

# Impact of Fickle behavior of US Dollar and International Recession on Textile Industry of Surat, Gujarat

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**Abstract – The city of Surat is considered as an art-silk Manchester of India. After Ahmedabad, it is second largest city of Gujarat state and is considered as a satellite town of Mumbai. The economy of the Surat city is highly reliant on the textile industry. This industry mainly operates in an unorganized way but provides employment to large mass and generates valuable FOREX for India. Due to the Fickle behavior of US dollar in Forex market and recession across the globe this textile has been affected to a great extent. The impacts of the global factors have positive and negative effect and the same has been studied in this research work.**

**Keywords: Business Environment, International Market, Textile, Fickle, Surat.**

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## 1. INTRODUCTION

The city of Surat is considered as a financial capital of Gujarat State of India. Surat is considered as a satellite town of Mumbai and all major manufacturing carried out in Surat and trading in Mumbai. Surat is one of the fastest developing metropolitan areas of the world and is 9<sup>th</sup> largest metropolitan city of India (Zanzmera, 2012). One of the important economic base of Surat city is textile industry (Mahadevia and Shah, 2010; Menning, 1998; Parveen, 2014). Majority of the population of the Surat is associated with the textile industry (Makvana, 2014; Zanzmera, 2012). Textile industry is one of the important backbones for the economic activities of the Surat city (Makvana, 2014; Zanzmera, 2012, Mehta, 2016; Patel, 2016). Due to the industrial nature of the city, majority of the labor force of textile industry comprises of migrant labors from Odisha, Andhra Pradesh, Maharashtra, Bihar and Uttar Pradesh (Hitesh, 2013; Zanzmera, 2012).

The textile industry is one of the driving forces for the industrial and economic growth of Surat city. This development of the city along with an urban sprawl in past three decades has created interest among the various professionals, such as sociologists, linguists, urban planner, advocates, foreign trade experts and the economists (Savani and Bhatt, 2016). Around 50% of the migrant people from within and outside Gujarat state has spread to 326.5 sq. km geographically on the bank of perpetual river Tapi (Agnihotri and Patel, 2008; Basak, 2015; Chauhan et al., 2013). In the matters of industrialization and economic development, Surat has relatively high position in the State and as well as in national economy (Chaudhry, 2002; Gandhi, 2005; Menning, 1997b; Purani, 2000).

The textile industry had taken its pace during the 1970-1996 and boomed in the man-made fiber industry (Mahadevia and Shah, 2010). Surat as a city draws its historical importance from the era of

Mahabharat (Gandhi, 2005) and Moghul period (Chaudhry, 2002), caught up with momentum of moving towards industrial growth unprecedented in its history (Parveen, 2014). It became a busy commercial center by the end of 19<sup>th</sup> century (Gandhi, 2005). In present time as well, it is one of the biggest small-scale industrial center of South Gujarat with a valuable contribution in FOREX earning for our nation (Brief Industrial Profile, Surat district, 2011).

It has been observed that, before the 1970s, the Surat City's economy was influenced by the jari and art-silk industries. The world famous Kancheevaram sarees of the south India used to get the real Jari made from gold and silver threads / linings from Surat (Gujarat Plus, 2011). Today, another variety of Jari, named as imitation jari, is used for the fabrics made of cotton, art-silk and polyester (Gujarat Plus, 2011; Mahadevia and Shah, 2010).

In fact, Surat was known for its Jari work on fabrics/brocades/laces, weaving, handloom and dyeing and printing. Surat was also famous for Kinkhab cloth since Moghul period, which had a good export market. Thus, the art of cloth weaving and tying and dyeing of fabrics are inborn among the local people and the task is inherited by the generations. A large section of the weaver mainly the Khatri community takes it as a way of life rather than a purely commercial proposition (Chaudhry, 2002; Gandhi, 2005; Parveen, 2014). Owing to man-made fiber based fabrics manufacturing and jari brocades manufacturing in Surat, cottage type MSME sector based units are more. Surat city has come up as one of the most developing industrial centers in the country (Chaudhry, 2002; Gandhi, 2005).

