CHAPTER V

SUMMARY OF FINDINGS AND SUGGESTIONS
5.1. SUMMARY OF FINDINGS:

In this chapter a summary of the present study is presented in the following pages.

5.1.1. General Findings about Indian Textile Sector:

- India contributes about 25% share in the world trade of cotton yarn.

- India, the world’s third-largest producer of cotton and second-largest producer of cotton yarn and textiles, is poised to play an increasingly important role in global cotton and textile markets as a result of domestic and multilateral policy reform.

- Indian textile industry contributes about 22% to the world spindleage and about 6% to the world rotor capacity installed.

- India has second highest spindleage in the world after China with an installed capacity of 38.60 Million.

- Indian textile industry has the highest loomage (including handlooms) in the world and contributes about 61% of the world loomage.

- It contributes about 12% to the world production of textile fibers and yarns.

- India is one of the largest consumers of cotton in the world, ranking second to China in production of cotton yarn and fabrics and first in installed spinning and weaving capacity.
• Largest producer of jute
• Second largest producer of silk and cellulosic fibre/yarn
• Third largest producer of cotton yarn
• Fifth largest producer of synthetic fibers/yarns
• The Indian textile sector contributes about 4% to Gross Domestic Product
• The Indian textile sector contributes about 14% of total industrial production
• The Indian textile sector contributes 20% of work force
• The Indian textile sector contributes about 17% of gross export earnings

The Indian Textile Industry comprises 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. Spinning, Handloom, Powerloom and Garment are the four pillars of the Indian Textile sector. All these sectors of textile industry producing cloth have undergone significant changes in their profile over the last decade and half.
Organised Mill Sector:

- The organised Mill sector has recorded a significant growth for the past 10 years. The total number of mills increased from 1569 in 1995-96 to 1789 in 2004-05; of this the number of spinning mills increased from 1294 to 1566 and composite mills fell from 275 to 223 in the same period. The installed capacity of spindles increased from 31.75 million on 1995-96 to 34.23 million on 2004-05.

- The total production of cloth by the Mill sector is declining year by year. The total production has come down from 2019 million sq. mtrs in the year 1995-96 to 1503 million sq. mtrs. in 2004-05. It witnessed a 25 percent decline during this period. The share of total cloth production of organised Mill sector also declined year by year i.e. from 6% in the year 1995-96 to 3% in the year 2004-05. Percentage of growth in mill fabric over the past ten year also declined and witnessed the negative growth.

- It is observed that the organised Mill sector has been losing to the decentralised powerloom sector. The share of the Mill sector towards total cloth production which stood at 21% in 1985-86 came down to 3% in 2004-05. The same trend continues in the Handloom sector too i.e. 24% in 1985-86 to 13% in 2004-05, whereas the decentralised Powerloom sector’s cloth production rose three-fold and registered a growth of 62% in 2004-05 from 54% in 1985-86.

- The Linear Trend Analysis also reveals that total cloth production of the Mill sector declines year by year and this trend will continue in future also.
Decline in cloth production by organised Mill sector mainly due to decrease in the number of looms installed in the mills. In the year 1995-96, 1.32 lakh looms were operated, but in 2004-05 only 0.86 lakh looms are functioning. Nearly 46,000 looms were closed and recorded a decline of 35%. Whereas the number of powerlooms registered have increased from 13.65 lakh looms in 1995-96 to 18.73 lakh looms in 2004-05, registering an increase of 37% within 10 years.

During the period 1995-96 to 2004-2005 376 spinning and 99 composite mills with an installed capacity of 9.65 million spindles and 0.54 lakh looms are closed and nearly 3.35 lakh employees have lost their job.

**Handloom Sector:**

Handloom Sector has the share of 12.62% of the total cloth production, but there is a decline in the share of total production in the last 10 years. It is observed that share of handloom products in the year 1995-96 is about 22.54% but in the year 2004-05 it is around only 12.62% i.e. 45% decline over the period of past 10 years. Also the overall production of cloth by the Handloom sector decreases from 7202 million sq. mtrs. to 5722 million sq. mtrs. a decline of 20% over the past years i.e. about 1480 million sq. mtrs.

The Linear Trend Analysis also conforms that the total cloth production by the Handloom sector had declined year after year and this trend will continue in future also.
Decentralised Powerloom Sector:

- Decentralised Powerloom sector provides an estimated 2.9 million jobs directly and 1.7 million jobs indirectly. It accounts for nearly 95% of the total number of looms in the country (Mill Sector – 86,000 looms; Powerloom Sector – 18,73,171 as on 2004-05).

- The estimated number of registered powerlooms in the decentralised Powerloom sector in India is about 18.73 lakhs in 2004-05 as against 13.65 lakhs in the year 1995-96, registering a growth of 37% over the past ten years.

- The Linear Trend Analysis proves that the number of registered powerlooms over the years, have increased and this trend will continue in future also.

- Maharashtra State stood first with 8,68,918 powerlooms and has 45% of total powerlooms in India, followed by Tamilnadu State with 3,72,218 powerlooms (19.33%) and Gujarat State comes third with 3,22,607 powerlooms (16.75%). Both Maharashtra and Tamilnadu have the same growth over the past 10 years i.e. 59%, whereas Madhya Pradesh has 138% growth, followed by Dadra and Nagar Haveli with 107% growth over the years.

- During 1995-96 cotton fabric cloth account for 40% of the total production of Powerloom sector and the remaining 60% is of blended and non-cotton fabrics cloth, whereas during 2004-05 cotton fabric cloth production reduced to 25% of the total cloth production and blended and non-cotton fabric cloth rose to 75% of the total cloth production.
• It is observed that the total production of cloth by the Powerloom sector increased year by year. The total cloth production has gone up from 31958 million sq. metres in 1995-96 to 45355 million sq. metres in 2004-05. It witnessed a 42% increase during the period. The share of total cloth production of Powerloom sector also increased year by year i.e. from 54% in 1995-96 to 62% in 2004-05. Decentralised Powerloom sector witnessed a steady growth of cloth production over the period.

