



4D INTERNATIONAL JOURNAL OF MANAGEMENT AND SCIENCE

ISSN-2250-0669

www.4dinternationaljournal.com

Volume-7,Issue-1-2016

ANALYSIS OF EXPORT FINANCE OF A TEXTILE COMPANY

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ABSTRACT

As per research work 'finance is the life and blood of any business'. Success or failure of any export order mainly depends upon the finance available to execute the order. Export finance is gaining great significance in the field of international finance. Banks are taking measures to help the exporter by providing them pre-shipment and post-shipment finance at subsidized rate of interest. Some of the major financial institutions are EXIM Bank, RBI, and other financial institutions and banks. EXIM India is the major bank in the field of export and import of India. It has introduced various schemes like forfeiting, FREPEC Scheme, etc. India is an Importer as well as Exporter of goods and services. Being a net importer of goods and services does not have favorable balance of payment. In order to have favorable balance of payment Government of India has taken various steps to help the exporters to execute their export orders without any hassles. Government has introduced schemes like Duty Entitlement Pass Book Scheme(DEPB), Duty Drawback, Focus market scheme(FMS), setting up of Export Promotion Zones and Export Oriented Units, and other scheme promoting export and import in India. Initially the Indian exporter had to face many hurdles for executing an export order, but over the period these

hurdles have been removed by the government to smoothen the procedure of export and import in India. With the help of an Export oriented Industry(Alok Industry, Apparel Co.) this paper will find out financial health of the company in particular which are practical guidelines for the apparel manufacturers and exporters.

INTRODUCTION

The textile industry plays a pivotal role in the Indian economy. The country has produced legends such as Dhaka muslin, which was woven so fine and light that it could pass through a finger ring. But what is significant today is that this sector contributes substantially in providing employment and earning foreign exchange. The country is rich in natural resources such as cotton, jute and silk. The textile industry is the second largest employer, after agriculture, with a total workforce of around 35 million. India is next only to China among the world's largest producers of textiles and garments. The industry is the largest foreign exchange earner, as the import content is insignificant compared with those of other major export products. Its contribution in exports is nearly 20 per cent. Nearly 85 per cent of the handlooms in the world are produced in India. The number of handlooms in the country is four million. The activities in textiles range from the production of natural raw materials such as cotton, jute, silk and wool to the manufacture of quality products such as cellulose fibre, synthetic filament and spun yarn. This is, perhaps, the only industry that is self-reliant and complete in value addition — from raw materials to the highest value-added products.

INDIAN TEXTILE AND APPAREL MARKET

The total Indian textile and apparel market is estimated to be around US\$ 67 bn in 2012. In last 5 years, total market size has grown at more than 10% annually. The industry is expected to grow further at a much higher pace primarily driven by strong domestic consumption, which has remained robust despite the recent global economic downturn.



India's exports are also expected to grow substantially going forward. This positive outlook is mainly driven by the following factors:

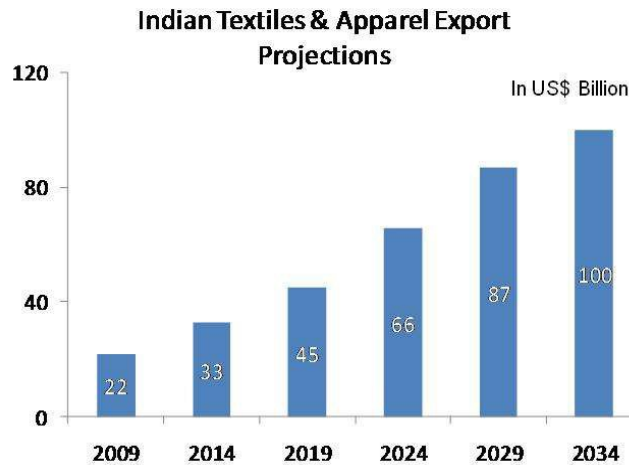
- Increase in domestic consumption and subsequent opportunity in new markets like China, Russia, Brazil
- Sourcing shift of buyers in US, EU and Japan from nearby countries towards lower cost countries in Asia
- Opportunity provided by sourcing shift from China

