CHAPTER VI

FINDINGS AND SUGGESTIONS

In this study the researcher analysed various problems faced by small scale leather garment, textile garment and software export industries in Tamil Nadu. Based on the secondary and primary data analysis, the following have emerged as important findings of the study.

1. Leather Garment Industry

The Indian Leather Garment Industry has experienced substantial growth during the successive plan periods since 1960. The leather garment industry is perhaps the only segment where the targets set, have been exceeded in the last five years.

The second and third plan periods that covering. Sixties witnessed significant changes in the volume and value of leather products. The overall increase of exports in the decade accounted for 180% thus recording an annual average of 18%.

The Seventies that synchronised with fourth and fifth plan periods recorded a significant growth in exports. The overall increase in export for the ten
years ending 1981-82, came to 340%. With an annual average of 34 it is almost double the increase reported in the preceding decade. The leather products' share in the exports increased from 11% to 37%.

The Eighties represent another remarkable period in the export growth of leather products' overall increase in the value of exports was 360% with an annual average of 36%.

(Export value of leather garments industry reaches Rs.10,460 million in 92-93 compared to Rs.622 million in 86-87. Export value in 92-93 has grown 17 times compared to 86-87.)

The share of Leather garments industry in the total leather exports has increased from 6.6% in 86-87 to 25.10% in 92-93. Leather garment export value has reached Rs.2613 million in June 1993 compared to the export value of Rs.1799 million in the corresponding period in 1992. The growth rate of industry showed 45% variation compared to last year.

India's total exports increased to Rs.32552 crores in 1992 compared to Rs.3329 crores in 1975. But leather products export value alone increased to Rs.3215 crores, thus accounting for 8% share in total exports. Leather garments export increased to Rs.580
crores, thus, accounting for 2% share of the total exports.

From the four regions, southern region showed remarkable progress. Its share in the leather garment export was 56% and the remaining 44% were accounted by other three regions.

India exports a larger extent to, Germany U.S.A. and U.K. India’s exports to Germany has increased to Rs.7003 million in 91-92 compared to Rs.4147 million in 89-90. U.S.A.’s imports from India also increased from Rs.2600 million in 89-90 to the Rs.4331 million in 91-92. Exports to U.K. also increased from Rs.2251 million in 89-90 to Rs.3577 million in 91-92.

From the total sample comprising 50 leather garment units 60% depend on private finance, whereas 40% depend on commercial banks as per their pre-shipment credit is concerned.

Private limited companies are not opting for private finance, since they are financially resourceful. But partnership firms and individual traders mainly depend on private finance. Both of these organisations equally tap private sources of finance to the extent of 30% each.
As per the results of chi-square test, there is a close relationship between the nature of organisation and the Bank finance availed i.e. they are dependent.

Out of the total sample units availing of private finance, 60% report that bank finance is not timely released to meet the existing orders, 27% report that available bank finance is inadequate and the balance of 13% blame that there are procedural delays and formalities in availing the required bank finance.

Private limited companies alone which attained a moderate level of modernisation of 80%. 60% average level of modernisation has been attained by partnership organisations and low level modernisation of 50% has been attained by individual traders.

Out of the total sample units 30% alone attained moderate level of modernisation and the remaining 70% units attain the average and below the average level of modernisation.

In the case of private limited companies, ratio of supervisory staff to unskilled workers remains at 4:1 and the ratio of the same stands at 6:1 and 8:1, in the case of partnership firms and individual traders respectively.
Out of the sample units 42% are in dearth of import finance, 34% accept that using indigenous machines and 16% blame that non-utilisation of the required level of skilled manpower are the major factors preventing the exporters in attaining the required level of modernisation.

Out of the sample units 44% are using high standard quality leathers, 20% use good quality leathers and the balance of 36% use average quality leathers.

As per the results of chi-square test, there is a close relationship between the nature of organisation, and doing the leather garment business with finished leather unit.

The respondents facing resource constraints by not maintaining the required level of stock, stands at 43%. Again, 35% accept that they are not having their own finished leather unit, which will definitely affect the maintenance of quality leather and 22% admit that imported leather has to be processed, which requires sophisticated technology for maintaining the standards.