• The Linear Trend Analysis reveals that total cloth production of the Powerloom sector and total cloth production by the Textile sector in India have increased over the years. It is observed from the above analysis that increase in total cloth production of the Textile sector in India is mainly due to the increase in Powerloom sector Production whereas though the share of Mill sector as well as the Handloom sector have declined.

5.1.2. Socio-economic profile of sample units and powerloom entrepreneurs:

Two hundred powerloom units in Namakkal district of Tamilnadu State have been taken as sample in this study. Socio-economic profile of the sample powerloom units are analysed with respect to the size of the powerloom units, age of the units, and forms of organisation of the powerloom units, status of the unit, location of the powerloom units, and nature of business operations in order to know the socio-economic background of the respondents. The following are some of the important observations of the study:
Among the 200 powerloom units studied, 65% (131 units) of the units are small in size, nearly 30% (59 units) are medium and only 5% (10 units) are large in size. It is observed that in Namakkal District majority (more than 60%) of the powerloom units are of small in size.

It is found out that 75% (150 units) of the sample units have been started in between 1980 and 2000 and nearly 18% (35 units) has been started before 1980.

It is observed that, 66% (132 units) of the sample units are of Sole proprietorship whereas the Hindu Undivided Family (HUF) constituted 18% (36 units) and Partnership firm constituted 16% (32 units). It is observed from the above analysis that Sole proprietorship is popular among small size powerloom units and Hindu Undivided Family and Partnership form is popular among medium and large size.

The study reveals that 132 units (61%) are started under Sole proprietorship form, of which 31 units (23%) are out rightly purchased, 39 units (30%) are inherited and 62 units (47%) are newly started. It is ascertained that 36 units (18%) are started under HUF form, of which more than 50% (19 units) of units are inherited; nearly 40% (14 units) are newly started and 3 units are out rightly purchased. It is observed that 32 units (16%) are Partnership firm, of which 50% (16 units) of the units are newly started and 31% (10 units) are out rightly purchased and 6 units (19%) are inherited.

The study shows that 46% (96 units) of the total units studied are newly started, whereas 32% (64 units) are inherited and 22% (44 units) are outright purchase.
• Chi-square analysis confirms that there is an association between form of organisation and acquisition of ownership among powerloom units.

• It is observed from the study that 49% (98 units) of the units are located in rural area and the remaining 51% (102 units) of the units are located in urban centers. It is noticed that there is an equal distribution of units located in rural as well as urban centers.

• It is understood that more than half (51%) of the powerloom units are doing job work only. In particular 93 units out of 102 units undertaking job work are of small in size. Nearly 25% (51 units) of the units undertake both own and job work and 24% (47 units) of the units are doing own weaving. It is observed that 13% of small units, 85% of medium and 100% of the large size units undertake own weaving only.

• The present study shows that, 180 units (90%) are owned, of which 41 units are (23%) doing own weaving only, 92 units (51%) undertake job work only and 47 units (26%) are performing both own and job weaving work. It is observed that, 20 units (10%) are leased, of which 10 units (50%) undertake job work, 6 units are (30%) doing own weaving and remaining 4 units (20%) perform both own and job weaving. It is concluded from the above analysis that more than half of the units in Namakkal District undertake job weaving work only.
• Chi-square analysis proves that there is no association between title of ownership of the powerloom units and the nature of operation of the powerloom units.

• It is ascertained that nearly one third (64%) of the entrepreneurs of the total powerloom units studied falls within age group of 20-40 years. About 26% of entrepreneur’s are in the age group of 40-60 years. Nearly 6% of the entrepreneur’s of the powerloom units are below 20 years of age. As a whole, powerloom business has been operated by relatively higher number of middle and upper middle aged entrepreneurs.

• Among the total number of entrepreneurs studied, 87% (243 entrepreneurs) of them are male entrepreneurs and the remaining 13% (32 entrepreneurs) are female.

• Majority of (68%) the powerloom entrepreneurs have previous powerloom experience before starting powerloom units. The remaining 32% of entrepreneurs have experience in other field.

• To find out the factor which primarily influences the entrepreneurs to set up powerloom units, the researcher has used the Garrett’s Ranking Technique. It is observed that family business is the primary factor that influences the entrepreneurs to set up powerloom units. Among 200 powerloom units studied 72% of the powerloom entrepreneurs reported that family business is the most significant factor to setup powerloom units.
• The factor analysis is used to find out most important factor which influences the respondents to set up powerlooms units in the study area. The following factors have been taken: family business, technical qualification, friends and relatives, and entrepreneur image, easy formation, easy to manage, favourable Government textile policy, regional advantage, market opportunities, experience, profitability, availability of finance, export opportunities, govt. incentives, and have own money and ideas of doing some business. The Factor analysis is performed with the above fifteen variables and the following six factors viz; favourable business conditions, experience, regional advantage, entrepreneurship, market opportunity and finance, accounting 60% of the fifteen variables have been identified in the study.

5.1.3. Capital related financial problems:

Finance is the life-blood of any economic activity. The capital requirements of powerloom units can be broadly classified into two categories i.e. Short-term capital requirements and Long-term capital requirements. Capital requirements of the powerloom industry is met out of two sources i.e. own source as well as external source. The external source comprise of institutions like commercial banks, co-operative banks and other financial institutions and non-institutional source like friends, relatives, money lenders and indigenous bankers. The researcher has observed the following during the course of study relating to source of capital and composition of capital of the powerloom units in the selected district.

• The study reveals that more than 50% of capital employed by the powerloom units is own funds. As in the case of small size units, own capital accounts for 60% and borrowed capital about 40%, of which 20% each from institutional
source and non-institutional source. But in the case of medium size units own capital and borrowed capital accounts about 50% each. It is noticed that own and borrowed capital of medium size units are almost equal, whereas in the case of large size units own capital accounts for 41% and borrowed capital 59%.

- It is observed that the composition of owned capital decreases when the size of the unit increases. Like wise, the borrowed capital increases when the size of the unit increases.

- In the case of Sole proprietorship concern, out of total capital invested 54% is own capital and the remaining 46% is borrowed capital. In the case of Hindu Undivided Family (HUF) concern 49% is from internal source and 51% from external source and in the case of Partnership concern 49% is own capital and 51% is borrowed capital. It is observed from the analysis that there is an almost equal percentage of own funds and borrowed funds in all forms of organisation.