India Export Market

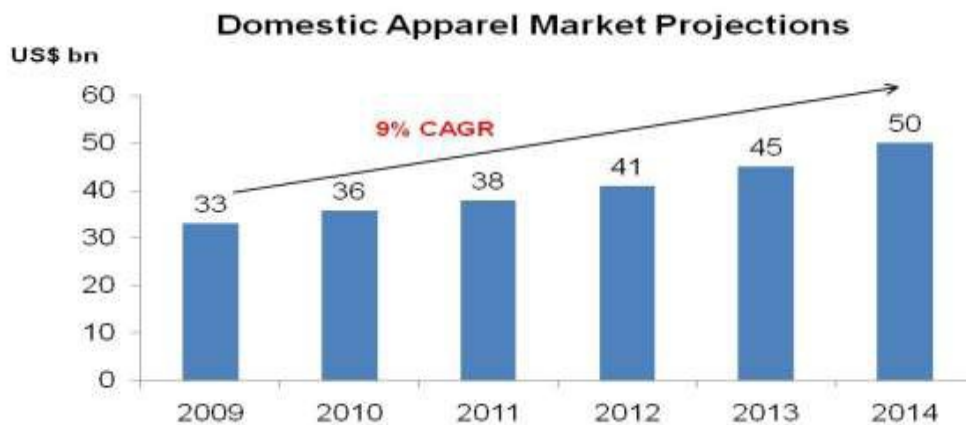
India's exports of textile and apparel were US\$ 21.5 bn in 2012-13, comprising 4.4% of global textile and apparel trade. In terms of export breakup apparel constitutes the majority of Indian exports with approx 50% of share. The other major product categories are fabric and yarn.

India's overall exports of textile and apparel fell by 4% in value terms in 2011-12 over 2009-10 after increasing by 15% in 2011-12 over 2010-11. The decline was primarily due to the global demand slump in 2010-11.

India has also emerged as an attractive source destination in the past few years. Most of the top global apparel retailers like GAP, Nautica, Target and M&S have their sourcing network in India. Current exports of approx. US\$22 billion is expected to touch ~US\$ 90-100 billion in the next 25 years.



With global economy picking up and faster growth prospects in future, India's current domestic consumption of US\$ 33 billion is expected to touch ~US\$ 50 billion over next 5 years (growing at around 9% per year).



The largest categories exported from India in terms of value are T Shirts, blouses, shirts and trousers

OBJECTIVES

- To analyze export finance with respect to Alok Industries Ltd.
- To analyze the functions, terms and conditions of export financing with respect to Alok Industries Ltd.
- To determine the challenges faced by Alok Industries Ltd. and try to improve easy export financing procedure and solution.

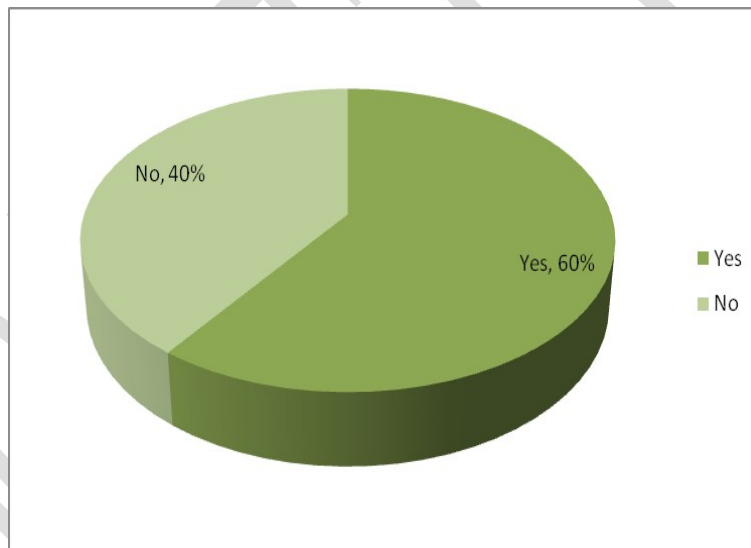
RESEARCH METHODOLOGY

PRIMARY DATA : SAMPLE SIZE-30-BASED ON QUESTIONNAIRES N AND INTERVIEWS OF 30 EMPLOYEES OF THE COMPANY.SO THE **SECONDARY DATA**. Information from internet, financial management research books, annual income sources, pamphlets, magazines, journals and other source of financial information.

