

# Liberalization and Small Scale Textile and Dying Industry of Punjab

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**Abstract:** The growth of small scale textile and dying industry of Punjab is an essential pre-requisite for the absorption of unemployed youth. This study examines the performance of small scale textile and dying industry in Punjab. The study period is divided into two parts i.e. pre-liberalization (1980-81 to 1991-92) and post-liberalization (i.e. 1991-92 to 2013-14). This paper finds that after liberalization performance of small scale textile and dying industry in Punjab is not satisfactory. The reforms effect this industry adversely. The positive impact is only in number of units. In this paper SWOT analysis is also made.

**Keywords:** Pre-Liberalization, Small Scale Textile, Industry Adversely.

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## 1. INTRODUCTION

Small Scale Industries play an important role in the Indian and Punjab economy. The developments of small scale industries play a very important role in the rapid industrial growth. In reality small scale industries are the back-bone of the economy in terms of employment generation and their share in production. Since 1990-91 the country is liberalizing the imports and decreasing the tariff rates. All these are bound to have some impact on domestic small scale industry. No doubt the impact can be positive or negative or both.

In this paper an attempt has been made to analyze the growth and structure of small scale Textile and Dying Industry in Punjab (India) after the post reform i.e. 1990-91 in India. We know Punjab is basically an agrarian state and farming is the major occupation and Punjab state has recorded spectacular progress in agricultural sector since the introduction of new farm technology in the mid-sixties. At the time of independence Punjab has a few hundred industrial units. As a result of reorganization of Punjab in 1966, large industrial area went to Haryana and Punjab was left with only small scale industries. Despite this Punjab made some progress in the industrial sector after reorganization of Punjab. Then in nineties liberalization, globalization and privatization taken place in India. These reforms were aimed at making Indian Industry more efficient and technologically up-to-date, with the expectation that technological upgradation and enhancement of competitiveness would enable the Indian industry to achieve rapid growth. And during the pre-liberalization and liberalization periods, the small-scale Textile and Dying industry of Punjab has made significant advances.

### Objectives of the Study:

The present paper attempts a quantitative picture of the small scale Textile and Dying industry in Punjab as an input for appropriate policy formulation. The main objectives of the study are :-

- To analyze the comparative picture of growth of number of units, fixed investment, employment and production during the pre-liberalization periods.
- To carry out Strength, Weaknesses, Opportunities and Threats (SWOT) analysis of small scale Textile and Dying Industry of Punjab.

## 2. DATABASE AND ANALYTICAL FRAMEWORK

The growth pattern of small scale Textile and Dying Industry of Punjab is observed by the variables production, employment, number of units, fixed investment, labour productivities and capital productivities.

The present study uses the secondary data obtained from Directorate of Industries, Punjab for computing the labour and capital productivities and Compound Annual Growth Rates for the above said variables for total period and two sub periods :-

1. 1980-81 to 1991-92 (Pre Reform Era)
2. 1991-92 to 2013-14 (Reform Era)
3. 1980-81 to 2013-14 (Total Period)

To calculate growth pattern of Textile and Dying SSI of Punjab Compound Annual Growth Rates (CAGR's) for overall period (1980-81 to 2013-14) and two sub-periods: pre reforms (1980-81 to1991-92) and post reform era (1991-91 to 2013-14) are calculated by using Statistical Package for Social Sciences i.e. SPSS (version 7.5).

Partial Productivity of labour and Partial Productivity of Capital are also calculated. These are calculated as:

1. Partial Productivity of labour (O/L): It is the total Production per employee.
2. Partial Productivity of Capital (O/K): It is the ratio of total production to fixed capital.

## 3. RESEARCH FINDINGS

Remaining part of the study is divided into two sections. In the first section Compound Annual Growth Rates (CAGR's) of production, employment, fixed capital and number of units, labour productivities and capital productivities are calculated. The second section deals with a SWOT analysis of small scale textile and dying industry of Punjab.

### Growth Pattern of Variables Under study of Textile and Dying Industry in Punjab:

In order to analyze the growth of the variables regarding of Textile and Dying Industry in Punjab, it is worthwhile to examine the absolute growth. The CAGR's for the variables under study have been presented in the table.

