Research Paper
Impact Factor: 3.996
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

CHALLENGES FACED BY TEXTILE INDUSTRIES IN TIRUPPUR DISTRICT, TAMIL NADU

P.Sivakumar*   Dr. P.Gnanasekaran**
**Research Scholar,Research Department of Business Administration,H.H. The Rajah's College (Autonomous), Pudukkottai ,Tamilnadu.*
***Assistant Professor & Head,Research Department of Business Administration,H.H. The Rajah's College (Autonomous), Pudukkottai, Tamilnadu.*

Abstract
Foreign Direct Investment involves the ownership and control of a foreign company in a foreign country. In exchange for the ownership, the investing country usually transfers some of its financial, technical, managerial trademark and other resources to the recipient country. The present survey is a descriptive study because it tries to narrate the problems involved in the FDI in the exporting business in the field of textile business of Tirupur, The present research work identifies the problems in every nook and corner of exporting the textile units. Particularly, receipt of foreign orders directly from the parties, bank finance, availing the incentives/ subsides and heavy operating expenses are the immediate problems to the export firms.

Key Words: FDI, Textile Industry, Exporting.

Introduction

Foreign Direct Investment (FDI) is an investment involving a long term relationship and reflects a lasting interest and control of a resident entity in one economy on an enterprise resident in an economy other than that of the foreign direct investor. Individuals as well as business entities may undertake FDI. Such investments involve both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliated. FDI flows comprise equity and non-equity forms of investment. The equity capital flows comprises of the foreign direct investor's purchase of shares of an enterprise and also include the foreign direct investor's share in reinvested earnings. Besides, the equity form of FDI also includes short or long term in intra-company loans and debt transactions between foreign direct investor and the affiliates. The non-equity forms of FDI include investments through such activities as sub-contracting, management contracts, turnkey arrangements, franchising and licensing and products sharing.

Foreign Direct Investment involves the ownership and control of a foreign company in a foreign country. In exchange for the ownership, the investing country usually transfers some of its financial, technical, managerial trademark and other resources to the recipient country. The international transfer of funds need not be prerequisite for this exchange. The Government of India (GOI), in March 2003 revised the FDI definition in line with international practices. The revised FDI data now includes 'equity capital' including that of unincorporated entities, non-cash acquisition against technology transfer, plant and machinery, goodwill, business development, control premium, and non-competition fees. It also includes,re-invested earnings including that of incorporated entities, unincorporated entities and reinvested earnings of indirectly held direct investment enterprises.

Textile industry

The textile industry is one of the oldest and largest export industries in the world. Most nations produce for the international textile and apparel market, making this one of the most global of all industries (Dickerson 1995). The garment industry is often the "starter" industry for countries engaged in export-oriented industrialization: for example, it played the leading role in East Asia's early export growth. In many countries around the world, the garment sector is the largest employer in manufacturing, producing a wide range of apparel primarily for industrialized markets.

The garment sector exemplifies the growth in global manufacturing, and many of the challenges associated with it, including flexible production, sweatshop conditions, low wages and the isolation, invisibility and lack of power often experienced by informal workers, especially those who produced from their homes.

Today, the textile industry has an overwhelming presence in the economic life of India. The textile sector is the second largest provider of employment after agriculture. It plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, the textile and clothing industry contributes about 14 % of industrial production, 5 % of the GDP, and 20 % of the country's export earnings in terms of foreign exchange. The export value of $ 14 billion is expected to reach $ 40 billion at the end of the 11 th plan period. 35 % of India's foreign exchange is earned by the textile sector (Anil. K. Kanung, 2012). A substantial number of workers are recruited from the marginalized communities of rural areas and urban poor. Children, adolescents, youths, unmarried women, middle aged men and women are directly employed and there are approximately 38 million people employed in this sector. The textile industry is projected to grow from the current financial year 2005-2006 figure of US$ 47 billion produced goods to US$ 115 billion by the year 2012. This projected growth rate is 16 % per annum. Readymade garments account for approximately 45 % of the country's total textile exports. During the year 2004-05, readymade garment exports were US$ 6 billion, recording an increase of 4.1 % as compared to the corresponding period of 2003-04. In the first quarter of 2006-07, the readymade garment exports amounted to US$ 2.17 billion, recording an increase of 15.70 %in comparison to the corresponding period last year. This growth is expected to reach a higher level when the Foreign Trade Statistics of India publishes its statistical compilation report (Foreign Trade Statistics of India, 2012).

