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FINANCIAL ASSISTANCE FOR HOSIERY INDUSTRIES - CASE STUDY ON INDIAN ECONOMY

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Abstract
India is the second largest producer of textiles and garments in the world. The textiles industry has made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. Even today, textiles sector is one of the largest contributors to India's exports and has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world exports. The textiles industry is also labour intensive and is one of the largest employers. The government at both central and state level established various financial institutions to provide financial and non-financial assistances to Hosiery industries.. The government established various institutions to provide financial assistances exclusively to the hosiery industries. In the same way there are institutions in addition to commercial banks which cater to the financial requirements of hosiery industries. This study is a contribution to determine the financial assistance and obstacles of Hosiery industries in the state of Tamilnadu and suggest mechanisms for overcoming these obstacles.

Keywords: Exports, Financial Assistance, Hosiery, Obstacles.

1. Introduction
For the successful starting, sustenance and development of any hosiery unit, several critical inputs are essential. The foremost is the environment in which the unit function , the economic system and administrative culture access to essential raw materials, right technology, trained personal and training opportunities and existence of market. The most critical input, however, that has remained is, access to finance both for investment in fixed assets and for working capital. It is now accepted increasingly and universally that there is need for ensuring relatively easier access to credit, timely and adequate, need based at affordable rate of interest. Credit being the most important input in the development process, the need for effective delivery and management of the same is given high priority. It is generally recognized that in developing countries and to some extent in industrialized countries. Hosiery industry has limited access to financial sources from banks and other financial institutions. Even today major financing of hosiery industry is done from sources other than institutional mechanism. Financing from own sources and borrowings.

1.1. Financial Sources
a. Capital Fund
These can be obtained from personal savings which are often inadequate because of the low savings rate in developing countries. Recourse to borrowing from family, relatives and friends is also one way but it may lead to them intervening in the business itself. Sharing others is another resort and in this case there should be management sharing and profit-sharing.

b. Loans
Borrowing from banks and other financial institutions. These may not be interested in funding of some industries due to the high risk associated with this type of financing.

c. Commercial Credit
The cost of this type of funding sources becomes high if the enterprise is not able to take advantage of the cash discount in addition to the fact that the supplier will increase the price in the event of non-cash payment.

d. Leasing
This type of financing becomes limited in importance since it only benefits in the rental of fixed assets.

e. Financial Market
This source is fraught with many dangers and problems and becomes of a high cost in the case of micro-finance.

2. Methodology
The study is based on secondary data obtained through scanning of available literature on the subject from various libraries and institutes. Various magazines, journals, etc., were consulted. Interviews and group discussions with knowledgeable people in the field. The relevant data from various sources has been collected and updated report has been compiled.

3. Objectives
- To study the sources of finance for hosiery industries in India.
- To study the export incentives and Government incentives for Hosiery industries.
- To study the obstacles of hosiery industries.

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4. Forms of Assistance

The forms of assistance can be broadly classified into direct assistance and indirect assistance. The basic feature of direct assistance is that financial institutions provide funds directly to the project, whereas, in indirect assistance, the financial institutions provide guarantees on behalf of the promoter(s) of the project.

4.1. Direct Assistance

4.1.1. Fund Based Assistance

In this kind of assistance, term loans are provided in both rupees and in foreign currency. Apart from this, funds are provided by subscription to the equity shares of the company.

4.1.2. Rupee Term Loans

Rupee term loans are extended for site, construction, factory and other buildings; purchase of plant and machinery, as well as, for technical know-how, preliminary and pre-operative expenses, and margin money for working capital. Generally, the repayment period is five to fifteen years with an initial moratorium of six months.

4.1.3. Foreign Currency Term Loans

Institutions provide term loans in foreign currency to fund the acquisition of fixed assets like plant and machinery, as well as to acquire technical know-how from foreign suppliers. Institutions generally ask for a first charge on the assets financed by them, and on all other fixed assets of the borrower, to secure the loans.

4.1.4. Subscription to Equity Shares

This form of assistance is available to the project only when institutions are sure that the project is not able to take any more debt, although the proposed venture is worthwhile. It is often a very small part of the project cost.

4.1.5. Seed Capital Assistance

This form of assistance is provided by national financial institutions through the State Finance Corporations (SFCs) and the State Industrial Development Corporations (SIDCs). All borrowers have to submit their proposals, through their respective SFCs and SIDCs. This assistance carries interest as low as one percent, and can be payable on easy terms, subject to the applicability of certain conditions.