The sample units, are loosing on an average Rs.32 lakhs of export business due to cargo impediment annually.
Out of the total sample units facing cargo transport problem, 58% complain that there is lack of frequency in the cargo services, and 34% admit that there is lack of space in the cargo.

Skilled manpower with less than four years experience, stay on a maximum period of six months only in any one unit. On the contrary persons with 4 to 8 year experience stay for a maximum period of 6 months to 1 year, and those who have put in more than 8 years, do stay for more or less two years in a company at one stretch.

Out of the total sample units affected by the skilled manpower problem, 40% blame that mobility arises due to higher salary offered by the counterparts, 35% complain that lack of skilled manpower is the reason for the mobility and 25% admit that there is a wide scope to get immediate job.

As per the correlation analysis results, there is a significant correlation between exports and size of the investment in any unit. Correlation co-efficient = + 0.493 therefore, exports depend on size of the investment.

As per the results of the multiple regression analysis out of the four variables used, three variables
such as size of the investment, modernisation and skilled manpower contribute significantly towards export growth.

2. Textile Garment Industry

Textile garment exports are the fastest growing segment in world textile trade, registering a worldwide annual growth rate of around 10%. Indian garment exports have been growing at over 30% annually and registering an increase of more than 70% in Tamil Nadu alone.

(Textile garment export value reaches Rs.79,559 million in 1992 compared to Rs.13,251 million in 1986.)

Regarding India's garment exports to some global countries, America stood first and in the major importer from India, followed by Germany and U.K. The U.S.A.'s share alone accounting for 30% to the total exports from India and the shares of Germany and U.K. remain at 15% and 13% respectively.

Total exports in India increased to Rs.32,553 crores in 91-92, but textile garment exports value alone increased to Rs.7955 crores in 91-92 thus accounting 25% share in the total exports of India.
Out of the total sample units, 64% depend on private finance, whereas 36% depend on commercial banks as per their pre-shipment credit is concerned.

Partnership firms and individual traders mainly depend on private finance. Both of these organisations tap private sources of finance to the extent of, 34% and 30% respectively.

As per the results of chi-square test, there is a close relationship between the nature of organisation and the bank finance availed i.e they are dependent.

Out of the total sample units availing private finance, 59% report that bank finance is not timely released to meet the existing orders, 28% report that available bank finance is inadequate and the balance of 13% blame that there are procedural delays and formalities in availing the required bank finance.

Private limited companies alone which attained a moderate level of modernisation of 65%. 55% average level of modernisation has been attained by partnership organisations and low level modernisation of 50% has been attained by individual traders.

In the case of private limited companies ratio of supervisory staff to unskilled workers remains at 6:1 and the ratio of the same stands at 8:1 and 10:1 in the
case of partnership firms and individual traders respectively.

Out of the sample units 36% are in dearth of import finance 43% accept that utilisation of indigenous machines and 21% blame that non-utilisation of the required level of skilled manpower, are the major factors preventing the exporters in attaining the required level of modernisation.

Skilled manpower with less than two years experience, stay for a maximum period of six months only in any one unit. On the contrary employees with 2 to 5 year experience in an organisation stay for a maximum period of 6 months to 1 year, and persons with 7 years experience, do stay for more or less two years in accompany at one stretch.

Out of the total sample units affected by the skilled manpower problem, 44% blame that mobility arises due to higher salary offered by the counterparts, 40% complain that lack of skilled manpower is the reason, and the remaining 16% admit that there is a wide scope to get immediate job.

The sample units are loosing on an average Rs.35 lakhs of export business due to cargo impediment annually. Out of the total sample units facing cargo
transport problem 57% complain that there is lack of frequency in the cargo services, and 34% admit that there is lack of space in the cargo.

As per the correlation analysis results, there is a significant correlation between exports and size of the investment in any unit. Correlation co-efficient = + 0.828. Therefore exports depends on size of the investment.

As per the results, of the multiple regression, analysis size of the investment and modernisation contribute significantly towards export growth.

3. **Software Exports**

Software market has grown tremendously over the last one decade, which is closely associated with the growth of the computer industry itself. The revenues of the software industry registered a compound growth rate of 21% in the last five years.

The software export value reaches Rs.330 crores in 1991 compared to Rs.34 crores in 1985, registering a 65% growth rate in the field.