The rapid industrial growth of Surat depends upon decentralized small-scale household based industries, which are deploying Lacs of migrant workers (Chaudhary, 2002; Gandhi, 2005; Mahadevia and Shah, 2010). Productions of man-made fiber fabrics along with its ancillary units [such as dyeing and printing process house and texturizing] engage most of the people in the city (Hynes, 1997; Menning, 1997a). In recent times, Jari industry has lost its prime position and it employs around 45,000~50,000 workers only (Mahadevia and Shah, 2010). The new 'Export Policy' was introduced in 1954 has paved the way for prosperity of the city, and it led to the expansion of man-made fiber industry (Chaudhary, 2002; Gandhi, 2005), which has resulted in an initiation of movement towards the development of corporate professional practices in business to meet the global challenges mainly in the area of managing FOREX and brand (Gandhi, 2005). After the establishment of textile markets in Surat, the whole market of textile shifted from Mumbai to Surat (Chaudhary, 2002; Hynes, 1997; Menning, 1997a; Menning 1997b; Gandhi, 2005). Around 45% of the population is involved in the textile industry (Chaudhary, 2002; Gandhi, 2005; Mahadevia and Shah, 2010). Although this textile industry has

brought about an influx of wealth into the city, this by no means exempts Surat from the welfare and infrastructure problems that trouble most of India. Due to the support of state government and availability of cheap labors than Mumbai, the textile industry has been proliferated. The business of textile in Surat has played major role in the socio-economic development of the city (Mahadevia and Shah, 2010; Parveen, 2014; Vansadiya and Padhya, 2014). The development of textile industry in Surat has been disorganized due to the lack of governmental control and entrepreneurship approach for home based cottage type units (Mahadevia and Shah, 2010). Most of the units are either unlicensed or unregistered and operate from the home based cottage based clusters in central part of the Surat city (Engineer, 1994).

**National Contribution by Surat for textile** (Surat Municipal Corporation, 2016)

Business statistics of Surat revealed its national and global importance from following:

- 40 % of the nation's total man-made fabric production,
- 28 % of the nation's total man-made fiber production
- 18 % of the nation's total man-made fiber export, and
- 12 % of the nation's total fabric production.

The major industries, which are located in and around Surat, are Textile, Chemicals, Diamond, Jari, Fertilizers, Steel Plant, Pulp and Paper etc but mainly the business economy of Surat relies on its traditional businesses like, Textile and Diamond. However, traditional in nature but the textile industry provides employment to more than 20~25 Lacs people of the city directly or indirectly and generating valuable FOREX for our nations through exports of textile materials.

From the above discussions, it can be concluded that though unorganized nature of textile industry of Surat, it is one of the important industry for the present day socio-economic development of the city and generate valuable FOREX for the nation. Hence in this context it is essential to study the impact of various factors of international business environment.

## 2. RESEARCH METHODOLOGY

The present research is exploratory in nature and no attempt has been made to establish the relationship against different factors. Due to the exploratory research, formulation of hypotheses is not required & in the light the objectives of the study, certain questions which are specific in

nature will be investigated to understand the current problem in more detail. However, in view of pondering further details, a hypothesis of “*volatility in FOREX (mainly US \$) and recession in global markets and their impact on the local textile industry of Surat*” has been evaluated. Also in due course of research work, some of the questions were framed to test the sector and problem specific hypothesis. Hence, a comparative approach is proposed to be adopted. In this study, secondary data from various newspapers, magazines & journals have been collected.

### 2.1 Objectives of the Present Study

- i. To examine the present situation in the context of volatility in FOREX (mainly US \$) and global recession on the working conditions, financial rearrangements, and business performance of the local textile industry, i.e. to check the impact of the global economic factors on the local industry, its employers, employee and society at large.
- ii. To find out the limitations of this textile industry of Surat city in the context of international trade law, its management and implementations of effective measures.
- iii. To suggest policy measures and corrective action plan to educate the entrepreneurs so that they can cope up with the global / international factors, international trade mechanisms, international finance and international law with a view to preserve & protect the business interest of textile industry & avoids the problems to the labors and society.