- It is observed that the share of commercial banks financial assistance to powerloom units differ with the forms of organisation. Commercial banks financial assistance to Partnership concern accounts for 32.2% which is 6% more than HUF and nearly 10% more than sole proprietorship. It is obvious that nearly half of the capital requirements of the powerloom sector are met by the owners themselves, commercial banks provide one fourth and the remaining one fourth by the rest of the sources.

- It is found out that 144 units (72%) obtained capital from institutional source and the remaining 56 units (28%) have not obtained capital from institutional source. In the case of non-institutional source, out of 200 units 173 units
(87%) obtained funds and the balance 27 units (13%) not utilise non-institutional source. It is evident that non-institutional source are more popular among the powerloom units than institutional source at the time of setting up of powerloom units.

- The total amount borrowed from institutional source by the 144 units amounted to Rs. 711.80 lakhs. The average borrowing per powerloom unit is Rs. 4.94 lakhs. Out of 144 units which have obtained finance from institutional source 80 small size units have obtained Rs. 180.70 lakhs (average borrowings per unit is Rs. 2.25 lakhs), 54 medium size units have obtained Rs. 290.10 lakhs (average borrowings per unit is Rs. 5.37 lakhs) and 10 large size units have obtained Rs. 241 lakhs (average borrowing per unit is Rs. 24.1 lakhs). It is observed that when the size of the unit increases, the borrowing from institutional source also increases.

- The study reveals that 173 units which have obtained financial assistance from non-institutional source to the extent of Rs. 527.15 lakhs. The average borrowing per unit is Rs. 3.08 lakhs. From the total units studied, 107 small size units have obtained Rs. 184.80 lakhs (average borrowings per small size unit is Rs. 1.73 lakhs), 56 medium size units have obtained Rs. 236.35 lakhs (average borrowings per medium size unit is Rs. 4.22 lakhs) and 10 large size units have obtained Rs. 106 lakhs (average borrowings per large size unit is Rs. 10.6 lakhs). It shows that non-institutional source contribute considerably for the development of Powerloom sector.
• It is ascertained that the ratio between fixed capital and working capital of those powerloom units established prior to 1975 is 64%:36%, in the case of units established after 1975 but before 1990 is 67%:33%, whereas powerloom units established after 1990 but before 2005 is 70%:30%. It is observed that the ratio between fixed capital and working capital of the studied powerloom units is 69%:31% and it is concluded that there is not much difference in the ratio of fixed and working capital over the period of time.

• Over the period of time investment in fixed capital is increasing year after year. Another important finding is that the requirements of working capital over the past 30 years have also changed. There is a decrease in working capital due to increase in number of job weaving works than own weaving in the past 20 years. Working capital requirements of the powerloom units engaging in job weaving are less than units engaging in own weaving.

• The share of fixed capital in the case of Sole proprietorship is 70%, of which 39% from own source and remaining 31% from external source. In the case of Partnership concern, the share of fixed capital accounted to 67%, of which 35% from own source and remaining 32% from external source. The working capital requirements of the Sole proprietorship accounts to 29.86%, in the case of Hindu Undivided Family it is 31%, whereas Partnership concern requires 33%. It is observed that the share of fixed and working capital in Sole proprietorship is accounted to 70%: 30%, in the case of Hindu Undivided Family it is 69%:31%, but in the case of Partnership it accounts for 67%:33%.
It is noticed that 54% of the total fixed capital requirements of the powerloom units have been met out of their own source and the remaining 46% from external source, whereas, in the case of working capital requirements of the powerloom units, own source amounts to 46% and external source 54%. It is concluded from the above analysis that powerloom units mostly depend on own source for their fixed capital requirements and external source for their working capital requirements.

The study reveals that 144 units have obtained funds from institutional source, of which 103 units borrowed fixed capital and 121 units obtained working capital. Among 103 units which have obtained fixed capital, 86 units (84%) opted commercial banks for their fixed capital requirements and 17 units (16%) have opted co-operative banks. It is observed that only 86 units (43%) out of 200 units studied borrowed fixed capital from commercial banks and 114 units (57%) have not obtained fixed capital from commercial banks.

It is found out that 114 units (94%) out of 121 units which have obtained working capital from institutional source prefer commercial banks for their working capital requirements. Only 7 units (6%) opted co-operative banks. It is noticed that only 114 units (57%) out of 200 units studied borrowed working capital from commercial banks and 86 units (43%) have not obtained working capital from commercial banks.
• It is observed that 151 units borrowed funds from non-institutional source for their fixed capital requirements. Nearly 77 units (51%) opted proprietor's relatives as sources of fixed capital requirements. Out of 118 units borrowed capital for their working capital requirements, 65 units (56%) prefer money lenders for their working capital requirements and 39 units (33%) borrowed funds from proprietor’s relatives for their working capital requirements. It is obvious from the analysis that among non-institutional source of finance money lenders are the popular sources of finance for their fixed as well as working capital requirements.

5.1.4. Bank finance related problems:

There are a number of sources of financing short and long-term business requirements. Among these, banks constitute the most predominant source. Banks meet the credit requirements of internal, external trade and industrial sector. It provides short term, medium term and long-term loans and advances to different industrial sectors. Banks also act as friend, philosopher and guide to their customers and it is the most appropriate source from which finance can be raised at a reasonable rate of interest. Banks are providing adequate financial assistance to the needy people and it is also meeting the financial requirements of the powerloom sector too. Banks play a vital role in the economic development of Namakkal district. In Namakkal district 22 Commercial banks are operating with 103 branches apart from 2 Cooperative banks with 29 branches and one branch of Tamilnadu Industrial Investment Corporation as on December 2005. All these financial institutions are fulfilling the financial requirements of powerloom units in the study area. The following are the important observations of the study in respect of bank finance to powerloom sector:
• It is observed that 169 units (85%) have approached banks to avail financial assistance at the time of setting up of units i.e., within one year from the commencement of business. It is noticed that 80% of the small size units, 92% of medium size units and 100% in the case of large size units have approached banks for their capital requirements. Still 31 units (15%) of 200 units studied not at all approached banks for their capital requirements. Among 31 units, 26 units (84%) of small size and 5 units (16%) of medium size have not at all approached banks for their financial requirements at the time of setting up of unit.