In the case of private limited companies, out of the 40% sample units 3% alone have opened foreign branches and 7% have appointed foreign business agents.
and the remaining 30% doing software exports business have no such promotional facilities. In the case of partnership firms out of 40% only 10% of the units have appointed foreign business agents and the remaining 30% doing the business have no such facilities. In the case of individual traders, out of 20% only 3% of the units have appointed foreign agents and the remaining 17% have no such promotional assistance.

Out of the total sample units, 30% of private limited companies, 33% of partnership firms and 17% of the individual traders are undertaking job work, indicates that majority of the sample groups are affected by the marketing problem.

From the total sample units, 52% admit that marketing problem arises due to their inability to appoint foreign agents to promote business, 40% accept that they are unable to open foreign branch, are the two major constraints which compelled the sample units to undertake job work.

Private Limited Companies and partnership organisations have bought two computers on an average every year, whereas individual traders bought one computer every year, is a clear indication that there is a speedy transfer in the technology and it is a major hindrance for the small scale software exporters.
Out of the sample units, 55% blame that they are forced to follow latest technology, since it is speedily followed by global counterparts, and 45% argue that to maintain quality and perfection, latest technology must be adopted. These are the two major reasons for shift in the technology.

Skilled Manpower with less than three years experience stay on a maximum period of six months, on the contrary persons with 3 to 6 years experience in an organisation stay for a maximum period of 6 months to 1 year and experienced persons who have put in more than 6 years do stay for more or less two years in a company at one stretch.

Out of the total sample units affected by the skilled manpower problem, 40% blame that mobility arises due to higher salary offered by the counterparts, 32% argue that lack of skilled manpower is the reason for the mobility and 28% accept that there is a wide scope to get immediate job.

(Suggestions)

Based on the findings emanating from the present study the following suggestions are given for implementation and necessary follow-up for augmenting export potential of the country.
Deregistration and delicensing

Delicensing and removing the reservation for leather industry, coupled with authority to all Regional Offices of RBI to clear joint venture proposals in this and allied industries has been proposed. This is expected to attract corporate and foreign investments in tanning and manufacture of various leather products and allied industries.

Joint Ventures in India

Actively promote joint ventures in India through designated agencies like the FDDI and CLE for manufacture of leather, footwear, garments, leather goods, components, accessories, machinery and equipment, chemicals, and materials for making components. These joint ventures will help.

* Induction of current technology.

* Foreign investment and

* Marketing support.

In respect of machinery it has been recommended that the foreign suppliers may be allowed to first bring the machines in knocked down condition and assemble and sell here; in the process the wisdom of fabrication of
a number of components of India would dawn sooner than later.

(Joint Ventures Abroad)

Actively promote joint ventures aboard through designated agencies like CLE/CLRI particularly in the developing countries of Africa, South America and CIS for setting up modern tanneries. India can offer technology and managerial support and in the process not only help such countries derive more than what they are getting out of their raw material but such ventures will have to come up in Africa and such other countries where financial systems are not well established. EXIM bank has to be advised to extend necessary credit for such ventures accordingly.

(Bonded Warehouses)

Foreign suppliers of raw materials, machinery and equipment and components/consumables and spares may be authorised to open Bonded Warehouses in different parts of the country to supply such goods and materials to the consumers. This will help to reduce inventory, blockage of capital for long durations and ready availability of such materials as and when required to the small and medium scale units in India. Freedom to
re-export unsold items either back to the country of origin or to third world countries must be available to the foreign manufactures to make such a scheme more attractive to the foreign companies.

(Augmentation of Domestic Availability of Raw Material)

An action plan for improved recovery of hides and skins, reduction of import duty on chemicals needed for upgrading low grade hides and skins, promoting calf rearing farms and modernisation of tanneries are measures for augmentation of raw material supply in the home market.

(Finance)

Creation of a separate financial institution to cater to the financial needs of the small scale export industries in the country.

Improving the debt equity ratio to desired level of 3:1.

Reducing interest rate from 13.5 to 7% is required for packing and post shipment credit to levels obtaining in competitor countries.

Bettering the formula for calculating working capital limits and extension of PSCFC and EXIM bank
scheme for credit in foreign currency for procuring imported inputs, are recommended.