### 2.2 Research Questions

1. Is the local textile industry of Surat is affected by volatility in FOREX market and global recession?
2. What are those international factors which affects the local units of Textile industry of Surat ?
3. Is this textile industry facing strategic problems in their current business?
4. What are the global business issues and prospects of this textile industry in Surat?
5. Whether or not this textile industry needs to plan against such volatility?

### 2.3 Aim of research study:

To understand the impact of volatility in FOREX and global recession on the local textile industry of Surat city and suggest suitable strategies to improve global trade.

### 2.4 Main Objectives:

1. To examine the impact of volatility in FOREX market (mainly US \$) and global recession on textile industry of Surat
2. To evaluate the export-import business performance of the textile industry and its implications on Surat city in the area of societal and economic impacts
3. To suggest a suitable measurement strategies to minimize the impact of such global environmental forces.

### 2.5 Selection of Industries

For the selection of the samples in textile industry, we have relied on the information obtained from apex nodal bodies. Accordingly a universe for this study has been identified containing 118 numbers of textile units which can be affected by the volatility in FOREX and global recession. Out of this universe, 15 % samples taken, comprises of 18 textile units. For better clarity to explore the study and evaluate the effect, they are further classified in small units, medium units and large units. So the samples comprises of 06 small units, 06 medium units and 06 large units.

Primary data has been collected through questionnaire, personal interview & discussion. The gathered data has been processed to develop information through various research tools.

## 3. DATA ANALYSIS, INFERENCES, AND DISCUSSIONS

The business system relies on four basic elements, such as social, economical, environmental and political (Makvana, 2014). Out of these elements, social and economical aspects are vital for the success of the business in the era of globalization. In this era of globalization, the economical aspects of business are influenced by foreign trade, volatility of currency and business opportunities across the globe. To get the idea of the “impact of FOREX volatility in US \$ value against Indian rupees and global recession on the performance of export – import business of local textile industry of Surat city, detailed survey supported through questionnaire was conducted and collected the data.

The collected data indicates that the around 66.67% of the companies are having working system in line of the foreign trade policies of government but awareness of foreign trade business and its legal regime among textile industrialist is lower and they needs support. The textile industry of Surat is facing competition from other nations such as Taiwan, Vietnam, Bangladesh and China. Because of the availability of large market in India, textile industrialist are little reluctant to push their business in global business; also the incentives given by the government for exports business are less in comparison to neighboring nations. Also the level of awareness and education for exports and participation in trade fair is low among textile industrialists.

Quality of finished goods played a major role in international trade business and in case of any legal disputes for quality of finished goods supplied by the suppliers, it proves very much useful. In case of textile industry, 61% of the companies are using third party certification for their products. This certification is obtained from MANmade Textile Research Association (MANTRA), Synthetic & Art Silk Mills' Research Association (SASMIRA) for the product quality. The certification is in terms of organic dyes usage (no azo dyes), fabrics warp-weft ratio, denier of filaments etc. During the survey, industrialists have informed that such certifications are vital tools for handling the trade related disputes. Also such certifications are a part of international sales contract executed between the sellers and buyers. Such certifications are very useful in matters of arbitration also. Based on such certification, they are able to get higher prices for their products which help to our nation for earning higher FOREX.

As per the process requirements, companies of textile sectors are importing their basic raw-materials. Some of the integrated units are importing all the raw-materials if they are in fiber to fashion business to meet their business requirements. For importing these raw-materials, these organizations have made trade agreements with the suppliers for the uninterrupted supply of them. Industrialist are buying these materials through banks as an intermediate agency and using either factoring or forfeiting. The buyers of these raw-materials are providing bank guarantee to the sellers. Around 44 % of the units are using factoring as options where as 22 % of the units are using forfeiting as an option. 33 % of the units are not using factoring or forfeiting as an option during the payment because they have very long relations with their suppliers and making payments after the receipt of the goods or they are buying from their business partners, such practice is mainly adopted for purchase of textile fabrics and materials, in such cases the fabrics is import by buyer for processing (dyeing and printing) and again they are supplying the same to them and getting the charges for the process.

