better than other sector in India, it suffers from some problems. The major problems of this sector are:

Most of the machines used in the powerloom units are outdated, particularly weaving and processing. Due to obsolete machinery, the industry produces poor quality products, which causes increase in cost of production and decreases in productivity. World competitors like China, Pakistan, Korea and Thailand uses the latest technology. But in India still, powerloom units are using very old discarded and second hand machines. It is estimated that there are about 19 lakh powerlooms in India but over 75% of them are out-dated and totally not suited for production of fault-free cotton, blended and synthetic fabrics as per the International Standards.

Growth rate of textile sector including Powerloom sector is very slow when compared to other competing countries. A study shows the tardiness of India’s growth in Textile and clothing in the past 15 years (1980-1995) is 388%, as against 811% for China, 1063% for Thailand, Pakistan at 500%, and 4100% for Indonesia.
The Indian Powerloom Sector faces cut-throat competition from China, Pakistan, Bangladesh, Korea and from Thailand. Products supplied by the above countries are for superior and cheaper than that of Indian powerloom products. Indian powerloom firms are typically smaller than their Chinese or Thailand counterparts and there are fewer large firms in India. Major global buyers are looking at India as an alternative source of supply of China. The reason for China’s domination in the world textile scenario is the high rate of investment in large size units. Also the pace of installation of shuttle looms in China has been very high. To meet the challenges of globalised economy, India has to invest largely in Powerloom sector at a much faster rate.

Indian Powerloom units are very old and conventional. They lack in innovation and adoption of new technology. Penetration of Information Technology for improving productivity is particularly very low in this sector. Also there is an acute shortage of technical manpower, trained operators and supervisors in India. Indian powerloom firms invest very little in training its workforce and the skills are limited to existing process and not suited for future expectations. Poor work culture and slow rate of modernisation affects the Powerloom sector. Due to this, powerloom products are not able to compete with the rest of the world.
The decentralized Powerloom sector suffers from the above mentioned problems due to lack of adequate finance. If the powerloom units have adequate finance, they can make adequate and timely investment and replace the very old and out-dated machines into very modern automatic looms and allied machines and thereby they can compete in the international market with quality products. The present study tries to find out reason for the present situation and trace out the causes of financial problems faced by the powerloom units.

1.8. Need and Importance of Study:

The establishment of textile industry in Namakkal District dates way back to 1956. The powerloom owners are mostly from handloom heritage. To raise their standard of living, they converted handloom units into powerloom units. The powerloom unit is a small-decentralized unit with 6 to 20 looms, which is dominant and account for more than 60 percent of the firms and they are closely connected to rural villages. Due to poor rain fall, monsoon failure and farming becomes more risky and powerloom looks more lucrative which drove local agriculturist to start powerloom units.

The growth of Namakkal District is piloted by four businesses namely, Powerloom, Poultry farming, Bore well and Lorry transport and Lorry body building. All these four businesses have made significant changes in the lifestyle of the people over the last decade and a half. Nearly 1, 00, 000 people are directly employed and a large number of people are indirectly employed in this sector alone in Namakkal District. Most of the people in Namakkal District earn their livelihood from powerloom units.
Many factors have contributed to the development of decentralized Powerloom sector in Namakkal District viz, availability of raw materials, skilled labourers, suitable climate and market but, finance which is of scare resource. Even though there are many financial institutions in the district, the powerloom units are facing a lot of problems in particular to finance. Most of the powerloom units are not in a position to get adequate fixed as well as working capital from the financial institutions. Unless the capital to the extent required is provided, the powerloom units may not be able to run the unit effectively. Hence, the researcher shall make an attempt to find out the problems encountered by powerloom units in the district with regard to finance, which in turn would help the policy makers and planners in the financial sector to know the actual problems persisting in the Powerloom sector. It is hoped that the proposed study would bring to light the most important financial problems of the powerloom units.

