

A Study of Export Payments regarding Handloom Products in India

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Abstract

The textile industry is primarily concerned with the production of yarn, and cloth and the subsequent design or manufacture of clothing and their distribution. The raw material may be natural or synthetic using products of the chemical industry. In India, embroidery, printing styles and weaving arts have been known since ages for their sheer classiness and creativity. In fact, the variety of weaving deals with rural, traditional and tribal styles that tends to lend variety to the handloom sector. Being the second largest rural employment provider, it helps a lot of people in earning their living through the art living in them. The magic of Indian handloom is such that it has won wide acclaim and the popularity has spread over international boundaries also. The main objective of this research paper is to study the factors effecting channel selection for export of handloom products. Further to study the methods of export payments and the problems regarding export payments. It is concluded that getting timely payments is important for the cash flow cycle of a firm. In adopting a payment method a firm has to juxtapose the ability to generate maximum sales and at the same time receive timely payments for the sales.

Key Words: Export Payments, Distribution Channel, Embroidery, Printing Styles

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The textile industry is primarily concerned with the production of yarn, and cloth and the subsequent design or manufacture of clothing and their distribution. The raw material may be natural or synthetic using products of the chemical industry. In India, embroidery, printing styles and weaving arts have been known since ages for their sheer classiness and creativity. In fact, the variety of weaving deals with rural, traditional and tribal styles that tends to lend variety to the handloom sector. Being the second largest rural employment provider, it helps a lot of people in earning their living through the art living in them. The magic of Indian handloom is such that it has won wide acclaim and the popularity has spread over international boundaries also. This sector has created a huge market in foreign countries because of their originality and creativity. *Sobhan Rehman (1989)* has observed that the development of the handloom industry in a wider social context within which an appropriate set of interventions can be designed. It identifies the continuing importance of the industry in meeting the clothing needs of the country notwithstanding the growth of alternative sources of supply. It is argued that the continuing importance of the handloom industry is however not just an economic issue. The earnings of over three quarters of a million, mainly rural people are tied-up in the fate of the industry. *Press Trust of India (1998)* has pointed out that the union government has removed a major bottleneck faced by merchant-exporters of handlooms in availing duty drawback facility, by authorizing the Handloom Export Promotion Council (HEPC) to certify their claims. Previously, merchant-exporters were required to go back to the sources of their purchase and get non-avilment certificate, in order to be able to apply for duty drawback. *Devarajan R (2002)* has noticed that there are two schools of thought concerning the traditional industries in India. One school regards them as an atavistic survival of pre-industrial economic organizational structure. The other school regards them as the repositories of a heritage of skilled craftsmanship. *PTI (2003)* has pointed out that the government has set up a core Group to enable adequate and timely flow of credit to the handloom sector; a onetime special rebate scheme for sale of handloom fabrics with a provision of Rs 100 crore was also under finalization for liquidating existing handloom stocks. A special contributory insurance scheme covering one million weavers would be launched soon. *Misra Kinkini Dasgupta (2004)* has pointed out that keeping in view the plight

of rural women, the government is providing special packages for those who are involved in home based or small-scale activities related to handloom, handicraft, sericulture, etc. *Gurumurthy G. (2004)* has revealed that the members of the Karur-based handloom textile exporters want the Finance Ministry to put on hold the recently amended Customs provision that stipulates mandatory filing of the export general manifest (EGM) of export cargo by shipping lines well before the departure of the vessels. If implemented strictly, it will entail delivery to the shipping agents 72 hours in advance of the date of departure of the vessel. *Vashisht Dinker (2006)* has observed that the industry players feel that given the right encouragement and suitable policy changes the quantum of exports can go up further. The exporters of Panipat don't have to go too far to get ready cotton. The city has a cotton spinning industry of its own that comprises of 35 units. Power scarcity is a big problem. Power tripping is rampant and it leads to a waste of time and also results in losses. *PTI (2006)* has pointed out that the textiles ministry was taking steps to increase the reach of the Handloom Mark label scheme, launched to popularize handwoven products and to ensure their genuineness. Two labels had been designed - one for the domestic market and the other for certifying export products - by the National Institute of Design. *PTI (2007)* has noted that the handloom sector was highly decentralized and dispersed, that efforts have been made to organize handloom weavers into cooperatives during the last fifty years. It suggested that interest on credit to weavers should be lowered from 12 per cent, which was same as that given to industries. It also favored waiving of interest on loans availed by handloom units with poor financial health. *Ramkumar Seshadri (2010)* has perceived that the textile industry, trade between nations is the critical factor that keeps the doors to knitting factories and spinning mills open. This is particularly true for India, whose textile industry is heavily dependent on its export to developed nations. The market for Indian textiles in foreign nations in actual sense is its people, i.e., consumers. The Indian textile industry should take proactive measures to keep it competitive and creep towards growth. Current Indian economic landscape offers good potential for the growth of the textile industry.