Around 83% of the units are importing dyes and chemicals, mainly the azo dyes from China due to the lower cost. During the survey, it has been found that main reasons behind lower cost of production of azo dyes are weather conditions of China. The azo dyes units are located in areas where temperature is below zero degrees centigrade ( $0^{\circ}\text{C}$ ), because of this they have not to use ice or other chilling media in reactors. Due to this strategic advantage, Chinese suppliers are able to sell their products in Indian market at lower prices than the cost of production of Indian producers. Even after the anti-dumping duty and other taxes, the purchase prices of such azo dyes are very much lower than the products supplied by Indian manufacturers. The cost of production in India for azo dyes are higher because of conducting chemical reaction below  $0^{\circ}\text{C}$  and for the same, manufacturers have to use water chiller and supplying such water in a reactor. Here import of azo dyes from China is an example of economies of scale in production. Here in this case, economies of scale mean that production at a larger scale can be achieved at a lower cost (i.e. with economies or savings) due to the advantage of demographic / weather conditions for production.

Before the appreciation of US \$ value, the price differentiation between Chinese and Indian suppliers was a valid reason to have a trade (Ricardian, Heckscher-Ohlin) and was beneficial to Surat based textile units to produce the products at lower cost. Here the labor and capital were not the prime factors but the demographic conditions are the main reasons of producing product at lower cost. Before the appreciation of US \$ value, China was holding the greatest relative advantage in total factor productivity (TFP). During the survey, the importers had revealed that after the appreciation of US \$ value, the cost of import of azo dyes was almost equal to the price of the same materials available in local market. Hence to avoid the complexity of international trade, such as payments in US \$, filing of bill of entry, and clearance through customs house agent (CHA), textile manufacturers have switched to the local market for the purchase of azo dyes.

After the appreciation of US \$ value the base price of China made azo dyes increases in India and the Chinese suppliers had lost the advantage of TFP and the trade of consuming azo dyes in textile processing has followed the Heckscher-Ohlin model and established that both the countries possess the same production function in a given industry of azo dyes manufacturing.

61 % of the units are importing textile fabrics and materials mainly the knitted fabrics from China. This particular import is mainly driven by the labor and electricity charges as a factor of production. Compare to India, in china the cost of labor and electricity are very low, also the government of China provides support to the manufacturers in the form of subsidies. Here the Recardian model

followed in a perfect way. Even after the appreciation of US \$ value, the fabrics and materials supplied by China are lower than the cost of similar goods produced in India. In Surat, the cost of labor and charges of electricity are too high.

55 % of the units are importing texturized yarn and 39 % of the units are importing POY from Indonesian and Malaysian markets. The cost of both these yarn is lower than Indian manufacturer. The importers of such materials (fabrics and yarn) are importing these materials under duty free scheme of government of India. They are doing higher value addition work on these materials and then exporting the finished goods from India, hence government is allowing them to import these materials under exports promotion schemes.

Some of the manufacturers are importing chemicals, mainly PTA and MEG from overseas markets of south – east to produce POY, polyester chips etc. have also faced the problems similar to the case of azo dyes. Due to these appreciation of US \$ value, PTA and MEG produced from Indian manufacturer is available at competitive rates. After this appreciation of US \$ value, the yarn manufacturer have stopped the import and start the usage of local alternatives. Hence the cost of production of yarn increases. The price of yarn is a major factor for ultimate textile production in Surat market.

The collected data indicates that textile industry of Surat is importing raw-materials and plant & machinery from various developed countries of the world to meet their process requirements. The share of China is higher, mainly due to the import of dyes chemicals, rapier looms, water-jet looms and embroidery machines. Import from Korea is mainly for the advanced machinery of yarn sizing and dyeing and printing process for higher productivity and quality productions. Import from EU and USA is low mainly due to the higher prices of goods. Switzerland is supplying heavy duty embroidery machines to Surat textile industry. Import from Japan is mainly for the specific quality of Bemberg yarn (supplied by Asahi Kasei) for weaving process and import of advanced machinery for yarn sizing. Taiwan is another supplier of rapier looms and water-jet looms to Surat textile industry.