The growth pattern of Textile and Dying Industry of Punjab is observed by the variables (indicators) production, employment, number of units, fixed investment, labour productivity and capital productivity has been furnished as under

Growth of Production, Employment, Number of Units, Fixed Investment, Labour Productivity and Capital Productivity of Small Scale Textile and Dying Industry in Punjab						
Year	Production (Rs.Cr.)	Employment (in Number)	Number of Units	Fixed Investment (Rs.Cr.)	Labour Productivity (Rs.Cr.Per worker)	Capital Productivity
1980-1981	0.47	262	74	0.36	0.0017	1.3055
1981-1982	0.95	431	112	0.58	0.0022	1.6379
1982-1983	3.29	540	129	1.03	0.006	3.1941
1983-1984	5	847	169	1.25	0.0059	4
1984-1985	5.87	1040	220	1.7	0.0056	3.4529
1985-1986	6.56	1369	279	2.27	0.0047	2.8898
1986-1987	7.32	1615	336	2.65	0.0045	2.7622
1987-1988	11.45	1785	367	3.19	0.0064	3.5893
1988-1989	18.35	2076	411	4.2	0.0088	4.369
1989-1990	22.15	2462	473	6.52	0.0089	3.3972
1990-1991	29.93	2764	508	8.27	0.0108	3.6191
1991-1992	34.24	2906	537	9.53	0.0117	3.5928
1992-1993	55.56	3435	564	11.96	0.0161	4.6454
1993-1994	69.74	3790	598	14.6	0.0184	4.7767

1994-1995	86.76	3921	619	19.97	0.0221	4.3445
1995-1996	112.34	4119	635	21.94	0.0272	5.1203
1996-1997	129.53	4397	653	26.2	0.0294	4.9438
1997-1998	198.46	4909	673	38.27	0.0404	5.1857
1998-1999	219.27	5327	696	60.89	0.0411	3.601
1999-2000	248.4	5719	715	75.78	0.0434	3.2779
2000-2001	268.95	6009	728	79.69	0.0447	3.3749
2001-2002	327.46	6519	747	91.27	0.0502	3.5878
2002-2003	1746.11	89527	9242	369.58	0.0195	4.7245
2003-2004	2784.85	19494	9303	404.46	0.1428	6.8853
2004-2005	3271.12	91301	9384	421.7	0.0358	7.7569
2005-2006	5416.55	174897	37300	714.7	0.0309	7.5787
2006-2007	6081.11	175338	36923	1049.28	0.0347	5.7955
2007-2008	7083.63	179744	36475	1076.85	0.0394	6.5781
2008-2009	7901.37	183094	36291	1129.22	0.0432	6.9972
2009-2010	7569.14	191394	36440	1251.74	0.0395	6.0469
2010-2011	9365.96	200418	35725	1364.05	0.0467	6.8662
2011-2012	10352.87	206248	35819	1665.83	0.0511	6.2148
2012-2013	11536.13	212948	36153	1991.72	0.0542	5.792
2013-2014	12831.81	228277	36466	2218.66	0.0652	5.7836
CAGR's :-	CAGR's :-	CAGR's :-	CAGR's :-	CAGR's :-	CAGR's :-	CAGR's :-
Pre Reform Era	42.96	22.2	17.96	31.39	16.104	8.76
Reform Era	28.07	22.03	20.86	26.8	6.56	1
Total Period	35.04	21.02	20	29.26	11.32	4.48

Source: Directorate of Industries, Punjab.

Note: Productivities are calculated on the basis of data supplied by Directorate of Industries, Punjab.

1. Partial Productivity of labour (O/L): It is the total Production per employee.
2. Partial Productivity of Capital (O/K): It is the ratio of total production to fixed capital.

#### 4. TRENDS IN PRODUCTION

The production in small scale textile and dyeing industry of Punjab as shown in column 2 of the table suggest a growth trend. Commencing with Rs. 0.47 Cr. in 1980-81, the production touched highest peak of Rs.7901.37 Cr. in 2008-09. Thereafter, it started increasing, till the end of study period. The CAGR's for the pre-liberalization period was 42.96 percent, which declined to 28.07 per cent in the liberalization period and overall CAGR's was 35.04 percent.