• The study reveals that 163 units have approached banks for their financial requirements at the time of setting up of the unit, of which 144 units have succeeded in their attempt and the remaining 19 units have not obtained credit from the banks i.e. 72% of units which approached bank have obtained credit.

• Chi-square analysis proves that size of powerloom unit influence bank finance. It is also evident from the chi-square analysis that the success rate of obtaining credit from bank in the case of units having less than 25 looms is only 61% whereas in the case of units having more than 25 powerloom units the success rate is 93%. It shows that bank credit is more favourable to the big units (more than 25 looms) than small units (less than 25 looms).

• Garrett’s Ranking Technique reveals that low rate of interest is the primary reason for obtaining credit from bank among ten listed reasons for obtaining financial assistance from banks. It is concluded from the above analysis that powerloom units prefer bank as a source of finance mainly because the rate of interest is very low than any other sources of finance.
Garrett’s Ranking Technique reveals that lending procedure stood at top (1st rank) among ten reasons listed for not obtaining financial assistance from banks and the reason ‘low rate of interest’ stood at last (10th rank). It is observed from the above analysis that lending procedures followed, securities demanded and time taken for sanction by the banks are the main barriers which make certain units unable to obtain financial assistance from banks.

More than 96 units (67%) out of 144 units obtained financial assistance from Public Sector Banks, 27 units (19%) from Private Sector Banks and 21 units (15%) from Co-operative Banks.

It is observed that 144 units obtained financial assistance from banks at the time of setting up of unit, of which 102 units (71%) have obtained long-term loans for their fixed capital requirements. More than 84% (121 units) of the total borrowers obtained short term loans for meeting their working capital requirements. Seventy nine units (55%) of the total units obtained both short term loans as well as long term loans for meeting their total financial requirements. It shows that more than half of the units obtained financial assistance from banks, uses bank finance as their major sources of capital requirements and totally depends on bank finance.

In the case of small size units, 80 units obtained financial assistance from banks, of which 55 units obtained long term loans for their fixed capital requirements. Majority of the small size units utilised overdraft facility as their major sources of working capital requirements. Out of 54 medium size units borrowed funds from banks, 37 units obtained long term loans and 48 units preferred overdraft as the major sources of working capital, whereas in the case of large size units all the 10 units obtained long term loans for their fixed
capital requirements and utilised overdraft facility as their major sources of working capital requirements.

• The study reveals that 187 units (94%) have approached banks to avail financial assistance so far. It is observed that 92% of the small size units, 97% in the case of medium size units and 100% in the case of large size units have approached banks. Still 13 units (7%) out of 200 units studied not at all approached banks for their financial requirements. Among 13 units, 11 units (8%) are of small size and 2 units (3%) are of medium size which have not at all approached banks for their financial requirements.

• It is observed that 187 units have approached banks for their credit requirements, of which 159 units succeeded in their attempt and the remaining 41 units have not obtained credit from the banks so far. Out of 159 units (80%) obtained financial assistance from banks, 67 medium and large size units have approached the banks of which 65 units have obtained financial assistance from banks. It shows that bankers are favourable in lending credit to medium and large size units.

• The study shows that out of 131 small size units, 120 units have approached banks for their financial requirements, of which 94 units have succeeded in obtaining bank finance. The percentage of success in obtaining bank finance by the small size units is only 72%. The success rate is very low when compare to medium and large size units.
- Out of 187 units approached the bank for their credit requirements so far, 159 units obtained financial assistance from banks and 28 units have not obtained credit i.e., their applications are rejected by the banks for one reason or the other. In the case of small size units, only 94 out of 120 units have obtained credit from banks and the remaining 26 units’ applications were rejected and they did not obtain loans from banks. It is interesting to note that applications of 96% of the medium size units and all the large size units were not rejected.

- It is observed that out of 159 units obtained financial assistance from the banks 115 units (72%) have repaid the loans fully and only 44 units have not repaid the loans fully so far. It shows that powerloom units are repaying the loans obtained from the banks and have the intention to repay the loan amount. It is also observed that all the units whether big or small are interested in repaying the loans obtained from the banks.

- Chi-square analysis also proves that there is no association between size of the powerloom units and repayment of loan from banks among the respondents. About 70% of units under each size have repaid their loans to banks.

- It is obvious from the Garrett’s Ranking Technique analysis that rate of interest charged by the bank satisfy the majority of the respondents and banker’s service comes the next satisfying reason. The reason ‘low rate of interest’ stood at top (1st rank) among seven reasons listed and the reason ‘time taken for sanction’ stood last (7th rank).
• It is noticed that more than 96% (193 units) of the total powerloom units under study have expressed their willingness to borrow for their future requirements. It is interesting to note that 96.6% of the medium units and entire large size units show their willingness to borrow. Though in the past as many as 31 units (15.5%) of the total number of units studied did not approach banks for obtaining financial assistance, but now as many as 7 units are not willing to borrow from banks, of which most of them are small size units. They constitute only 3.5% of the total units studied.

5.1.5. Technology Upgradation Fund Scheme (TUFS):

A major drawback is that the powerloom units have not been modernized and upgraded adequately. Most of the machines installed in the powerloom units are very old, out dated, particularly weaving and processing and cannot produce the cloth without any defects, which needs replacement immediately. Due to obsolete machinery, industry produces poor quality products, cost of production increases, and productivity also decreases. But still powerloom units are using very old discarded and second hand machines from mill sector used for production. 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. The immediate task is therefore modernisation and upgradation of the powerloom sector at a faster rate. For this purpose Government of India has introduced the Technology Upgradation Fund Scheme (TUFS) as on 01.04.1999 for undertaking modernisation and upgradation which is not only timely, but also very much needed. The researcher has made the following observation in relation to TUFS:
• As on 31.12.2005, 424 applications have been received from the powerloom sector for modernisation purpose in India with a total investment in machinery of Rs. 334.36 crores under TUF Scheme. However, 417 were sanctioned with an investment in machinery of Rs. 209.64 crores. Out of which Rs. 117.61 crores have been distributed to 340 units. Even though Powerloom sector produces two-third of the total textile production of the country it has a share of only 1.45% of the total loan sanctioned under TUF Scheme. Only 9.39% of applications were received from decentralised Powerloom sector.