Competitive Position of India’s Textile and Apparel Industry
India’s share of global exports of textiles and apparel increased from 1.8 percent in 1980 to 3.3 percent in 1998. However, India’s export growth was lower than that of most Asian countries during that period. The study identifies a number of competitive strengths of the Indian textile and apparel industry:

India has a large fiber base, and ranks as the world’s third-leading producer of cotton, accounting for 15 percent of the world’s cotton crop. India produces a wide variety of cotton, providing operational flexibility for domestic textile producers. In themanmade fiber sector, India is the world’s fifth-largest producer of polyester fibers and filament yarns and the third-largest producer of cellulosic fibers and filament yarns.

India is theworld’s second-largest textile producer (after China), and is diversified and capable of producing awide variety of textiles. The spinning segment is fairly modernized and competitive, accounting for about 20 percent of world cotton yarn exports.

India’s textile and apparel industry benefits from a large pool of skilled workers and competent technical and managerial personnel. India’s labor is inexpensive; hourly labor costs in the textile and apparel industry average less than 5 percent of those in the U.S. textile and apparel industry.

Policies of the Government of India (GOI) favoring small firms have resulted in the establishment of a large number of small independent units in the spinning, weaving, and processing sectors. Sources in India claim that GOI policies have provided competitive advantages for the small independent units over the generally larger composite mills, discouraged investments in new manufacturing technologies, and limited large-scale manufacturing and the attendant benefits of economies of scale.

Sources in India also claim that because of the GOI policies, small units have significantly lower production costs than the composite mills, use low levels of technology, and produce mostly low value-added goods of low quality that are less competitive globally.

India’s textile industry depends heavily on domestically produced cotton. Almost two-thirds of domestic cotton production is rain fed, which results in wide weather-related fluctuations in cotton production. Moreover, the contamination level of Indian cotton is among the highest in the world. According to sources in India, the cotton ginning quality is poor, contributing to defective textile products.

India has high energy and capital costs, multiple taxation, and low productivity, all of which add to production costs. As a result, textile and apparel products from India are less

Growth Opportunities
India, with a population of 1 billion people, has a huge domestic market. India’s middle class, currently estimated at 200 million, is projected to expand to include nearly half the country’s total population by 2006. Based on purchasing power parity, India is the fourth-largest economy in the world, has the third-largest GDP in the continent of Asia, and is the second-largest economy among emerging nations. India is also one of the fastest growing economies of the world. Although the disposable income of the majority of the Indian population is low, as the Indian economy grows, more consumers will have greater discretionary income for clothing and other purchases after meeting their basic needs. India’s huge domestic market offers the prospect of significant growth opportunities in domestic textiles and apparel consumption, which is expected to result in increased trade and foreign investment, especially in certain product sectors. According to a 1999 study, the major growth areas for trade and foreign investment in India will be technical textiles (e.g., fabrics used in aerospace, marine, medical, civil engineering, and other industrial applications), home textiles, and apparel.

India’s home textiles market is dominated by the handloom and power loom sectors, which cater primarily to the low end of the market. The handloom sector is highly price competitive in terry towels and for home furnishings. The power loom sector is price competitive in bed sheets. The composite mill sector dominates the branded market, which is relatively small.

Demand for branded and quality home textiles has increased recently with increasing affluence among the Indian population. Opportunities exist for the introduction of quality branded products into this growing market.

India supplies 8 percent of the global demand for denim fabric. Per-capita denim consumption in India is estimated at 0.1 meter, about one-fifth of the global average. Domestic demand is expected to increase with the accelerated growth in the Indian economy and increased consumer spending on clothing. Capacity utilization of the Indian denim sector currently averages 50 to 60 percent. The deregulation of apparel production from the SSI sector under the NTP 2000 is expected to encourage large apparel firms to enter the Indian market, thereby spurring domestic demand for denim.