1.9. The Scope and Objectives of the Study:

The study of financial problems of powerloom units in Namakkal District has been made to gather first hand information regarding their credit needs and the financial problems experienced by them. The analysis of the existing pattern of finance, the difficulties faced by them in obtaining credit at proper time and reasonable cost and the future credit requirements of these industries will provide a basis for restructuring the programmes and policies of the banking and financial institutions in such a way to enable them to play an effective role in the development of the decentralised Powerloom sector in particular and the textile sector in general. The present study constitutes an attempt to evaluate the role of financial institutions in financing capital requirements of powerloom units in Namakkal District.
The main objectives of the study are to evaluate the multidimensional role played by the financial institutions in financing and developing powerloom units in Namakkal District. The broad objectives of the study are:

1. To study the nature and status of Powerloom sector in India.
2. To know the various sources of capital of powerloom units.
3. To study the fixed capital requirements of powerloom units.
4. To analyse the working capital requirement of powerloom units in the selected district.
5. To find out the proportion of bank finance to other sources of finance in the seed capital of the sample units.
6. To know the utilisation of TUF scheme by Powerloom sector in the selected district.
7. To find out the problems faced by the powerloom units with regard to finance in the district.
8. To ascertain the problems encountered by the financial institutions with regard to financing of powerloom units.
9. To examine the contribution of financial institutions in uplifting the Powerloom sector in Namakkal District, and
10. To offer suggestions.
1.10. Operational Definitions:

Composite Mills:
Relatively large-scale mills that integrate spinning, weaving and sometimes fabric finishing are common in other major textile-producing countries.

Fabric Finishing/Processing:
Fabric finishing/Processing which includes dyeing, printing and other cloth preparation prior to the manufacture of clothing.

Fixed Capital:
Fixed Capital means the capital which is meant for meeting the permanent or long-term needs of the business. Fixed Capital is required for the acquisition of those assets that are to be used over a long period.

Indigenous Bankers:
The Indian Central Banking Enquiry Committee has defined an indigenous banker as, “an individual or private firm receiving deposits and dealing in hundies or lending money”.

Money Lenders:
Moneylenders are those who have taken up money lending as their business. They do not accept deposit form public and lend out of their own funds. They do not deal in hundies.

Powerloom:
Powerloom is a machanised loom used to weave cloths in plain or tubular form.
Spinning:
Spinning is the process of converting cotton or manmade fiber into yarn to be used for weaving and knitting.

Weaving and Knitting:
Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics.

Working Capital:
Working capital is the capital required to run the business of the firm. It is the amount of funds which a firm must have in order to finance the day-to-day operations of a firm.

1.11. Methodology:
1.11.1. Design of the Study:

Namakkal District has been selected for the purpose of the study in view of the fact that the district has more than one fourth of the total powerlooms in Tamilnadu and has the largest number of powerloom units in the state. In India there were about 19.26 lakh powerlooms functioning as on 30.09.2005, out of which 3.72 lakh powerlooms were installed in Tamilnadu State, which accounts for 19.32 % of total powerlooms in India. The Tamilnadu State consists of 30 Districts, out of which Namakkal District alone has the maximum number of powerlooms i.e., more than 1.08 lakhs. The powerlooms of Namakkal District constitute 29% of the whole of Tamilnadu and 5.6 % of the whole of India. There are about 4.3 lakh powerloom units in India; of these 0.73 lakh units are located in the state of Tamilnadu, which account for 16.98% of total powerloom units in India.
1.11.2. Sample Size:

The Namakkal District has more than 10,500 powerloom units, of which 10,064 of units are registered at the end of March 2005. The total population of the present study consists of 10,064 registered powerloom units with installed capacity of 85,297 looms operating in the four Taluks of Namakkal District. Table 1.4 shows details about the number of powerloom units in Namakkal District and sample size.

TABLE 1.4

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Taluk</th>
<th>No. of Powerloom Units</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tiruchengodu</td>
<td>6667</td>
<td>125</td>
</tr>
<tr>
<td>2</td>
<td>Namakkal</td>
<td>514</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Rasipuram</td>
<td>2865</td>
<td>55</td>
</tr>
<tr>
<td>4</td>
<td>Paramathi (Velur)</td>
<td>18</td>
<td>05</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>10,064</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Assistant Director of Handlooms and Textiles and Office of the Assistant Enforcement Officer, (Handloom Reservation Act- Enforcement Wing), Tiruchengodu
Samples of 200 units are drawn for this study to form 2% of the total population. Samples are proportionately selected at random from four Taluks. Further, to ascertain the role of financial institution especially banks in the development of Powerloom sector in the selected district, 25 bank branches have been selected at random to know their contributions to the development of textile sector in particular to the decentralised Powerloom sector and also explore their problems in lending to powerloom units and obtain their suggestions for the development of Powerloom sector.