• It is observed that as much as 74 units (37%) of them have confirmed that they are aware of the existence of TUF Scheme. Unfortunately, an overwhelming 126 units (63%) have stated that they are unaware of the existence of TUF Scheme. It is ascertained that, more than 70% (98 units) of the small size units out of 131 are units unaware about the TUF Scheme. Half of the medium size units and 80% of the large size units are aware about the TUF Scheme.

• Only 74 units (37%) of 200 units studied aware about the existence of the TUF Scheme. More than 40% (32 units) of the units say that they know about TUF Scheme through News papers, 24 of them know about the TUF Scheme through their fellow entrepreneurs and 7 units from Government Agencies. It is observed from the analysis that news paper is the best media for popularizing the TUF Scheme among the powerloom units.
• Chi-square analysis proves that there is an association between size of the powerloom units and awareness of TUF Scheme among the respondents. In the case of small size units (Below 25 looms) only 25% of them have awareness about the TUF Scheme and 75% of the small size unit is unaware about TUF Scheme. Whereas in the case of big units (more than 25 looms) 60% of them know about TUF Scheme and only 40% is unaware about TUF.

• Only 3 units (1.5 %) out of 200 units studied, obtained financial assistance for modernisation of their units under TUF Scheme. More than 98% of the units have not utilised TUF Scheme. Only one medium size and two large size units have utilised TUF Scheme. Even a single small size unit out of 131 small size units studied did not obtain financial assistance under TUF Scheme.

5.1.6. Production related financial problems:

Depending upon the geographical location, social-cultural background and demand conditions of the market, the powerloom units are producing different range of products from plain grey to cotton dhoties, sarees and lungies, and special export oriented cloths like dress materials, denims, knitted fabrics and furnishings etc. The powerloom units are facing several problems relating to production. The following are the important observation made by the researcher related to production.

• It is observed that production of dhoties and grey fabrics dominate the total production. More than half of the study units are producing grey fabrics. This is mainly due to use of very old plain looms and ready market availability for grey fabrics. Most of the powerloom units undertake job work from “Master Weavers”, who are the expert in this trade, give the job work to the powerloom units depending upon the marketing conditions.
• It is observed that more than 130 units (66%) have utilised their maximum capacity i.e., 75% - 100%, 62 units have utilised their capacity very moderately (50% - 75%) and only 3% (6 units) of the total units under study have less than 50% of capacity utilisation. This is because of the reasons that almost all the present machinery in the Powerloom sector is very old, worn out and also obsolete in design and out-dated. This has reduced the productivity of the industry and thus increases the cost of production.

• It is noticed that lack of qualified and skilled labour is the major reason for the idleness of powerloom units. Lack of demand, lack of finance and lack of raw materials are the other reasons for idleness.

• The price of cotton is highly fluctuating, which affects the Powerloom units seriously, because cotton is the principal raw-material of Powerloom products. More than half of the units undertakes own production (53 units) obtained their required raw materials within the district and 34 units purchased raw materials outside the study district. Only 7 units obtained raw materials outside Tamilnadu state, which are engaging in the special types of products like polyester, Acrylic and rayon, and spun yarn based products. Less than 4 units have purchased raw materials outside India, which are imported from China, Thailand and Korea, for the production of export oriented products.

• It is observed that out of 98 units purchased raw materials for own production, 87 units have purchased raw materials either fully or partly on credit and only 11 units purchased against cash alone in order to enjoy the benefit of cash discount.
The study reveals that among 87 units purchasing raw materials on credit basis, 31 units (35%) are enjoying credit for a period upto 60 days, followed by 26 units which are enjoying the credit period of one month to one and half month and 28 units are enjoying credit period of less than one month, of which 8 units have below 15 days. Only 2 units have credit period over 2 months.

The Confidence Interval Technique reveals that the minimum credit period enjoyed by the powerloom unit is 8 days (7.59 days), the maximum credit period availed by the powerloom unit is 68 days (67.87 days) and the average credit period is 38 days (37.73 days). It is concluded from the above analysis that powerloom units are enjoying adequate credit period.

It is seen that more than 60% of the units keep stock for next 5 days production and nearly one fourth of the units (27 units) undertaking own production are keeping stock upto 10 days production. Only one unit keeps stock for the period of one month. It is observed that more than 90% of units keep stock at the maximum of 10 days. This is mainly due to two reasons. Firstly raw materials are readily available in the near by market and secondly the units can buy the required raw material on credit.

It is found out that out of 98 units purchased raw materials to carry out own production, 87 units have purchased raw materials on credit and 49 units have obtained raw materials on cash basis one way or other. Out of the 49 units having the habit of purchasing raw material on cash, 33 units have obtained financial assistance from outsider to purchase raw material. It is clear that 79% of the small size units, 88% of medium size units and 100% of the large size units obtained credit to purchase raw materials. Nearly 21% of the small
size units and 12% of medium size units have not obtained credit to purchase raw materials.

- It is observed that most of the small sized powerloom units rely on non-institutional source and medium and large size units depend on institutional source of finance for the purchase of raw materials.

- It is ascertained that 13 out of 28 units which have obtained credit facilities to purchase raw materials utilised bank finance to acquire raw materials, of which large size units and medium size units are the major beneficiaries.

5.1.7. Personnel related financial problems:

Powerloom production consists of pre-weaving, weaving and post-weaving process. Each process requires different workers. Powerloom sector requires trained, experienced and skilled workers. Getting a right kind of worker is a very difficult task and it involves huge expenditure and investment. The following are the general observations made by the researcher during the course of the study.

- It is observed that 3910 employees are working in the study unit, of which 83% of them are working under piece rate system and only 17% of them are receiving wages under time rate system.