The collected data indicates that, around 78 % of the units of textile industry have said that their import of raw-materials reduced due to the appreciation of US \$. The major reason behind this is cost of production. Due to the higher cost of raw-materials, they are unable to produced goods with competitive rates. As there are options available to textile industry, they have changed their product mix and accordingly manage their production requirements.

Around 64 % of the textile units have said that their import is reduced by 20 % due to the appreciation of US \$. The textile industry got the cost competitive

supply from local market hence they switch over to that option due to the appreciation of US \$ against Indian rupees and start buying their raw-materials such as POY, knitted fabrics etc. from local market.

The data indicates that, around 72 % of the units of textile industry have said that their import of plant & machinery reduced due to the appreciation of US \$. The major reason behind this is higher cost of purchase. They switched over to local machinery suppliers such as Gujtex, Narayan and Rajdeep in case of textile industry. The machinery supplied by these local suppliers is at par with imported machinery and buying from them saves lots of FOREX for our nation. It can be said that around 30 % of the textile units have reduced their investments in imported plant & machinery up to 25%. Also 30 % of textile units have reduced their investments in imported plant & machinery in a range of around 25 ~ 40%. There are 23 % of textile units who have reduced their investments in imported plant & machinery in a range of 50 ~ 70 %. The switch over option of using local technology in manufacturing process is a mainly due to the availability of international technology in local market from local suppliers (Desai and Keller, 2002).

Below chart indicates that 78% of textile units have started buying their machinery from local market to meet their production requirements, they are buying from Surat (50%), Ahmedabad (61%), Mumbai (11%), Rajkot (17%), South India (50%) and from other places (39%). The chart indicates that due to the presence of textile industry across India, the machinery suppliers are located in and around major metros of India. Due to the presence of textile industry in Madurai and Coimbatour, South Indian states have major machinery suppliers.

The collected data indicates that 54 % of the textile units are having an exports share of around 10 % in their business turnover, indicates that the industry is struggling to establish its identity in global market. In other words, the textile industry of Surat is highly focused on local trade and not on foreign trade. The government must provide incentives to local industry to boost up exports from Surat. 31 % of the textile units are having a share of 20 ~ 40% for exports in their business turnover. These are the units who are involved in exports of value added garments, textile materials and made ups articles from Surat. 15 % of the textile units are having a share of 40 ~ 60% for exports in their business turnover. These are the units who are involved in fiber to fashion concept and because of the same they are able to make exports at competitive rates in the market. Due to processing of entire textile chain under one roof their cost of production is at par with Chinese, Taiwanese and Bangladeshi Suppliers and they are able to compete in international market of EU, middle-east and USA. Our government must have to encourage

such type of units to develop exports from our nation.

The data indicates that 33 % of the textile units have reduced their production due to the appreciation in value of US \$. This reduction in production is mainly due to the increment of prices of raw-materials in the international market and because of the same their manufacturing cost increases but they are not getting that price increment benefits for their products in international market and because of the same they forced to reduce their production level. 67 % of the units have revealed that their payment cycle has been affected due to the appreciation in US \$. The said appreciation of US \$ has made an impact on currencies of other nations located in EU, middle-east and far-east. The exporters of Surat are exporting their products to these nations and because of the same; their payment cycle is affected, mainly due to the higher exchange rates.

The collected data indicates that, 16.67 % of the units have experienced extension of credit period by 30 days; out of the affected units, 41.67 % of the units have revealed that, their credit period extended by 30 ~ 60 days; 33 % of the units have revealed that, their credit period extended by 60 ~ 90 days; and 16.67 % of the units have revealed that, their credit period extended by more than 90 days is mainly due to US \$ value appreciation and global recession. The units which are facing a problem of more than 90 days of credit period are integrated units where entire manufacturing chain or all process under one roof carried out.