Objectives of the Study

The main objective of this research paper is to study the factors effecting channel selection for export of handloom products. Further to study the methods of export payments and the problems regarding export payments.

Research Methodology

Sample Size

The primary data has been collected from a sample of 160 handloom export units randomly selected from the directory of Panipat Handloom Industry. Every fourth export unit has been selected on random basis. During the course of random selection of units for the sample, due care has been observed to ensure:

- That all product categories are adequately represented in the sample.
- That units representing all forms of organization i.e. sole-proprietors, partnership firms, companies and cooperative societies are included in sample in right proportions. 40 from each form of organization have been selected on the basis of stratified random sampling method.

For collecting the primary data, a well-structured questionnaire has been administered and served to each of the respondents which have constituted our sample for this study. The stratified sampling method has been used for selecting the sample from the Panipat district of Haryana state. For analyzing the collected data Chi Square Test, T-Test, Percentage Methods and Test of Significance have been used with the help of a leading statistical package SPSS.

Analysis and Interpretation of Data

Table 1 Factors Influencing Channel Selection

Sr. No.	Factors		Status of the Firm				Total
			Sole-Proprietorship	Partnership Firm	Cooperative Society	Company	
1	Product Features	No. of Respondents	13	13	17	16	59
		% of Total	8.10%	8.10%	10.60%	10.00%	36.90%
2	Environment	No. of Respondents	6	6	8	6	26
		% of Total	3.80%	3.80%	5.00%	3.80%	16.30%
3	Competition	No. of Respondents	5	9	5	6	25
		% of Total	3.10%	5.60%	3.10%	3.80%	15.60%
4	Market & Customer Features	No. of Respondents	11	6	5	6	28
		% of Total	6.90%	3.80%	3.10%	3.80%	17.50%
5	Company & Objectives	No. of Respondents	5	6	5	6	22
		% of Total	3.10%	3.80%	3.10%	3.80%	13.80%
	Total	No. of Respondents	40	40	40	40	160
		% of Total	25.00%	25.00%	25.00%	25.00%	100.00%

Source: Primary Survey Data

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.37	12.00	0.90
Likelihood Ratio	5.98	12.00	0.92

Regarding factors influencing channel selection, 8.10 percent sole proprietorships went with product features followed by 6.90 percent with market & customer features, 3.8 percent with environment and 3.10 percent each with competition, and company & objectives. In totality, 36.90 percent believe that product features are the most influencing factor in channel selection. Whereas, 17.50 percent respondents felt that market and customer features are the most influencing factors, 13.80 percent went with company and objectives and 15.60 percent and 16.30 percent went with competition and environment respectively.

The calculated value of chi square is 6.37 at the level of 0.5 and the tabulated value of the chi square is 21.02 which is greater than the calculated value so we will accept the null hypothesis. Therefore the factors that influence channel selection for export of handloom products do not vary significantly.

Table 2 Distribution of Sample Units according to the Methods of Payment

Sr. No.			Status of the Firm				Total
			Sole-Proprietorship	Partnership Firm	Cooperative Society	Company	
1	Cash Advance in	No. of Respondents	7	13	14	6	40
		% of Total	4.40%	8.10%	8.80%	3.80%	25.00%
2	Letter Credit of	No. of Respondents	7	10	9	3	29
		% of Total	4.40%	6.30%	5.60%	1.90%	18.10%
3	Document Against acceptance (D/A)	No. of Respondents	9	5	4	9	27
		% of Total	5.60%	3.10%	2.50%	5.60%	16.90%
4	Open A/c	No. of Respondents	5	0	1	4	10
		% of Total	3.10%	0.00%	0.60%	2.50%	6.30%
5	Document Against Payment (D/P)	No. of Respondents	12	12	12	18	54
		% of Total	7.50%	7.50%	7.50%	11.30%	33.80%
	Total	No. of Respondents	40	40	40	40	160
		% of Total	25.00%	25.00%	25.00%	25.00%	100.00%

