

Problems and prospects of small scale spinning in Coimbatore district

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Abstract

Coimbatore, the hub of textile spinning and weaving mills is known as Manchester of South India. Coimbatore district houses a large number of small, medium and large textile mills. Family business, investment potential and experience of promoters in the textile sector are the most influencing factors to set up small scale spinning mills in the district. Spinning is the conversion of fibers into yarn. Spinning is the foundation process and all the subsequent value additions i.e., weaving, knitting, processing, garments and made-ups depend upon it. A substantial part of the capacity of the spinning mills in and around the city, which manufacture yarn, remains idle. Small scale spinning industry is facing both short-term and long-term problems. Former includes problems of fluctuating prices and shortage of raw materials, liquidity problems due to poor sales and accumulation of huge stocks due to deprived demand in the market. The long term problems of the small scale spinning industry include the slow pace of modernization, outdated technology resulting into low productivity, high cost of production, low profitability and increasing sickness of mills. The study has been contemplated to make a critical appraisal of the industry in terms of selected functional perspectives such as raw material, production, finance, marketing, and personnel issues so as to reveal the current status of the small scale spinning mills in the district and to offer suggestions towards improving the status of the industry. To meet the global competition technological developments are aimed with regard to raising productivity, improving quality and control, making manufacturing more environmental friendly to develop innovative products. Government policies and availability of incentive package comprising investment incentives, fiscal incentives, availability of export finance, skilled labour and moderate demand growth are reviewed to strengthen the spinning mills.

Keywords: availability of cotton, quality of yarn, labour problem, marketing and price of yarn

Introduction

Coimbatore, the hub of textile spinning and weaving mills is known as Manchester of South India. The growing knitwear exports from nearby town Tirupur and home textiles exports from Karur and handlooms from Erode has contributed to tremendous growth and demand for spinning and weaving mills in and around Coimbatore. The forward integration was an attractive proposition for the wealthy agriculturists of Coimbatore and the textile industry flourished. Coimbatore district houses a large number of small, medium and large textile mills. Family business, investment potential and experience of promoters in the textile sector are the most influencing factors to set up small scale spinning mills in the district. According to South India Spinners Association (SISPA), there were totally 207 small scale spinning mills registered in Coimbatore district with the capacity of 12, 86, 311 spindles and 14,592 rotors. Yarns are supplied to local market as well as exported to other countries. Coimbatore yarns are famous for yarn quality and pricing.

The textile industry in Coimbatore, which accounts for a predominant part of the industry in southern India, is now facing a crisis. Spinning is the conversion of fibers into yarn. Spinning is the foundation process and all the subsequent value additions i.e., weaving, knitting, processing, garments and made-ups depend upon it. Any variation in quality of spinning product directly affects the entire value chain. A substantial part of the capacity of the spinning mills in and around the city, which manufacture yarn, remains idle. Thousands of mill workers have not received their wages for months. They face the even more serious prospect of losing their jobs as the danger of several units closing down in the immediate future

appears to be real. Industry sources say that over the past three years the crisis has deepened and spread to almost all segments. Moreover, many mills are in danger of defaulting on the repayment of term loans from banks and financial institutions. Mill owners complain that matters have been made worse by the mismatch between cotton and yarn prices and by the 15 per cent increase in power charges, which was effected in Tamil Nadu. The recessions in the domestic and overseas markets have magnified the problem of excess capacity. SIMA cites studies conducted by SITRA which indicate that about 40 per cent of the ring frames in the spinning industry are at least 20 years old and an additional 25 per cent are more than 25 years old. The downturn in the machinery sector has, in turn, hit the foundries in Coimbatore, many of which have been traditional suppliers of spare parts for textile machinery.

Statement of the problem

The environment for organizations may become more uncertain in the 21st century. Small scale spinning industry in Coimbatore district is facing both short-term and long-term problems. Former includes problems of fluctuating prices and shortage of raw materials, liquidity problems due to poor sales and accumulation of huge stocks due to deprived demand in the market. The long term problems of the small scale spinning industry include the slow pace of modernization, outdated technology resulting into low productivity, high cost of production, low profitability and increasing sickness of mills. The study has been contemplated to make a critical appraisal of the industry in terms of selected functional perspectives such as raw material, production, finance, marketing, and personnel issues so as to reveal the current status of the small scale

spinning mills in the district and to offer suggestions towards improving the status of the industry.