- The small size unit constituting 66 per cent of the total units under study employ the maximum of 42 per cent of the labour force and the medium size units forming 30 percent employ 40 percent of labour force. On the other hand a few large size units employ 19% of the total labour force.
• The study reveals that nearly 70% (137 units) of the units expressed that they do not have adequate labour. Only 30% (63 units) of the units opined that, they have adequate labour.

• It is observed that more than 115 units (60%) have paid advance money of more than Rs. 10,000 and 43 units have paid advance money in between Rs. 5,000 to Rs. 10,000. Only 15 units out of 200 units studied have not paid advance money because these units are very small and are operating with the family members of the owner. It shows that getting skilled operatives without advance money is very difficult to the powerloom sector.

• The Confidence Interval Technique reveals that the minimum advance money paid by the powerloom unit is Rs. 1919, the maximum advance money paid by the powerloom unit is Rs. 18,983 and the average advance money paid per employee is around Rs. 10,000 (Rs. 10451.35). It is concluded from the above analysis that powerloom units paid very huge amount as advance money to obtain skilled workers.

• The percentage of advance money to the total capital is more than 12% in the case of units set up with own buildings and more than 17% in the case of units set up with leasehold buildings.

• Average number of employees employed per small size unit is 12.5 workers and to employ these workers, a small size unit has paid at least Rs. one lakh out of the fixed capital and it is not end up with that but it increases by every festival. In the case of medium and large size units, average number of employees employed by them were 26.5 workers and 72.5 workers respectively and they have invested more than Rs. 2 lakhs and Rs. 5 lakhs respectively to obtain the skilled weavers.
5.1.8. Marketing related financial problems:

Powerloom units are adopting two types of marketing channels. There are some units which undertake the marketing activity themselves through retail and wholesale outlets. Also some other units are marketing their products through agents located in near by centers. The following are the observations made during the study relating to marketing of powerloom products:

- It is observed that out of the 200 units studied, 98 self making units are undertaking marketing activities, of which 55 units themselves undertake the marketing activities through retail and wholesale channels. Thirty six units expressed that they just handed over the products to the agents/brokers, who are operating in the important powerloom centers in the study area and mostly to the agents in the Erode district. Only one unit supply the product to co-operative society and the remaining 6 units sell the products directly to the export agents.

- It is observed that out of the 98 self-making units, only 78 units are selling the products on credit either fully or partially. The credit period allowed to the customer by the powerloom units ranges from a minimum of one week to the maximum of 3 months. The study reveals that more than 75% of the units are allowing credit period for less than 45 days and less than 25% of the units extend credit over 45 days.

- The study reveals that only 20% of units are selling the product only for cash, but 27% of the units are selling their product either for cash or credit. Around 53% of the units have reported credit sales only.
• It is observed from the study that out of the 200 units studied only 98 units are self making of which only 11 units are directly involved in producing and exporting powerloom products to the foreign markets as well as domestic market. Only those units having strong financial base and knowledge about the export market are directly exporting products to the international market.

• The Confidence Interval Technique reveals that the minimum credit period allowed by the powerloom unit is 3 days (3.156 days), the maximum credit period availed by the powerloom unit is 66 days (66.84 days) and the average credit period is 35 days. It is obvious from the above analysis that the minimum credit period availed and allowed by the powerloom units are 7 days and 3 days respectively and the maximum credit period availed and allowed by the powerloom unit are 67 days and 66 days respectively. It is observed from the above analysis that powerloom units are availing and allowing credit on an average over one month.

• Out of the 11 units exporting to the foreign market 8 units (73%) obtained financial assistance from commercial banks and other financial institutions. Among exporting units, only 3 units have not obtained any financial assistance from institutions for meeting their financial requirements.

5.1.9. Banker's problems with respect to powerloom unit financing:

The banking credit to the powerloom units depends on a set of four variables: (1) willingness of the powerloom units to borrow, (2) favourable attitude of banks over the powerloom industry, (3) extent of immovable assets offered as security by the powerloom unit, and (4) the future prospects of the powerloom sector. An attempt has been made to know the banks responses towards lending to powerloom units and
favourable attitude of the banking community over the powerloom units. The following are the important observations of the study in respect of financing of powerloom units by the banks.

- All the bank branches under the study extended loans and advances to the powerloom industries in the selected districts. Banks are providing both short term as well as long term loans to powerloom industries in order to meet their working as well as fixed capital requirements of the industry.
- It is observed that more than 25% (7 branches) of the bank branches have assisted the powerloom industry by extending credit.
- It is noted that more than 70% of the target fixed in the Annual Credit Plan is achieved by the banks.
- The study reveals that 7 out of 25 branches studied expressed that most of the powerloom units are approaching them for their fixed capital requirements only and 9 branches studied says that majority of the powerloom units are approaching them for their working capital requirements. Nine out of 25 branches studied stated that powerloom units are approaching them both for working capital as well as fixed capital needs.
- It is interesting to note that more than 80% of the bank branches studied have expressed that more than 50% of the powerloom units which approached them have got bank credit.
- Banks are offering term loans to powerloom units to purchase new machinery and other fixed capital requirements. Banks are contributing upto 75% of the fixed capital requirement and the borrowers have to contribute atleast 25% of their requirements.
It is observed that only 5 bank branches have expressed that powerloom units approached them for credit under TUF Scheme. Most of the bank branches (20 branches) stated that they are not approached by the powerloom units for credit requirements under TUF Scheme for upgradation and modernisation of their units. Bank branches have also expressed that they are ready to lend loans under TUF Scheme if the powerloom units fulfil the minimum requirements stated by the co-opted banks.

Bankers are very rigid with regard to security, margin and ceiling on loan but the entrepreneur’s past experience with the bank is good, the bankers are flexible towards security, margin and ceiling.

More than 80% of the bank branches have expressed that lending to powerloom unit is safe.

The study reveals that out of 25 bank branches studied 12 branches expressed that the repayment rate is in between 50% to 75%. Ten branches have opinioned that the rate of repayment is more than 75%. Only 3 branches stated that the repayment rate is below 50%. It is observed that lending to powerloom unit is safe and repayment of loan is good.