1.11.3. Period of Study:

The period of study is 10 years i.e., from 1995-96 to 2004-05. This is sufficiently reasonable period, which will enable to give a correct perspective about the problem under study.

1.11.4. Sources of Data:

The study is based on both Primary Data as well as Secondary Data. Primary Data have been collected from powerloom units as well as from banks. For this purpose, two interview schedules i.e., one for the proprietors of powerloom units and the other for bankers have been prepared, pre-tested and modified to obtain necessary information relating to the research. With the rapport maintained by the researcher with the sample units, it was possible for the researcher to collect reliable information. The interview schedule has been designed in such a way as to extract the relevant information pertaining to the study.
Regarding the Secondary Data, the researcher has relied on published and unpublished reports and records from various agencies of the Government of India and Tamilnadu Government viz; Reports of Ministry of Textiles of India, Reports of Handloom, Handicrafts, Textile and Khadi Department, Office of the Commissioner of Handlooms and Textiles of Tamilnadu, Textile Committee of Tamilnadu, Powerloom Service Centers, and other organisations associated with the Textile Industry like, SIMA, SITRA, and PDEXCIL, etc., Annual Credit Plan of Namakkal District and various reliable Website like http://www.tn.gov.in., http://www.pdexcil.org., http://tetilesindia.com., http://economywatch.com., and http://texmin.nic.in., etc., have also been consulted.

1.11.5. Tools of Analysis:

The collected information has been processed both manually and with the help of computers also. Statistical tools like percentage analysis, Ratio Analysis and Factor Analysis, Garrett’s Ranking Technique and Linear Trend Analysis, Confidence Interval Technique and Chi-Square Test are used to analyse the data. SPSS package is used to analyse data and compute chi-square value, Linear Trend, Factor Analysis and Confidential Interval.
1.11.6. Limitation of the Study:

Only registered powerloom units have been taken for this study since the data is available only for registered units. Unregistered units are not considered for this study. The study is pertaining to powerloom units in the decentralized Textile sector.

1.12. Chapter Scheme:

Chapter II: Review of Literature

Following the introduction chapter, chapter 2 reviews in brief the literature available in the relevant field. This consists of reports submitted by various committees appointed by the Government of India from time to time, articles and technical papers published in various technical journals and unpublished research, theses in the relevant area.

Chapter III: Historical Perspective of Powerloom Sector

This chapter traces the historical perspective of the textile industry in India and the world at large. It also compares the organised mill sector and decentralised Powerloom, Handloom and Silk sector and discloses the performance of these sectors for the past 10 years. Further it highlights the growth of Powerloom sector in India, in Tamilnadu state and in Namakkal District. Also a brief profile about the selected District for this study, textile products produced and various types of machines used in this District.
Chapter IV: Financial Problems of Powerloom Sector

In tune with the objectives of the study, the relevant data has been collected and analysed and have been presented in this chapter under seven heads.

Part 1: Socio-economic profile of powerloom units and powerloom entrepreneurs,

Part 2: Capital related financial problems,

Part 3: Bank finance related problems,

Part 4: Production related financial problems,

Part 5: Personnel related financial problems,

Part 6: Marketing related financial problems, and

Part 7: Bankers problems with respect to powerloom unit financing.

Chapter V: Summary of findings and Suggestions:

This chapter provides a summary of the previous chapters and suggests some important measures taken on the part of Powerloom sector. It also reveals various steps to be taken by the State Government and Central Government and the banks to improve the Powerloom sector in India.
4. Ibid, p7
6. Ibid, p47
11. M.S. Mathivanan, The textile industrial status and the export potential of Tamilnadu, PDEXCIL, Mumbai,
15. M.S. Mathivanan, The textile industrial status and the export potential of Tamilnadu, PDEXCIL, Mumbai