Objectives of the study

1. To present the historical perspective of spinning mills in India, Tamilnadu and Coimbatore district.
2. To analyze the functional aspects of small scale spinning mills in Coimbatore district.
3. To assess the problems and prospects associated with the small scale spinning mills in Coimbatore district.
4. To determine the impact of selected variables on the growth of small scale spinning mills in Coimbatore district.
5. To offer suitable suggestions for the betterment of small scale spinning mills in Coimbatore district.

Research methodology

Coimbatore district has been purposely selected for the study. The study attempts to describe the problems and prospects of small scale spinning mills in Coimbatore district. Out of total 207 small scale spinning mills registered with South India Spinners Association (SISPA), a random sample of 160 small scale spinning mills were selected for the study. Both primary as well as secondary data have been used for the study. Primary data were collected from the sample units (i.e., promoters of selected small scale spinning mills), using well structured questionnaire. The secondary data were also collected from office of the Textiles Commissioner, South India Spinners Association (SISPA), South India Mills Association (SIMA), South Indian Textile Research Association (SITRA), Powerloom Development and Export Promotion Council (PDEXCIL), experts, banks and other financial organizations connected with the industry. In addition to this, relevant data has also been collected from various magazines, books, journals, newspaper etc.

Review of literature

It consists of reports submitted by various committees appointed by Government of India from time to time; articles and technical papers published in the journals and unpublished doctoral dissertations in the related area. Gokhale (1992) [1] has stated in his article that the important factor that affects material productivity is the quality of cotton that is used to

produce a particular kind of yarn or cloth. The material productivity is influenced by a number of factors such as quality of material used, type of technology used, level of maintenance and life of machinery, count produced and the like. Salhotra (1992) [2] has reviewed that the new spinning technologies such as rotor, air jet and friction spinning have tremendous potential for higher productivity. However, at present these technologies not only suffer from the problem of imparting some undesirable properties to the fabric but also have limited applicability due to the restricted choice of fibres and counts which can be successfully spun on them. Sabhoo (1993) [3] in his research work “problems and prospects of textile industry” has enlightened the productivity of large and small scale textile units in terms of employment of workers in Malegaon. The study identified some factors such as interrupted power supply and high cost of power supply, identifying the appropriate technology for up-gradation, use of computerized and electronic gadgets and equipments, research and development activities in developed countries masquerade threats to the industry. Amsamani and Aishwarya (2008) [4] have pointed out in their article that Coimbatore is one of the fastest growing cities in India and is very famous for its entrepreneurial skills. The authors visibly noted that Coimbatore contributes almost 20 percent of the country’s textile exports and caters to 36 percent of the domestic textile needs. Despite tough global competition, the city is emerging as a textile wonder with a major focus on newer technical textiles like medicine, agro-tech, sports-tech, geo-textiles etc.

Analysis and interpretation

The researcher has mainly concentrated on the analysis and interpretation of various problems faced by the small scale spinning mills and its prospects in Coimbatore district. Problems are identified after having a thorough discussion with the promoters of small scale spinning mills and various authorities of spinning mills associations. The problems are grouped into raw material, personnel, production, marketing and finance along with their assimilation with other related issues. The promoters of small scale spinning mills are asked to rate the problems according to the severity. The problems and prospects have been examined with the help of t test and analysis of variance.