(Manpower Development)

Creation of a Technical Training Modernisation Fund for the small scale export industry and establishment of a new Technical Education Authority for streamlining and upgrading vocational and technical education. This fund can be utilised to upgrade the existing institutions and assist creation of new institutions.

(New Investments)

Targeted investments promotion campaigns by designated agencies in the country like FDDI, CLE < CLRI be carried out to attract corporate investment and foreign investment into these industries.

(Technology Upgradation)

Creation of a modernisation Fund helping industry to achieve technological upgradation, environmentally cleaner technologies, process control and automation, energy and material optimisation and on like technical quality control and research and development.
Import Policy

Policy relating to import of capital goods, components, consumables and materials from which these are to be made liberal and duty fixed at not more than 15%. Amendments and additions to OGL and Customs notification indicate reduced duty in this regard have been proposed.

Improved packaging is also recommended in association with Indian Institute of Packaging and the private sector.

Infrastructure

Cargo space demand likely to be generated as a result of the revised targets for export by sea and air from major ports in India has been projected so that the handling facilities at concerned sea and air ports are suitably strengthened and adequate cargo carrying capacity is also created.

Marketing

A Special Market Development Fund be created to be operated by the CLE for assisting product development and marketing efforts of individual companies, industry associations and publicity efforts of individual
companies. Besides, opening warehouses in foreign countries should be encouraged for stock and supply of various products.

**Procedures for Green Channel**

For Exporters with proven track record in the past three years with an export of over Rs.5 crores annually a green channel treatment should be provided by the Custom Authority under which such exporter should allowed to clear all imported consignments at lower levels of duty, within 24 hours of their arrival and that, dispute if any, could be settled in due course.

**Duty Free Import**

Items sent by the buyers for being exclusively used in the export product; such as labels, special buttons, logos, etc., should be cleared duty free as such products are invariably sent by the foreign supplier free of cost and re-exported with the export product.

**Blanket Permit for Import**

Exporters with proven track record for the past three years may be given blanket permit in the pattern of the pass book upto the extent of 10% of the previous
years export for import of capital goods, components, etc., without payment of import duty.

**Import of Second Hand Machinery**

With the closure of a number of factories abroad and the foreign companies willing to shift the production to low cost countries, the policy relating to import of second hand machinery be liberalised, keeping in view the fact that the life of a machine in this industry is ordinarily around 30 years.

**Hi-Tech parks**

Creation of Hi-Tech parks in the place of Export Promotion Zones is preferable, with the facility of single window clearance for small scale export industries to overcome all the hurdles in the export trade and enable them to excel in the sector.

**Training**

To overcome procedural hurdles and inflexibilities, training must be imparted to lower and middle level executives of all export-related central and state government departments.
Special Complex

A Special complex must be established in every state with sophisticated technology, to cope with the speedy shift in the technology. It will be more useful to small scale exporters particularly.

Export Growth Industry

It is recommended that these three types of industry be classified as "Export Growth Oriented Industry" so as to avail all the concessions that may be offered from time to time.
Work Sheet - Leather Garment Industry

Export value (Y) - Dependent variable
Size of the Investment (X) - Independent variable

Results - Correlation co-efficient = + 0.493
F Statistic would be significant at an Alpha level of 0.001.
Model: \( Y = B_0 + B_1 \times X \)
\( Y = -245.66 + 13.924X \)

Multiple Regression Analysis

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Multiple Correlation Coefficient R-Squared = .5454683
Work Sheet - Textile Garment Industry

Export value (Y) - Dependent Variable
Size of the investment (X) - Independent Variable.

Correlation Coefficient = +0.828
Mean (X) = 30.644  Mean (Y) = 318.251
F Statistic for Hypothesis Test of Beta 1 = 0
This F Statistic would be significant at an Alpha level of 0.000

Model:  \[ Y = B_0 + B_1 X \]
Sum of Squares for Regression (SSR) = 2923990
Sum of Squares for Error (SSE) = 1344471
Total Sum of Squares (SST) = 4268461
Estimate of \( B_0 \) = -147.020
Estimate of \( B_1 \) = 15.183
\[ Y = -147.020 + 15.183 X \]

Multiple Regression Analysis

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Multiple Correlation Coefficient R-Squared = .7348948