The Indian textile and apparel industry is diversified and has the capacity to provide a wide variety of textiles to meet different market needs. It has access to a large pool of skilled labor as well as trained and skilled technical and managerial personnel. Nevertheless, India's textile and apparel industry faces several structural problems. Foremost, the slow pace of modernization, particularly in the weaving, dyeing and finishing, and apparel sectors, have hampered the growth and competitiveness of the industry. Other structural problems include a restricted fabric base, dependence on cotton, limited product mix, low productivity, multiple and discriminatory tax policies, and high infrastructure costs. Import restraints and market access barriers have fostered industry inefficiency and limited growth.

Market capitalization

Table 1,India's Garment/ Apparel Market Size

INDIA'S APPAREL MARKET SIZE								
	2011 - 12		2012-13		2013 -14		2014-15	
	Volume ('000 units)	Value (Rs.Cr,)	Volume ('000 units)	Value (Rs.Cr,)	Volume ('000 units)	Value (Rs.Cr,)	Volume ('000 units)	Value (Rs.Cr,)
Mens Wear	1254370	23335	1297220	26090	1342140	29135	1393639	32590
Womens wear	1236880	19130	1300610	21730	1368310	24680	1443113	28375
Unisex Apparel	417810	4215	434340	5240	452020	5835	470978	6615
Kidswear	1139870	9950	1180290	10810	1222280	11745	1268933	13085
Uniforms	372960	4660	397210	5460	423020	6345	456862	7675
TOTAL	4421890	61290	4609670	69330	4807770	77740	5033524	88340

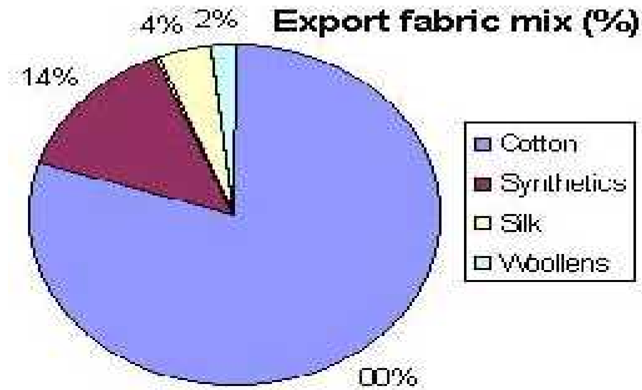
Source: www.Export Statistics.com

Today India is booming with fashion and lifestyle, with the organized retail trade growing at a rate of 30% per annum. The Indian apparel or Indian garment industry is pegged at more than 90,000 crores with nearly 13% growth per annum. The men's garment or clothing segment constitutes nearly 45 % of the total apparel market and growing at a constant rate each year. The share of organized branded segment in men's wear is fast increasing in the Indian apparel market.

Domestic and Export Share

Indian Garment Sector earns high export revenue, it has witnessed substantial profit accruing to retailers and Indian manufacturers are reflected in garment workers' wages. In 2004, Asian trade in the Garment Industry was to the tune of 138 billion US dollars. In Bangalore itself there are large retail chains from the US and Europe - like GAP, Walmart, Tommy Hilfiger and JC Penny - have outsourced orders to large factories to the tune of 269.6 million US dollars in 2005.

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738



In 2006, India's textile industry (including garments) contributed 14% to industrial production, 4% to GDP, and 17% to export revenues which directly employed 35 million people including women and backward classes. Apparel exports totaled Rs 50,479 crore in 2009-10 compared to Rs 50,293 crore in 2008-09. But in dollar terms, all months of 2009-10 except July, August and November showed a painful downslide.

The Profile of Tirupur

Tirupur an obsure town in Coimbatore District has been placed in the knitwear map of global apart from catering to the whole India. The success story of Tirupur can be mainly attributed to the entrepreneurial skills of the people coupled with hard work, commitment to the job. Tirupur can take its own pride that within a matter of two decades the export has grownup by leaps and bounds, from less than Rs.10 Crores in 1984 to Rs.11,000 Crores in 2006-07. However, due to appreciation of rupee against dollar in 2007-08 export has declined by 10% and registered Rs.9,950/-. As far as Tirupur exporters are concerned true to their spirit and entrepreneurship, they have taken lot of effort to cut down the cost and sustain in the global market and aiming to reach 4 billion by 2010. During the year 2008-09, due to financial crisis in US and EU market, the exports for half yearly period declined to Rs.5,050 crores compared to Rs.5,350 crores recorded in the corresponding period of 2007-08.