Table 1: Problems and prospects of small scale spinning mills

Personal and organizational factors	Test applied	Financial problems	Raw Material Problems	Production problems	Marketing Problems	General Problems	Prospects
Nature of the family of the promoters	T-Test Results	p value (0.023) <0.05 Significant	p value (0.256) >0.05 Insignificant	p value (0.226) >0.05 Insignificant	p value (0.902) >0.05 Insignificant	p value (0.056) >0.05 Insignificant	p value (0.163) >0.05 Insignificant
Ownership of spinning mills		p value (0.766) >0.05 Insignificant	p value (0.101) >0.05 Insignificant	p value (0.186) >0.05 Insignificant	p value (0.027) <0.05 Significant	p value (0.935) >0.05 Insignificant	p value (0.701) >0.05 Insignificant
Nature of acquisition of spindles		p value (0.370) >0.05 Insignificant	p value (0.226) >0.05 Insignificant	p value (0.038) <0.05 Significant	p value (0.162) >0.05 Insignificant	p value (0.006) <0.05 Significant	p value (0.414) >0.05 Insignificant
Age of the promoters	ANOVA Test	p value (0.560) >0.05 Insignificant	p value (0.741) >0.05 Insignificant	p value (0.064) >0.05 Insignificant	p value (0.743) >0.05 Insignificant	p value (0.827) >0.05 Insignificant	p value (0.519) >0.05 Insignificant
Educational qualification of the promoters		p value (0.646) >0.05 Insignificant	p value (0.500) >0.05 Insignificant	p value (0.204) >0.05 Insignificant	p value (0.817) >0.05 Insignificant	p value (0.552) >0.05 Insignificant	p value (0.551) >0.05 Insignificant
Duration of spinning mills		p value (0.493) >0.05 Insignificant	p value (0.775) >0.05 Insignificant	p value (0.981) >0.05 Insignificant	p value (0.715) >0.05 Insignificant	p value (0.200) >0.05 Insignificant	p value (0.573) >0.05 Insignificant

Experience gained by the promoters before entering into business	p value (0.081) >0.05 Insignificant	p value (0.932) >0.05 Insignificant	p value (0.677) >0.05 Insignificant	p value (0.926) >0.05 Insignificant	p value (0.037) <0.05 Significant	p value (0.938) >0.05 Insignificant
Form of organization	p value (0.107) >0.05 Insignificant	p value (0.155) >0.05 Insignificant	p value (0.638) >0.05 Insignificant	p value (0.966) >0.05 Insignificant	p value (0.469) >0.05 Insignificant	p value (0.560) >0.05 Insignificant
Inheritance of spinning mills	p value (0.625) >0.05 Insignificant	p value (0.596) >0.05 Insignificant	p value (0.220) >0.05 Insignificant	p value (0.456) >0.05 Insignificant	p value (0.073) >0.05 Insignificant	p value (0.466) >0.05 Insignificant
No of spindles in operation	p value (0.738) >0.05 Insignificant	p value (0.526) >0.05 Insignificant	p value (0.009) <0.05 Significant	p value (0.060) >0.05 Insignificant	p value (0.070) >0.05 Insignificant	p value (0.569) >0.05 Insignificant

Source: Primary data

It is evident that there is no significant difference in the mean values of financial problems, raw material problems, production problems, marketing problems, general problems and prospects among the small scale spinning mills with the two groups of personal and organizational factors like nature of the family, organization of spinning mills and nature of acquisition of spindles except

- i) Financial problems and Nature of the family
- ii) Marketing problems and Organization of spinning mills
- iii) Production and General problems with Nature of acquisition of spindles by using t-test analysis.

Result of ANOVA concluded that there is no significant difference in the mean values of financial problems, raw material problems, production problems, marketing problems, general problems and prospects among small scale spinning mills with different personal and organizational factors like age of the promoters, educational qualification of the promoters, duration of spinning mills in operation, experience gained before entering into line of business, form of organization, inheritance of spinning mills and number of spindles in operation except.

- i) General problems and Experience gained by the promoters before entering into the business
- ii) Production problems and Number of spindles in operation.

Findings of the study

Problems of small scale spinning mills

Since Coimbatore and nearby Tirupur districts are well known for their weaving and knitting industries, small scale spinning mills are considered important in providing raw material to those industries. For the past fifteen years, the rainfall has been less in the district and many of those who were in the strong agriculture field shifted to the textile industry (powerloom or knitting or small scale spinning mills) as an alternative source of income. The spinning mills do not generate high profits due to the stiff competition from the composite mills and the absence of brand names for the spinning products.