4.1.6. Risk Capital Assistance

Risk capital assistance is almost the same as seed capital assistance. It is offered by the IFCI through a society formed under the Society Registration Act. Loans under this scheme are generally interest free and range between Rs. 15-40 lakhs, depending on the number of the promoters and the cost of the project.

4.2. Indirect Assistance

4.2.1. Deferred Payment Guarantee

Financial institutions provide this deferred credit facility to the equipment suppliers on behalf of their clients and charge guarantee commission to the client. Guarantee is provided for the purchase of both indigenous and imported equipment. Most scheduled banks and co-operative banks provide this facility.

4.2.2. Guarantee for Foreign Currency Loans

This kind of guarantee is provided to the client as raised term loans from overseas market, directly. Institutions stand guarantee to the borrower, who is yet to establish him in the overseas market or does not have high credit standing.

4.2.3. Underwriting

Institutions usually underwrite the public issue of those clients, who have invested in the project cost, through term loans.

4.2.4. Bill Rediscounting Scheme

This scheme has been introduced by IDBI to help domestic producers and dealers of capital goods. Under this scheme, deferred payment facility is available for the purchase of machinery in all categories forms of businesses such as proprietary concerns, partnerships, private and public companies, co-operative societies and corporations.

4.2.5. Suppliers Line of Credit

This scheme has been floated by ICICI to enable domestic manufacturers and dealers increase their sales by offering deferred credit to their buyers. This scheme is similar to the Bill Rediscounting Scheme of IDBI.

4.2.6. Equipment Finance Scheme

This scheme has been offered by the two institutions-IDBI and IFCI. They provide assistance to existing unit.

5. Export Incentives

The Government of India has framed several schemes to promote exports and to obtain foreign exchange. These schemes grants incentive and other benefits. The few important export incentives, from the point of view of indirect taxes are briefed below:

5.1. Free Trade Zones (FTZ)

Several FTZs have been established at various places in India like Noida, Cochin, etc. No excise duties are payable on goods manufactured in these zones provided they are made for export purpose. Goods being brought in these zones from different parts of the country are brought without the payment of any excise duty. Moreover, no customs duties are payable on imported raw material and components used in the manufacture of such goods being exported. If entire production is not sold outside the country, the unit has the provision of selling 25% of their production in India. On such sale, the excise duty is payable at 50% of basic plus additional customs or normal excise duty payable if the goods were produced elsewhere in India, whichever is higher.

5.2. Advance License/Duty Exemption Entitlement Scheme (DEEC)

In this scheme advance license, either quantity based or value based is given to an exporter against which the raw materials and other components may be imported without payment of customs duty provided the manufactured goods are exported. These licenses are transferable in the open market at a price.

5.3. Export Promotion Capital Goods Scheme (EPCG)

According to this scheme, a domestic manufacturer can import machinery and plant without paying customs duty or settling at a concessional rate of customs duty. But his undertakings should be as mentioned below:

1. Customs Duty Rate
2. Export Obligation
3. Time

6. Government Initiatives

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

Some of initiatives taken by the government to further promote the industry are as under:

- The Government of India has started promotion of its ‘India Handloom’ initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products.
- The Ministry of Textiles launched Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years (from 2010-11 to 2011-12 in the 11th five year plan and 2012-13 to 2014-15 in 12th five year plan) with a total fund outlay of Rs 200 crore. The objective of TMTT is to promote technical textiles by helping to develop world class testing facilities at eight Centres of Excellence across India, promoting indigenous development of prototypes, providing support for domestic and export market development and encouraging contract research.
- The Government of India is expected to soon announce a new National Textiles Policy. The new policy aims at creating 35 million new jobs by way of increased investments by foreign companies, as per Textiles Secretary Mr S K Panda.
- Subsidies on machinery and infrastructure
    - The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS.
    - Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to Rs 40 crore. Under this scheme the technical textile units can also avail its benefits.
    - The major machinery for production of technical textiles receives a concessional customs duty list of 5 per cent.
    - Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2 per cent of freight on board (FOB) value of exports.

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- The Government of India has implemented several export promotion measures such as Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme for increasing share of India's textile exports.
- Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries.
- Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export Promotion Councils.
- The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports resulting in faster clearance of import and export cargo.

The Tamilnadu Government has framed a textile policy for the state and provides support to the Textile sector. The following measures were announced as part of the same for the knitwear and garment sector:

1. Government will encourage the growth of this industry by providing necessary physical infrastructure. Government will also encourage setting up of spinning units dedicated to the production of hosiery yarn.
2. As a forward linkage to the power loom sector Government will set up Garment Export Parks(s) in the state to encourage the power loom sector to produce fabrics to meet the requirements of garment exporters
3. Production of blended power loom fabrics in fibres other than cotton will be encouraged by funding design and development efforts by recognized institutions, particularly, silk fabrics for export.
4. Production of industrial fabrics including filter fabrics, canvas geotextiles, non-wovens, etc., will also be encouraged by funding design and development efforts by recognized institutions however the major focus of the State Government remains on the Handloom sector.