The collected data indicates that due to the appreciation of US \$, 78% of the units are facing an issue of payments to be made to their suppliers. This is mainly due to the payment is being made in US \$ in international market and due to the appreciation of value of US \$, they have to pay more Indian rupees. In short run they are facing this payment of higher rupees due to no hedging made by them to safeguard their payables. Around 67 % of the units are having a system to hedge their payments against the volatility in currency. Even though the units have adopted a strategy to hedge their payments against the US \$ but they fail to exercise proper rates due to the lack of knowledge of international trade. Because of this improper hedging, the cost of their payments has been increased and their over all return on investment is reduced.

Around 63 % of the units have changed their product mix due to the appreciation of US \$. This is mainly due to the reduction in return on investment on capital employed. They switched over to other products and started exploring new customers in international markets. In view of maintaining the production cycle and over all profitability of the units, the manufacturers have altered their product mix. Some of the textile units have shifted some portion of their production base from art silk and polyester to cotton and blended fabrics. Around 61 % of the owners of the units have fair ideas of managing the

FOREX. But in recent time they also fail to exercise proper hedging for their receivables and payables.

Due to the recession in EU, USA and other nations, 61 % of the units have experienced a change in their customer base due to the recession in nations where they were doing business. During the discussion, positive aspects crystallized on the surfaces which has revealed the units owners are considering this recession as a learning opportunity for them to explore new markets. Due to the recession, in initial period they had faced a problem of dead stock development of the finished goods. After this recession, textile owners had approached the Southern Gujarat Chambers of Commerce and Industry (SGCCI) to help out to explore in other markets. With the help of SGCCI, they have participated in various trade fairs and road shows and based on the same they got the success to explore new markets. In view of the recession, the owners of the units have explored new markets of Latin American Nations (28%), African Nations (17 %), middle – east (33%), far – east (11 %) and Australia & New Zealand (11%). Major exports to Latin American Nations from textile units of Surat are partially oriented yarn (POY) and polyester texturized yarn; major buyers are from Brazil, Argentina and Chile. Exports to African Nations are mainly comprises of made ups and textile articles. During the discussions, it has been found that in Sub-Saharan nations and other under developed countries of Africa, there is a higher demand for such materials. However, the biggest opportunities grab by Surat based textile exporters during this recession period is of exploring the market of middle – east for textile materials, articles, dress materials and made ups. These particular exports are mainly diverted to Pakistan; Dubai and Abu Dhabi are acting as a buffer place to stock the goods. From this middle – east the final products of textiles of Surat are exported to Pakistan. Here the interventions of central government is needed to provide a channel for direct exports of textile goods to Pakistan, so that, entrepreneurs of Surat can earn more by direct selling. Also, the textile units have considered the potential of far – east and Australia – NZ as newly emerging markets for the products of Surat.

From the above chart, it can be said that in view of the recession the owners of the units have reduced their manpower by 44 % around. This step has been taken in view of managing the cost of production with an aim to supply the products at competitive rates in the market, 62 % of the units have reduced their man-power up to 25 % of their strength, 25% of the units have reduced the manpower in a range of 25 ~ 50% and 12.5 % of the units have reduced the strength of employees in a range of 50 ~ 75%.

Apart from recession, another reason for reduction of manpower in these units are implementation of modern machinery in units, these machinery are

procured from local and international market for the meeting the process requirements. Implementation and using of modern machinery in manufacturing process is one of the step initiated by the owners to reduce the cost of production and improving the quality of finished products in long run.