DATA ANALYSIS

Q1. Are you aware of Alok Industries Limited?

Yes	60%
No	40%



Graphical Data Interpretation

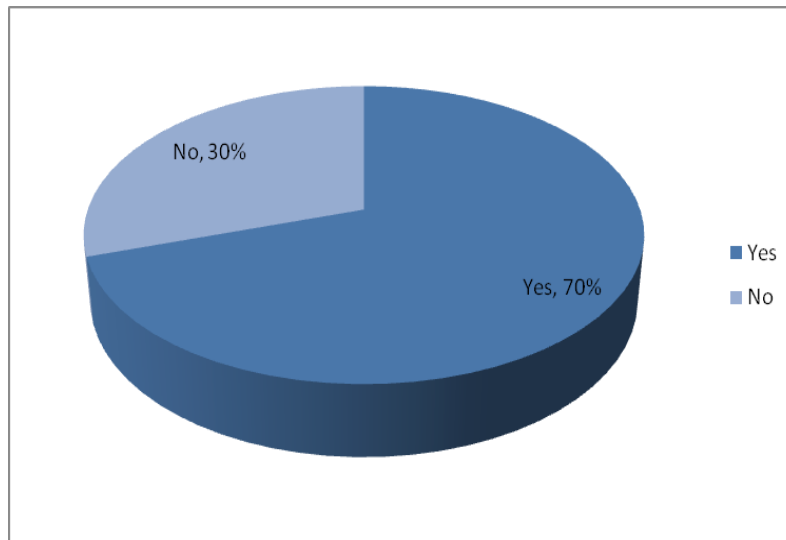
As per above graph, it is found that 60% respondents are aware of Alok Industries and rest are not aware of.

Q2. Do you know about Alok Industries Ltd. has the best export documentation process?

Yes	70%
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No

30%

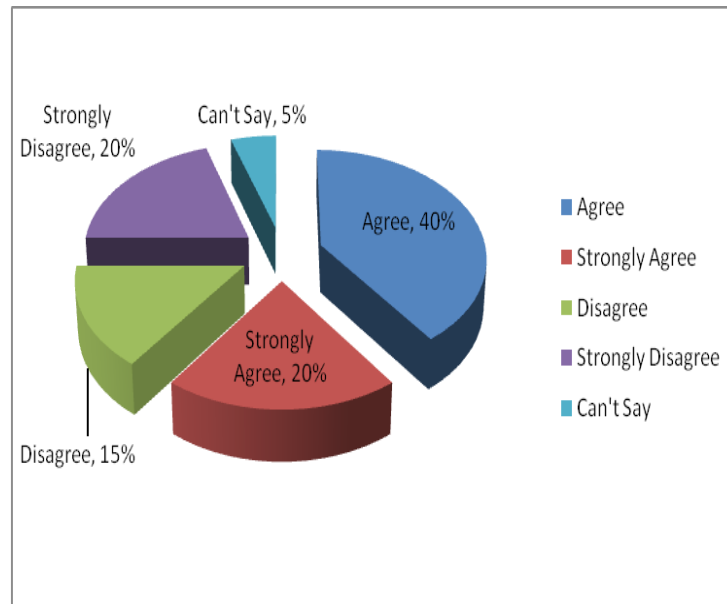


Graphical Data Interpretation

As per above graph, it is found that 70% respondents accept that Alok Industries involves as an Export Financing Company.

Q3. Export documentation process strictly adopted by Alok Industries Ltd. and they always follows all the terms and conditions of export procedures?