##### Trends in Employment:

Analysis of column 3 of the table reveals that employment in small scale Textile and dyeing industry of Punjab followed an upward trend during the study period and it touched the highest peak of 89527 in 2002-2003. Then the employment declined for a year and then in absolute terms it rises till the end of the study period. The CAGR's for the pre-liberalization period was 22.2 per cent and during reform era it almost remains same i.e. 22.03 per cent. But during the overall study period CAGR was 21.02 per cent.

##### Trends in Number of Units:

The column 4 of the table shows that number of units of the small scale textile and dyeing industry of Punjab increased continuously till the end of the study period. This increase was specially considerable during 2002-03, as in 2001-02 it was just 747 and in 2002-03 it was 9242. During 2005-06 it was 37300. The CAGR of this variable achieved a growth rate of 17.96 per cent during pre-liberalization. Impact of liberalization was positive on this variable and during post-liberalization CAGR was 20.86 per cent. For overall study period it was 20 per cent.

**Trends in Fixed Investment:**

The column 5 of the table reveals that fixed investment in small scale textile and dyeing industry of Punjab also increases throughout the study period. But CAGR for this variable shows some deceleration during reform era. The CAGR during pre-reform era was 31.39 per cent. During reform era it was 26.8 per cent. For overall study period it was 29.26 per cent.

**Trends in Labour Productivity:**

Labour productivity of the small scale textile and dyeing industry increased gradually. During 2001-2002 it was 0.0502 but declined to 0.0195 in 2002-03. But it was very interesting to know that peak level of this variable's growth was 0.1428 in 2003-04. The CAGR of labour productivity for textile and dyeing industry of Punjab as shown in the column 6 of the table decelerated during reform era. During pre-reform era it was 16.104 per cent but during reform era it declined to 6.56 per cent.

**Trends in Capital Productivity:**

Analysis of the column 7 of the table depicts that CAGR of capital productivity. Liberalization and reforms hit hard on capital productivity of small scale textile and dyeing industry of Punjab as CAGR's of capital productivity was 8.76 per cent during pre-reform era and during reform era it was only 1.00 per cent.

From the above discussion it is quite evident that in absolute terms, only number of units exhibited significant CAGR's and accelerated during the overall study period and after post-liberalization era whereas for other variables (i.e. production, fixed investment and employment) CAGR's decelerated during post-liberalization period.

## 5. SWOT ANALYSIS OF TEXTILE AND DYING INDUSTRY OF PUNJAB

SWOT Analysis of Small Scale Textile and Dyeing Industry of Punjab is made. SWOT stands for Strength, Weaknesses, Opportunities and Treats. This main objective of this analysis was to help the policy makers.

**Strengths:**

- An established customer base.
- Good reputation of our products at international level.
- Large and growing domestic textile market.
- Relatively low costs.
- Initiatives taken by State government.
- Well developed textile industry.

**Weakness:**

- Lack of capital.
- Frequent changes in fashion.
- Small and fragmented industry structure.
- Environmental problems.
- High sales taxes.
- Huge labour force.

**Opportunities:**

- Enormous domestic market potential.
- Growing fashion consciousness.
- Rising domestic market.
- Huge labor force.

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### Threats:

- Competition with lower prices.
- Change in market conditions. □
- Unprepared mills for international competition. □
- □ Shortage of raw material.

## 6. SUGGESTIONS

This industry is highly labour intensive and provides gainful employment to millions. For further developments and to generate gainful employment different suggestions are:-

- Increase marketing facilities.
- To identify the problems and prospects of the different sectors.
- To work on the resource development and effective mobilization.
- To render technical assistance.
- Modernization of the industry is also required.
- To introduce management techniques.

From the above discussion we can conclude that no doubt liberalization and other reforms adversely effect the small scale textile and dyeing industry of Punjab. The positive impact of reforms is on number of units only. But on the basis of SWOT analysis we can say that this industry has lot of potential. If suggestions for the growth are implemented, it will open up employment opportunities for poor and young educated unemployed.

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