From the below chart, it can be said that to cope up with the recession and appreciation of US \$ value against Indian rupees, the owners of local textile industry have initiated certain steps, such as reduction in wage rates (55 %), using alternatives materials in process by textile units (51.85%), providing employment to women (37 %) in areas where less physical work demanded in manufacturing process, recruitment of fresh candidates (37 %) and out sourcing of the part of manufacturing process (26%). During the survey, it has been found that management of the units have convinced their workforce through a series of meeting for reduction in wage rates in view of the recession and appreciation of US \$ rate. Also they have informed to their staff about the exploration of new markets by them and once those markets will be fully utilized, they will restore their wage rates and difference of deduction will be given. The option of using alternative materials is only executed by textile industry because there is no other alternative to natural rough diamonds. Textile units have started using some of the dyes intermediates in their process of fabrics dyeing and stop using dyes with an aim to reduce the cost of production, because the price of dyes intermediates are lower than dyes in the market. To execute this option, they have modified the process parameters in their unit. 28 % of the textile units have started providing employment to women. The level of employment to female is lower in textile industry but a movement started for considering them as a source of valuable labor force. During the survey it has been found that the women who are getting an employment belong to LIG groups and working with an aim to contribute to their family in terms of financial requirements. So this step of women employment is a big step in the direction of social engineering. During the survey, when the reason for this lower employment to women was asked to owners, they have revealed that the workers are exposed to a hazardous process (in dyeing and printing units and in weaving units), heavy duty machinery and other rotating machinery. In the context of cloth style of women, prevailing rules of factories act and risk of accidents, they are not employing women in a manufacturing process. However women are employed in packing and housekeeping department of the unit. So compare to diamond unit, in a same city, in different industry, rate of employing women is not encouraging.

22 % of the textile units have started recruiting fresh candidates and with the help of HRD practices, they have started imparting technical and behavioral training to them to meet their requirements. Due to the involvement with hazardous processes in textile

units, people are little reluctant to join. Around 11 % of the textile units have outsourced some part of their manufacturing process with an aim to reduce the cost of production; however they faced difficulties to outsource a part of textile manufacturing process. The textile units which have outsourced their process are mainly embroidery work and weaving process.

44 % of the units of local industries have faced a problem of increment in raw-materials expenses by 10 %; 37 % of the units have said that their expenses for raw-materials increased by 10 ~ 30 %; where as 15 % of the units have said that their expenses increased by 30 ~ 50 %. This particular variation in raw-materials expenses are mainly due to the types of goods processed by them. To mitigate this problem of increment in prices of raw-materials, the owners have shifted their preference to local available materials as explained above and also change their product mix and cater to the new market.

There is no differentiation in wage scale between male and female employees in 25% of the textile units however a differentiation in wage scale was observed in 75% of the units. This differentiation in wage scale is mainly due to the type of work done by the female staff in cleaning, sweeping etc. It has been found that, male labors who are also involved in cleaning and sweeping work are also performing a duty of clothes loading and unloading. This work of loading and unloading of fabrics / clothes from vehicle requires certain physical strength and because of the same higher wage is being paid to them. However, the duty time are same and has no variation like diamond industry. The textile market is fully competitive and prices of rates for fabrics processing are not fixed by any agencies because, the unit who is able to process fabrics with better quality is able to demand higher charges and businessmen of textile market are ready to pay for the same. Main reason behind willingness to pay higher charges is demand for such clothes in the market and end users are also willing to pay higher charges for such sarees, dress materials and textile articles.

33 % of the units of local industries have faced a problem of increment in maintenance expenses by 10 %; 52 % of the units have said that their expenses for maintenance increased by 10 ~ 30 %; where as 15 % of the units have said that their expenses increased by 30 ~ 50 %. This particular variation in maintenance is mainly due to the type of technology used by the units. It has been found that the units which are small in size (in terms of no. of employees) but are able to produce more due to usage of latest technology machines. Higher level of production derived from computerized digital printing machine is one of the reasons for higher level of productivity. The variation in maintenance expenses is mainly due to the type of advance machinery involvement in higher quality

production. For maintenance expenditure, the units which are using modern machinery have a lower maintenance expenses. This is mainly due to the recent installation of new machinery in those units and because of that, very low wear and tear, hence lower maintenance expenses; where as the units which are using older plant & machinery have a higher rate of wear and tear and higher maintenance expenses. The cost of water is mainly related to the water consumption in unit for fabrics washing, steam production and cleaning.

Around 59 % of the units are getting the support from the bank officials for hedging of their payments and receivables. Also they have informed that due to the uncertainty prevailing in the FOREX market, they some times failed to get the actual benefit of hedging. Also they have informed that bank officials are providing guidance through seminars and conferences for the FORX market on periodic basis. The banks / financial institutions have reduced the cash credit facilities of around 67 % of the units of the local industries due to the appreciation in US \$ and recession in global market. The main reason behind reduction of this cash credit is foreign exchange; the cash credit limit sanction by banks are in Indian rupees and payments made by them is in US \$ terms. Because of the appreciation of US \$, buying capacity of the units reduced, which has ultimately reduced the flow of raw-materials for production. Also due to the appreciation, credit period, i.e. period for receivable increased. Because of this, the financial institutions have reduced the credit facilities to units.