7. Marketing

Marketing businesses is a management function which includes a range of activities that contribute to increasing the business` ability to produce goods and provide services in the light of the clear identification of the consumers` needs and desires, and to attract labourers and maintain loyalty to the business` products. The business succeeds in marketing its products if it convinces clients to choose its products for their value rather than those of other enterprises. The business that depends on a suitable marketing start achieves great abilities to face competition and greater efficiency in the provision of products and services through setting a good marketing program which ensures the integration and success of all the key elements of product planning, pricing, distribution, and promotion. The marketing process stages are represented within the setup of an appropriate marketing strategy. These stages are:

7.1. Identifying, Analysing and Assessing Marketing Opportunities: The business depends on its ability to identify and grasp appropriate marketing opportunities in order to achieve success and sustainability. The business should penetrate in the existing markets and contribute to the growth of new markets, product development and diversification.

7.2. Identifying and Testing the Target Market: This stage requires dividing the market into marketing sectors, measuring and predicting the expected demand, identifying and selecting the target marketing sectors and selecting the proper placement of the business` products and services.

7.3. Analysing the Environmental Conditions: Environmental conditions represent a source of opportunities and threats, thus, the elements associated with these conditions must be taken into account when preparing and developing an appropriate marketing strategy. The most important economic conditions are: GNP, per capita income, interest rates, inflation unemployment, regional and cultural trends, and technology.

**7.4 Estimating the Business` Resources:** To identify a successful marketing strategy, research and analysis of all the enterprise`s productive resources and energies is required before setting marketing policies.

8. Obstacles of Hosiery Industries

The growth and development of hosiery industry faces a series of obstacles worldwide. These obstacles may differ from one region to another and from one sector to another, but some problems facing hosiery businesses might be universal. Some might be caused by the problems encountered in the community that embraces these enterprises. Obstacles affecting hosiery businesses can be classified into two groups: The first one is particular to the political, economic and social conditions facing the community, thus, considered as external obstacles that cannot be controlled. The second group are the internal problems caused by the general trends of the business` policies and these are dealt with by the business` management.

Some of the main obstacles are

- **Finance**
- Finance is the high degree of risk and the lack of sufficient guarantees when it comes to the owners as well as lack of banking awareness.

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- **Raw Materials**
  Difficulty in obtaining raw materials due to the high prices of production inputs, especially those imported.
- **Administrative and Technical Competencies**
  Lack of proper management and experience in many areas, such as, accounting, marketing, organizational and storage operations.
- **Marketing**
  The production size depends on the domestic market capacity. There are certain factors that control the ability of markets to achieve full capacity of goods, such as: population, the entry of individuals and competitive goods of personal interpretations.
- **Taxes and Fees**
  These industries are mostly affected by taxes and fees, increasing the total cost and affecting profits.
- **Low Production**
  There are several reasons affecting production such as, poor planning that leads to the lack of raw materials, poor management of other production inputs.
- **Deterioration of Quality**
  The use of old machines in production processes, the increasing cost of raw materials as well as the lack of specialized centres for quality inspection and quality control leads to a low quality of production.
- **Accidents and Industrial Security**
  It happens due to the ignorance on industrial safety rules and the requirements of occupational safety among workers and employers as well as the psychological factors and stress that affect the worker not to mention the hard working conditions.
- **High Cost**
  The lack of control systems on cost, making high wages as the main reason for the high cost without taking other production requirements into account.
- **The Lack of an Information System**
  Decision-making is often based upon personal views because of the lack of accurate information about the problem and disregard for using the internet and other advanced technologies.

9. Conclusion

In light of the above, it can be concluded that hosiery industries are paramount importance as well as their contribution to economic development. It is clear that these industries face many problems and difficulties in their management style and organization of the financing and marketing aspects. To overcome these problems certain suggestions can be applied. The suggestions are: Training entrepreneurs to modern management systems in terms of how to provide productivity supplies, manage the production and marketing process and how to transact with banks and government institutions by setting a specific place, such as the Chamber of Commerce, Organizing specialized exhibitions to promote and market products of small enterprises and dissemination of marketing information necessary to help them market their products inside and outside and giving attention to scientific research regarding these projects and creating a system of financial and marketing information .Finally Technical technology are mandatory.

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