Garrett’s Ranking Technique reveals that low rate of interest stood at top (1st rank) among ten reasons listed for obtaining financial assistance from banks and the reason lending procedure stood at last (10th rank). It is observed from the above analysis that low rate of interest; past transactions and Quantum of loan are the main reasons for obtaining financial assistance from banks.
5.2. SUGGESTIONS:

One of the necessities of life is cloth, which is produced by the textile industry, which occupies an important position in the Indian economy. The industrial growth of the country was led by the textile industry even prior to the independence of the nation and the same trend continues even today. Textile industry provides employment to about 93 million people directly and indirectly. The Indian textile industry contributes substantially to India’s export earning also.

The Indian textile industry has undergone structural changes over the last 50 years, leading to the beginning of large-scale small powerloom units. With the advent of the World Trade Organisation (WTO) and globalisation, it provides the Indian textile industry immense opportunities in terms of free trade in the global market and vast opportunities for more exports.

According to WTO agreement, India has to phase out Quantitative Restrictions (QRs) on import of textile items and reduce the tariff on import. The phasing out of Quantitative Restrictions and reduction of tariffs will expose the domestic industry to import penetration in the domestic market. The decentralised powerloom sector has fear over the phasing out of Quantitative Restrictions. By relaxing, the import norms textiles imported into the country are likely to increase. The Chinese, Korean, and European will target the Indian textile market, which will affect the domestic decentralised Textile sector adversely.
5.2.1. Suggestions to Government and its Agencies:

The cotton yarn formed the very basic raw materials of the powerloom industry and account for over 60% of their cost of production. There has been instability in the yarn price and the price of the raw material is went upto the extent of 50% in the previous year. It affects the powerloom industry seriously. Hence, the Ministry of Textiles shall take appropriate steps to avoid fluctuations in yarn price and may set up a separate regulatory body to control prices of cotton yarn and thereby domestic cotton textile manufacturing powerloom units are saved from sharp price fluctuations.

To survive in the increasingly competitive and integrated world market, especially after the removal of Quantitative Restrictions on imports with effect from 1st January 2005, there is a need to work in a coordinated and focused manner to build a modern powerloom industry, which can face competition in both domestic as well as export markets. Hence the Indian Government shall take necessary measures with a nationalistic approach to safeguard the Indian textile industry and to capitalise the export opportunities. In order to meet the challenges of the globalised economy and to build upon its intrinsic strength, the Indian Government and State Governments have to take number of measures.
The potential of powerloom sector shall be well recognized. Structural adjustments are needed to give support to production and exports of value added goods in large quantum. In order to consolidate its existing strength the Indian Government has to relentlessly improve productivity, raise product quality, increase value addition and boost production efficiency. Besides adopting modern technology, major stress has to be laid on human resources and skill development, as this is the most fundamental factor in sustaining continuous development of textile industry.

1. The study reveals that there is a heavy shortage of trained, skilled and experienced technicians who form the backbone to the production activity in the powerloom sector. Nearly 70% of the units under study expressed that they do not have adequate labour. In addition, the industry pay huge sum as advance money and commission to agent. Hence, the Ministry of Textile with the co-operation of State Governments and their agencies shall have to chalk-out a comprehensive programme for imparting training to the manpower in powerloom industry, so that there is no shortage of trained manpower in future and it may increase the productivity.

2. Lack of awareness of programme, lack of confidence in approaching lending agencies, unfamiliarity with rules and paper work, shortage of margin money, insufficiency of collateral security and working capital and lack of technical skills are among the reasons for non-utilisation of funds under TUF Scheme. Hence special efforts are required to motivate and encourage decentralised powerloom units to utilise the TUF Scheme.
3. The Ministry of Textile with the co-operation of State Governments shall take urgent steps to educate the entrepreneurs of powerloom units through its field officers (Regional Offices of the Office of the Textile Commissioners and Powerloom Service Centres). By conducting seminars, workshops and through personal visits to the powerloom units and the field officers explain the latest developments, various schemes available for the powerloom units and assisting them in preparation of project report, application for bank loan, etc. The representatives of the institutions, banks and financial institutions are also to be invited to attend the seminar and workshops and ask them to share their ideas to overcome the problems related to finance.

4. A strong, modern and vibrant powerloom sector is required to meet out the competition from the global market. The Government and the powerloom sector should work together to face these competition/challenges not only to retain the present market but also to enhance it.

5. The powerloom sector has not received the due attention of the Government it deserves, even though this sector constitutes 60% of the total cloth production of the country and provides employment to about 47 lakh people directly and indirectly. Hence, the Government and the industry change its policies and procedures regarding the powerloom sector and give due importance for the development of the powerloom sector. In order to promote powerloom sector a separate post of Development Commissioner of Powerloom (DCP) to be created like Development Commissioner of Handlooms (DCH).

6. The Government shall allow Foreign Direct Investment (FDI) in the Powerloom sector and encourages joint ventures in modern textile projects.
7. Technology Upgradation Funds Scheme (TUFS) shall be extended upto 2015 with some alterations, which will encourage export-oriented production.

8. The Ministry of Textile may set up modern textile laboratory, organizing buyers-sellers meets and encouraging powerloom industry to participate in the exhibitions in abroad.

9. The State Government shall give certain concessions to powerloom sector particularly the tariff concession in electricity and uninterrupted power supply shall also be given to the Powerloom sector.

10. The Government of India shall announce new textile packages to strengthen the domestic textile market and to meet the changing global competition due to the removal of Quantitative Restrictions (QRs) on imports.

11. The exemption or the reimbursement of the customs duty, Excise duty, Sales tax, and Octroi on the fiber yarn and the fabrics have to be given to the exports to compete effectively with the competitors who offer competitive prices in the international markets.