Chronological growth of Tirupur

The first knitwear unit in Tirupur was set up in 1925 and the growth of the industry was slow till late 1930s. A series of strikes in late 1930s in knitting factories in the neighbouring towns of Salem and Madurai resulted in the opening of new firms in Tirupur. Subsequently, it emerged as the prominent centre for knitwear in South India by 1940s. In 1942, 34 units were engaged in the production of knitwear all these units were composite mills and the production was carried out in the same unit (sic). There are also references to some units performing specific tasks / operations like bleaching and dyeing, located in the larger units. By 1961, the number of units rose to 230 and till early 1970s, the industry catered only to the domestic market. These units were mostly composite mills without any subcontracting system of production. It was in the 1980s, the export market began to expand and subsequently Tirupur emerged as the largest exporter of cotton knitwear from the country, accounting for roughly 80 percent of the total cotton knitwear exporters.

Commencement of Exports

Tirupur’s direct exports started with Italy. Verona, a garment importer from Italy came to Tirupur in 1978 through Mumbai exporters to buy white T-shirts. A lot of job workers were manufacturing garments for merchant exporters. He realised the potential and came to Tirupur the following year. Verona was the man who brought European business to Tirupur. On seeing the quality, others soon followed suit. In 1981 European retail chain C&A came. Gradually, other stores approached the exporters.

A handful of manufactures exported garments worth Rs. 15 crore in 1985. The next couple of year was a windfall for Tirupur as exports touched Rs.300 crore in 1990.

Capacity of Units in Various Operations

Tirupur is known for the cluster activity and mostly each activity of garment making is being carried out be outside units say. Knitting units, Dyeing & Bleaching Units, Fabric Printing, Garmenting, Embroidery, Compacting and Calendaring and other ancillary units. The following table shows the position of Tirupur units.

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

Table 2 ,Capacity of Units in Various Operations

Operations	Number of Units
Knitting Units	1500
Dyeing and Bleaching	700
Fabric Printing	500
Garment Making	2500
Embroidery	250
Other Ancillary Units	500
Compacting and Calendaring	300
Total	6250

Source: Report of Tirupur Exporters' Association

Role of TEA in development of exports and Tirupur

Tirupur Exporters' Association popularly known as TEA was set up in the year 1990 under the leadership of Shri. A. Sakthivel. His dream is always to make Tirupur a vibrant knitwear cluster under Global outsourcing for everything in knitwear. Currently TEA has 668 knitwear exporters as members and doing yeoman service to the exporters.

In 1990, when TEA was formed Sakthivel has a vision for the knitwear industry – a billion $ exports in 1995, and achieved it by pursuing the goal with a missionary zeal, taking everyday in his fold. He was the first south Indian to become the member in Apparel Export Promotion Council (AEPC) in 1984 and become the Chairman of AEPC in 1998 and for the second time in 2004. He has been elected as President of Federation of Indian Export Organisations (FIEO), New Delhi for the period 2009-2011.

Tirupur Exports from a meager Rs. 10 crores in 1985 to Rs.5000 crores in 2003, and Rs.11,000 Crores in 2006-07 is a performance that has no parallel anywhere in the world.

Need for the Study

Today, the textile segment is aware of the running trends, and demand the newest in fashion and products at a reasonable cost. At the front position of this evolution are the smaller players, which private labels that are thoroughly transforming the dressing way of men, women and children. With the supply chain limitations eased, organization in real estate markets, and rationale tax structure, the readymade garment segment has become more lucrative and it is anticipated that the readymade garment segment will be the main segment in the next five years. Particularly, the export sector takes a vital role to increase India's share in the world market. It is expected that India will reach utmost destination in the world market in respect of ready made garment sector.

Statement of the Problem

Exporting is the most encouraged sector in the LPG era and India's balance of payment position becomes safer due to the export promotion after the 1990s. The ready made garment industry especially Tirupur is one of the Exprot Promotion Zones of India and the area has a lot of industrial clusters. All types of manufacturing units i.e, micro, small, medium and large scale industrial units are running in this area. More concessions and export promotion measures have been announced and implanted by the government to promote the exports form this area. The area has all sorts of infrastructural facilities . To what extent the facilties are used by the export units in the area? In what way the readymade garment export units are benefited or not benefited? These are the questions to be answered. These are the research problem of the present work.