Collected data indicates that 85 % of the units are seeking government support for their foreign trade business. Above chart indicates that 100 % of the units would like to have subsidies from state and central government for the exports made by them. 78 % of the units are seeking support from banks / financial institutions for cash credit facilities and loans for new projects and purchase of plant and machinery; 83 % of the units are seeking support from various ministries of government for promoting foreign trade.

#### 4. CONCLUSION AND RECOMMENDATION

Awareness of foreign trade business and its legal regime among textile industrialist is lower, is mainly due to the trading in local market. The textile industry is facing tough competition from neighboring nations, such as Taiwan, Vietnam, Bangladesh and China. As there is a large market for textile products in India and few incentives by the Indian government for exports business, the textile traders are not willing to explore international business. There is a need to develop awareness and educate the textile businessmen for exports and along with a motivation to participate international trade fair. The practices of obtaining quality certificates from nodal agencies

such as MANTRA and SASMIRA for finished textile materials seem to be vital tools for handling the trade related disputes. Based on such quality certification, Surat based industries are able to get higher prices for their products which help to our nation for earning higher FOREX. Before the appreciation of US \$, around 83% of the textile units were importing azo dyes from China due to the supply at lower price. Even after the anti-dumping duty and other taxes, the purchase prices of such azo dyes were much lower than the products supplied by Indian manufacturers. The supply of product at lower cost is mainly due to the demographic conditions of China and not the labor and capital to have a business trade (Ricardian, Heckscher-Ohlin). After the appreciation of US \$ value, the import scenario of azo dyes changed and the users switched to local supply due to the equal cost and they want to avoid the complexity of international trade, such as payments in US \$, filing of bill of entry, and clearance through customs house agent (CHA). After the appreciation of US \$ value, Chinese Azo dyes suppliers and Indonesian yarn suppliers had lost the advantage of TFP and the trade of consuming azo dyes in textile processing has followed the Heckscher-Ohlin model, results into the consumption of local products in manufacturing process. Import of knitted textile fabrics and materials from China followed by Ricardian model reflects from lower cost of supply. Textile units were importing texturized yarn and POY under duty free scheme of government of India but after the appreciation of US \$ value, the yarn manufacturer have stopped the import and start the usage of local alternatives. However, there are no such alternatives for diamond industrialists. So they have adopted a strategy of hedging against the US \$ appreciation. Surat is having a higher reliance on a specific textile yarn of Japan, i.e., Bemberg yarn (supplied by Asahi Kasei) for weaving process. The weavers of Surat are developing higher quality fabrics from this yarn and again exporting the same to Japan, USA, EU and South East Asian nations.

To increase the textile exports from Surat, the Indian government has to promote "fiber to fashion (F<sub>2</sub>F)" concept and develop a textile processing chain of all activities under one roof. This chain will make the entrepreneur to produce the textile goods at competitive rates at par with Chinese, Taiwanese and Bangladeshi Suppliers. Due to the recession in EU, USA and other nations, the textile units' owners have switched the focus from existing clienteles and explore new markets of middle – east, south – east, far – east, Australia, New Zealand, Latin American Nations, and African Nations. In view of the recession and appreciation of US \$ rate, the entrepreneurs of the local industrial units have adopted innovative HR practices carried out series of interactions and convinced their workforce for reduction in wage rates; no strike has been observed from labor staff. Due to the appreciation of US \$ and recession in international market, around 70 % of the units of

the local industries have reported that, banks / financial institutions have reduced the cash credit facilities. To cope up with the recession and appreciation of US \$ value against Indian rupees, the owners of local textile and diamond industry have initiated certain steps, such as reduction in wage rates, using alternatives materials in manufacturing process, providing employment to women in areas where less physical work demanded in manufacturing process.

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