Raw material problems: The study has found that 63.1% of the small scale spinning mills in the district use only cotton as raw material to produce yarn. And 55% of the small scale spinning mills purchase raw materials both within and outside India. Defects in quality of raw material, late and inadequate supply of raw material are the prime factors affecting yarn production in small scale spinning mills.

Financial problems: It is found that nearly 38% of the small scale spinning mills has invested `2 - `3 crores as initial capital and 40.6% of the small scale spinning mills generate 10-15%

profit margin on sales turnover. The study has further detected that inadequate working capital, over dues and bad debts caused in debt collection are the foremost financial shortcomings of the small scale spinning mills.

Personnel problems: Textile sector is facing huge shortage of manpower whereas unemployment exists in many parts of India. Most i.e., 41.9% of the small scales spinning mills have employed less than 30 workers. Further it has been observed that 48.7% of the small scales spinning mills face shortage of labour and 49.1% of the small scale spinning mills have high labour turnover due to expectation of high wages.

Production problems: The study has found that 46.8% of small scale spinning mills utilizes 81-90% of the production capacity. And 42.4% of the small scale spinning mills produces yarn 400-600 bags per month. Nearly 33.1% of the small scale spinning mills produces combed yarn for warp. Majority of the small scale spinning mills stated that lack of modernization is the prime production problem for producing yarn.

Marketing problems: It is observed that 40.0% of the small scale spinning mills sell their yarn through agencies and buying houses and 46.8% sells their products to market rate. It is to be noted that 38.1% of the small scale spinning mills sells their final product on credit basis and 26.9% of the small scale spinning mills has `50 lakhs to `60 lakhs sales turnover per month. The study has concluded that lack of professional marketing is the prime factor affecting the marketing of yarn in small scale spinning mills.

Prospects of small scale spinning mills

Various authorities in the industry have predicted that there is good scope for spinning industry by 2020. Policy formation, coordination and continuous monitoring taken by the government are considered as imperative factors for the prospect of small scale spinning mills in the district. Value added products have greater demand and there is a need to link small units with large sized units to reduce the marketing burden. Innovation of technology to improve overall efficiency of small scale spinning mills, and provision of quality control and testing facility to increase the competitiveness of the product are evenly significant factors for growth of spinning mills.

Suggestions

Based on the findings, the researcher has made some suggestions towards the betterment of the small scale spinning mills. Cotton price should be stabilized in the domestic market

throughout the year. It would be necessary to establish association or co-operative society in each spinning mill clusters for bulk purchase and distribution of cotton. Cotton import should be allowed with zero percent duty. Training schemes for workers and employees are an important element in increasing productivity and improving their ability. Incentives should be provided to the employees for better performance. The State government should focus on setting up dedicated express feeders for the supply of power to small scale spinning mills to prevent units from suffering unscheduled and untimely power cuts. The spinning mills need to expand its product range and should begin producing variety of yarn and higher value added items. Small scale spinning mills should concentrate on direct sale significantly so as to avoid commission and to improve profitability. To overcome deficiencies arising out of fragmentation and infrastructural disabilities, mega clusters must be setup. These clusters should provide world-class infrastructure facilities, quality of raw material, adequate power facilities, skilled labour and quality testing labs to become internationally competitive. Spindles with advanced technology utilize IT in many areas such as production monitoring, quality monitoring and control etc. Also the usage of Enterprise Resource Planning (ERP) helps the organization in many ways such as integrating financial information, customer order information, standardizing and speed up manufacturing processes, human resource information and to increase productivity and quality levels.

Conclusion

The small scale spinning mills in Coimbatore district should have to concentrate to produce exclusive range of yarns for which they are better equipped rather than commonly produced combed and carded yarn warp, which can economically be produced by composite sector. At present large demand for cotton yarn in the world market much of which is currently being supplied by major cotton producing countries. Government policies and availability of incentive package comprising investment incentives, fiscal incentives, availability of export finance, skilled labour and moderate demand growth are reviewed to strengthen the spinning mills. The small scale spinning mill sector should concentrate on adopting newer marketing strategy and in development of new products. The Central and State Governments shall have to make corrections in their fiscal and monetary policies for textile industry in general and spinning industry in particular.

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