Objectives of the Study

1. To know the marketing practices of the textile units of Tiruppur district due to the entry of FDI in this sector
2. To measure the levels of awareness and satisfaction towards the incentives and subsidies for the export of ready made garments

Research Methodology

The present survey is a descriptive study because it tries to narrate the problems involved in the FDI in the exporting business in the field of textile business of Tirupur, Tamil Nadu.

Secondary data related to the export business of India have been collected from web sites and various study reports and they were shown in the initial chapters. The primary data have been collected from the selected textile firms in Tirupur.

As per the records of the District Industries Centre, Tirupur, there are 6,892 Micro, Small and Medium units -, functioning in Tirupur district. Among them, 4,269 units are export units as per the records of Tirupur Exporters' Association. This is the population of the study. As the size of the population of the study is very large, 200 sample firms from the Micro, Samll and Medium sector are selected for this study as per the convenient sampling method.

A well defined questionnaire was prepared and pre tested accordingly. Necessary modifications were made in it to collect the data from the sample exporting firms.

The primary data were classified and tabulated properly and then they were analysed with the help of percentages.

Analysis of Data
Securing the Orders from Foreign Countries

Table No.3 ,Mode of Canvassing for Foreign Orders

Sl.No.	Mode of Canvassing for Foreign Orders	No. of Exporting Firms	Percentage
1.	By advertisements	28	24
2.	Through on line	39	19.5
3.	Through foreign agencies/ epresentatives	45	24.5
4.	By middlemen	88	44
	Total	**200**	**100**

Source: Primary Data

In respect of the mode of canvassing the foreign orders, majority of the firms (44 %) secure the orders by approaching the existing middlemen in the distribution channel. It is an easy one to the firms because the middlemen are in touch with eh firms as well as the foreign buyers. 24.5 % of the firms follow a traditional way of approach that they canvass the orders through the foreign agencies and representatives. Many foreign agencies and individual representatives are functioning to collect the foreign orders in the line of business. 19.5 % of the firms make their canvassing by means of one line and it is a wider practice adapting the modern means of communication. 24 % of the firms depend on the media advertisement for canvassing for the foreign orders.

Table No. 4,Major Source of the Foreign Orders

Sl.No.	Major Source of the Foreign Orders	No. of Exporting Firms	Percentage
1.	Direct orders from the buyers	47	23.5
2.	Association of exporters	10	5
3.	Government agencies	38	19
4.	Middlemen	105	52.5
	Total	**200**	**100**

Source: Primary Data

Major source of the foreign orders comes form the middlemen and the majority of the firms (52.5 %) depend on this source. The direct orders from the foreign buyers (institutional buyers and individual buyers) come next. Next, the orders given by the government agencies like the NSIC, KVIC etc. take next part to the 19 % firms. The exporters' association plays very little in this regard.

Table No.5,Purpose of finance after Getting the Foreign Orders

Sl.No.	Purpose of finance	No. of Exporting Firms	Percentage
1.	Procurement of Raw materials	120	60
2.	Labour charges	42	21
3.	Operating expenses	48	24
	Total	**200**	**100**

Source: Primary Data

After getting the foreign orders, majority of the firms (60%) are in need of money for procurement of raw materials. This requirement arises heavily because this takes a major share in the manufacturing expenses. 24 % firms need finance for the purpose of operating expenses. Labour charges are the purpose to 21 % of the firms and this commitment can not be postponed.

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

Table No.6,Most Attractive Factor in Respect of the Foreign Orders

Sl.No.	Most Attractive Factor in Respect of the Foreign Orders	No. of Exporting Firms	Percentage
1.	High profit	80	40
2.	Quick disposal of stock	23	11.5
3.	Immediate receipt of money	20	10
4.	Incentives / subsidies	77	38.5
	Total	**200**	**100**

Source: Primary Data

40 % of the exporting firms earn higher amount of profit from the exporting orders and this is the most attractive factor to them. 38.5% of the export firms enjoy the benefit in the forms of government incentives towards the exports and this is the considerable part of the financial assistance to them. Quick disposal of the stock is the facto to the 11.5 % of the firms because in the case of foreign orders, they are bulk orders so that the firms can easily dispose of the stock immediately. 10 % firms get the benefit in the form of quick receipt of amount from the buyers.