Source: Primary Survey Data

Regarding the method of payment, 33.80 percent respondents have adopted document against payment (D/P) method; 25 percent respondents rely upon cash in advance rather than any other mode of payment. However, 18.10 percent went with letter of credit and 6.30 percent with open account. On fragmentation of the respondents, 8.80 percent cooperative societies and most of partnership firms use cash in advance mode, whereas, documentation against payment (D/P) mode has been adopted by all types of respondents i.e. sole proprietorship, cooperative firms and partnership firms with 7.5 percent each and companies with 11.30 percent response.

Table 3 Problems Regarding Export Payment

		Status of the Firm				
		Sole-Proprietorship	Partnership Firm	Cooperative Society	Company	Total
Yes	No. of Respondents	7	8	7	7	29
	% of Total	4.40%	5.00%	4.40%	4.40%	18.10%
No	No. of Respondents	33	32	33	33	131
	% of Total	20.60%	20.00%	20.60%	20.60%	81.90%
Total	No. of Respondents	40	40	40	40	160
	% of Total	25.00%	25.00%	25.00%	25.00%	100.00%

T-Test

	Test Value = 0					
	t	Df	Sig. (2-tailed)	Mean Value Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Types of Problems Faced Regarding Export Payment	16.83	28	0	2.448	2.15	2.75

Payment is a very important factor as it will affect the financials of the business/company/firm. After survey we found out that only 18.10 percent of the respondents face problem in the payments of exports, while 81.90 percent say that they find no problems regarding the payments of exports. On fragmenting the respondents into selected categories, respondents from each category have equally (around 20 percent each) denied the presence of any problem with regard to export payment.

T-test is applied to know that the types of problem faced regarding export payment vary significantly in various kinds of export handloom units. The computed value of t-test (16.83) is more than the tabulated value; hence we reject our hypothesis which means that the types of problems regarding export payment vary and the difference is also significant.

Table 4 Credit Facility to Buyers of Handloom Products

		Status of the Firm				
		Sole-Proprietorship	Partnership Firm	Cooperative Society	Company	Total
Yes	No. of Respondents	34	35	28	27	124
	% of Total	21.30%	21.90%	17.50%	16.90%	77.50%
No	No. of Respondents	6	5	12	13	36
	% of Total	3.80%	3.10%	7.50%	8.10%	22.50%
Total	No. of Respondents	40	40	40	40	160
	% of Total	25.00%	25.00%	25.00%	25.00%	100.00%

Source: Primary Survey Data

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.17	3.00	0.07
Likelihood Ratio	7.34	3.00	0.06

Credit has become the backbone of any business and has become an important ingredient of business. Credit plays a vital role in the entire chain of business transactions. No business can proliferate without this important ingredient. It is apparent from the table that 77.50 percent of the respondents say that they provide credit facility to the buyers while some of them i.e. 22.50

percent say that they do not provide credit facility to buyers because they feel it is very difficult to check the credibility of the buyer.

Since the calculated value of chi square is 7.17 at the level of 0.5 and the tabulated value of the chi square is 7.81 which is greater than the calculated value so we will accept the null hypothesis and result concluded that credit facility is very much imperative for every respondents to add life to a business. Therefore, credit facilities for exporters do not vary significantly.

Findings and Recommendations

Getting timely payments is important for the cash flow cycle of a firm. In adopting a payment method a firm has to juxtapose the ability to generate maximum sales and at the same time receive timely payments for the sales. The payment method used by 33.80 percent of the exporters is document against payment (D/P) and 25 percent use cash in advance. 18.90 percent and 16.90 percent are using letter of credit and document against acceptance respectively. Most exporters (81.90 percent) did not face a problem in receiving export payments. It is difficult to do business without providing credit and so 77.50 percent provide credit facility to the buyers. 22.50 percent however do not give credit facility primarily because it is difficult for them to check the credibility of the buyers.

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