12. Technology Upgradation Funds Scheme (TUFS):

Since the TUF Scheme for textile and jute industry was launched 6 years back, the decentralised powerloom sector has not taken any significant benefit from it. Even though powerloom produces two-third of the total textile production of the country, it has the share of only 1.45% of the total loan sanctioned under TUF Scheme at the all India level. In consistent with the above information, the present study reveals that only 37% of the powerloom units in the study area are aware about the existence of TUF Scheme. In particular, most of the small size units and a part of the medium size units are unaware about the existence of TUF Scheme. Only 1.5% of the units studied
obtained financial assistance under TUF Scheme. In addition, the present study has listed out various problems encountered by the powerloom units while availing financial assistance under TUF Scheme. In order to overcome the problems encountered by the powerloom units in availing financial support under TUF Scheme, the following suggestions are made.

a) The margin for borrowing loan under TUF Scheme is 20 per cent. Being small and medium size industry, and under the present financial crises, the powerloom units are not in a position to provide 20 per cent margin. Hence, it should be reduced to 15% to 10% in order to help the powerloom sector.

b) Present capital subsidy under the TUF Scheme is 20%. It is suggested that capital subsidy to be increased to 25% and this will encourage the powerloom sector to go in for modernisation and upgradation and help in partly meeting financial requirements.

c) The norms of co-opted banks are also found to be more stringent. Hence, suitable changes are to be made in the existing TUF Scheme taking into account the needs of industry, it would assist in accelerating the process of modernisation.

d) Under TUF Scheme, 5% reimbursement of interest rate is allowed to the borrower. This may be enhanced to some extent.

e) Working capital requirements of the powerloom industry are also to be included under the TUF Scheme at least at the commencement of the project.

f) Concessional import duty of 5% under Export Promotion Capital Goods (EPCG) Scheme also be extended to import second hand machines also.
g) Under TUF Scheme, minimum loan amount is fixed at Rs. 50 lakhs. But most of the powerloom units are of small and medium in size. Hence, they are not able to avail loans under TUF Scheme. Therefore the Nodal Agency shall reduce the amount to obtain loan under TUF Scheme from Rs. 50 lakhs to Rs. 10 lakhs.

h) Nationalised and Private sector banks and other co-opted banks do not show much interest to extend credit to small and medium size powerloom units which are mostly situated in rural and semi-urban area and which are dominating the powerloom sector in total. Hence, the SIDBI the Nodal Agency for small-scale sector should extend finance under TUF Scheme through co-operative banks in rural and semi-urban area, which is the major source of rural credit.

5.2.2. Suggestions to organised sector:

The present study reveals that powerloom units face many problems in obtaining financial assistance from institutional sources, which includes commercial banks, co-operative banks and other financial institutions. Because of cumbersome procedures, non-availability of timely and adequate funds from the institutional sources, the powerloom units opted non-institutional source, which includes relatives, friends, moneylenders and indigenous bankers. The study also shows that more number of powerloom units have obtained fixed capital and almost equal number of units obtained working capital assistance from non-institutional source i.e. unorganised sector. Hence, it is suggested that the institutional source i.e. organised sector shall come forward to extend more financial assistance with liberal terms to the powerloom units therefore they will be safeguarded from the clutches of unorganised sector.
Financial assistance under TUF Scheme is very poor among the powerloom units. This is mainly due to the unawareness about the TUF Scheme. Even though 74 units already know about the existence of the TUF Scheme, the powerloom entrepreneurs feel that conditions imposed to obtain financial assistance under TUF Scheme is very difficult and complicated. Powerloom units shall not have positive opinion about the TUF Scheme and they feel a loan under TUF Scheme is not obtainable. Therefore, it is the duty of the nationalised commercial banks, being a part of the Government machinery and a part of implementing TUF Scheme shall educate the powerloom entrepreneurs or atleast those powerloom units having account with the bank, about the TUF Scheme and how it can be utilised. Banks as a part of society shall motivate the powerloom unit to avail financial assistance under TUF Scheme.

5.2.3. Suggestions to powerloom sector:

The powerloom entrepreneur's must aware that modernisation of powerloom unit is very much essential for meeting the competition at the international level particularly to defeat import penetration due to globalisation. It is the matter of life and death. If the powerloom units wish to be alive the entrepreneurs must go for modernisation, if not they cannot survive in the present competitive market due to dumping of cheap and good quality products from China, Thailand and even from Pakistan.
With the advent of WTO and globalisation, decentralised Powerloom sector can capitalise the opportunities of free trade in the global market by introducing new designs, patterns and new product. The Powerloom sector shall approach Powerloom Service Centres (PSC) and Computer Aided Design Centres (CADC) for training, consultancy, design development support and textile testing for their survival in the near future.

Family held powerloom units and the small and medium owners might consolidate into single bigger unit of powerlooms instead of having fragmented small units. Consolidation helps the powerloom entrepreneurs several ways. They can obtain loan from banks for their working capital requirements as well as loans under TUF Scheme for modernisation without any difficulty and they can enjoy economies of operations. In addition, the power loom units shall be encouraged to form co-operatives, which can avail the state support for investment, technical guidance and in marketing its products.

The Powerloom sector in India has a strong multi-fiber raw material production base, entrepreneurial talent, good export potential and low import content. Production systems are flexible, dynamic and vibrant. In spite of the above mentioned aspects, the industry suffers due to obsolete machinery and which produces only poor quality products. It is the right time that adequate corrective measures be taken to prepare a technology savvy industry to meet the challenges ahead.

Special Economic Zone for especially the decentralised Powerloom sector is to be established in the Namakkal District which will boost the industry.
Investment is the key for Indian textile to make rapid strides. The vision statement prepared by the Indian Cotton Mill’s Federation says that the industry has the potential to reach a size of $85 billion by 2010 from the current level of $36 billion. Further, the vision statement estimates the textile exports to touch $40 billion by 2010 from $11 billion in 2002. In the process, India’s share in the global textiles and clothing trade is expected to double from 3% in 2002 to 6% by 2010. To reach these ambitious targets, it is estimated that new investment to the tune of Rs. 1,40,000 crores will be needed. Such massive investment cannot be made only by the owner’s themselves, hence concerted efforts need to be made by the Government to attract Indian institutional and Foreign Direct Investments. Therefore the Government should chalk out policies to attract more investments to the textile and clothing sector in particular to the decentralised Powerloom sector, which is the soul of Textile sector.

5.4. Scope for further research:

The researcher has identified the following topics for further study:

1. Role of Technology Upgradation Fund Scheme (TUFS) in the development of decentralised Powerloom sector in India


3. A study on marketing problems of decentralised Powerloom sector.


5. A study on labour problems in decentralised Powerloom sector.