Table No. 7 ,Level of Awareness towards FDI

Sl.No.	Level of Awareness towards the FDI	No. of Exporting Firms	Percentage
1.	Fully aware	120	60
2.	Sufficiently aware	56	28
3.	Less aware	24	12
4.	No awareness	00	00
	Total	**200**	**100**

Source: Primary Data

In respect of awareness towards the incentives and subsidies to exports, it is notable that all the firms have known them. 60% of the firms have full awareness: 28 % firms are of sufficiently aware . Less aware group is of 12 %.

Level of satisfaction

Out of the 200 firms, only 120 firms have availed the incentives and export subsidies. The level of satisfaction towards the 80 incentives and export subsidies is studied with the help of 5 point scale here.

Table No.8,Level of satisfaction on the incentives/subsidies due to FDI (only for the firms which have availed the incentives / subsidies)

Sl.No.	Level of satisfaction on the incentives/subsidies	No. of Exporting Firms	Percentage
1.	Highly satisfied	46	38.33
2.	satisfied	40	33.33
3.	Neutral	10	8.33
4.	Dissatisfied	10	8.33
5.	Highly Dissatisfied	14	11.67
	Total	120	**100**

Source: Primary Data

In the issue of level of satisfaction towards the incentives and export subsidies, majority firms (38.33 %) are of highly satisfied group and 33.33 % are of satisfied group. So, the overall majority group has contentedness in this regard. The dissatisfied group has two divisions (dissatisfied – 8.33 % and highly dissatisfied – 11.67 %). This shows that they expect more from the government.

Findings

- In respect of the mode of canvassing the foreign orders, majority of the firms (44 %) secure the orders by approaching the existing middlemen in the distribution channel. Many foreign agencies and individual representatives are functioning to collect the foreign orders in the line of business. 19.5 % of the firms make their canvassing by means of one line and it is a wider practice adapting the modern means of communication. 24 % of the firms depend on the media advertisement for canvassing for the foreign orders.
- Major source of the foreign orders comes from the middlemen and the majority of the firms (52.5 %) depend on this source. The direct orders from the foreign buyers (institutional buyers and individual buyers) come next.

- After getting the foreign orders, majority of the firms (60%) are in need of money for procurement of raw materials. This requirement arises heavily because this takes a major share in the manufacturing expenses.
- 40 % of the exporting firms earn higher amount of profit from the exporting orders and this is the most attractive factor to them. 38.5% of the export firms enjoy the benefit in the forms of government incentives towards the exports and this is the considerable part of the financial assistance to them.
- In respect of awareness towards the incentives and subsidies to exports, it is notable that all the firms have known them. 60% of the firms have full awareness: 28 % firms are of sufficiently aware . Less aware group is of 12 %.
- In the issue of level of satisfaction towards the incentives and export subsidies, majority firms (38.33 %) are of highly satisfied group and 33.33 % are of satisfied group. So, the overall majority group has contentedness in this regard.

Conclusion

The present research work identifies the problems in every nook and corner of exporting the textile units. Particularly, receipt of foreign orders directly from the parties, bank finance, availing the incentives/ subsides and heavy operating expenses are the immediate problems to the export firms. So, it is concluded that the micro, small and medium firms, engaged in export of readymade garments in Tirupur should be given adequate supporting measures by the government as early as possible. The textile exporting firms in Tirupur are functioning well but at the same time they have some grievances in respect of incentives/subsidies.

References

1. Annual Reports of Tirupur Exporters' Association, 2012-13 and 14-15.
2. Lakshman, W.D. (1994), 'Garments as the Lead Industry: The Way Ahead', Pravada, May/June issue.
3. London: Financial Times Pitman Publishing Management, Vol. 34 No. 5, pp. 388-96.
4. McKinsey Report (2004), 'India will be next big Winner after China', as quoted in www.emergingtextiles.com website of 30 March.
5. UNIDO (2000), Master Plan Study for Industrialization and Investment Promotion in the Democratic Socialist Republic of Sri Lanka (Phase II), Appendix-II, Apparel and Leather Industry, UNIDO.
6. "Time to foster competitiveness" by Anil. K. Kanungo Business Standard, Faculty, Indian Institute of Foreign Trade, New Delhi.