Agree	40%	Strongly Agree	20%		
Disagree	15%	Strongly Disagree	20%	Can't Say	5%

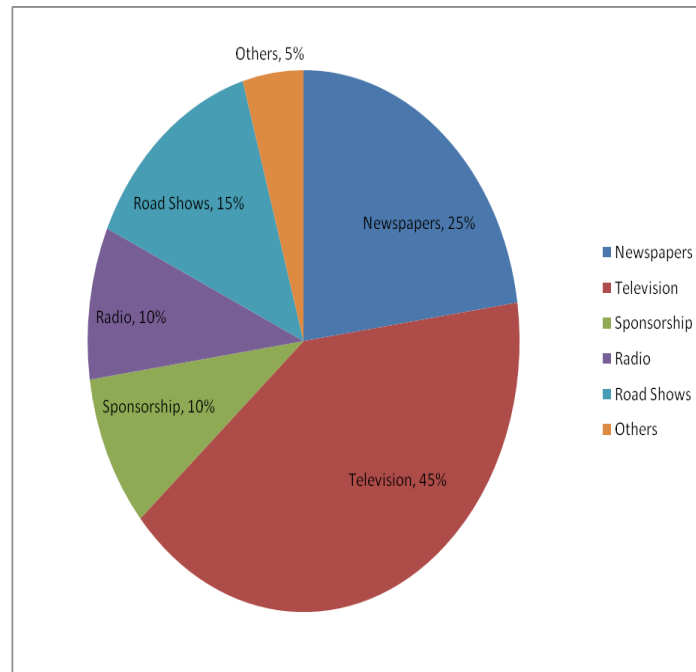


Graphical Data Interpretation

As per above graph, it is found that 60% respondents accept that Alok Industries provides good quality of export financing services

Q4. Which mode of advertising you have been using for aware of Alok Industries Ltd. and their products and services offering:-

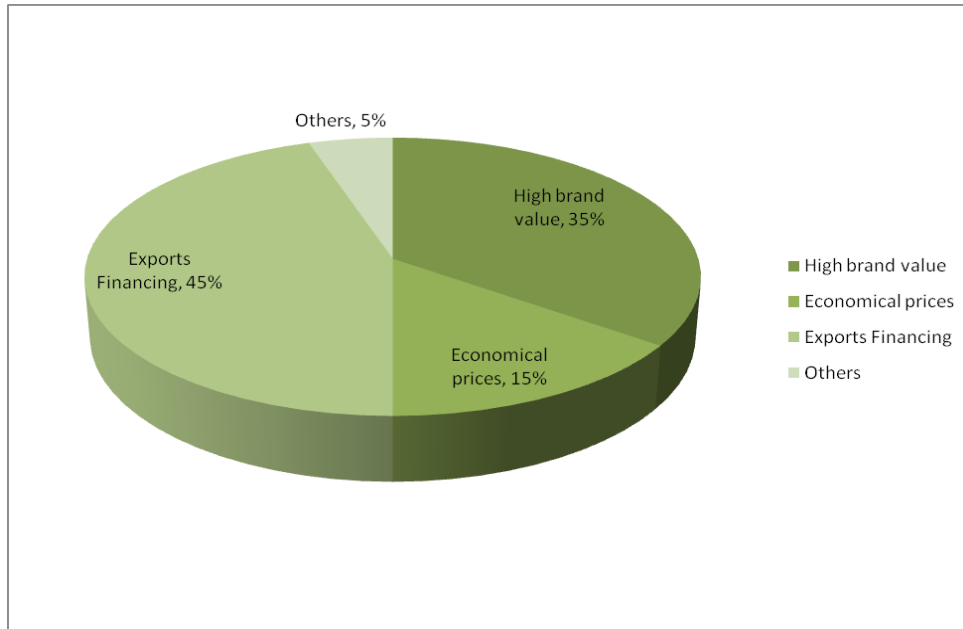
Newspapers	25%	Television	45%
Sponsorship	10%	Radio	10%
Road Shows	15%	Others	5%



Graphical Data Interpretation As per above graph, it is found that 25% using for aware of Newspaper and 45% Television, 10% sponsorship, 10% Radio and 15% using Road Shows.

Q5.Rates the following features of Alok Industries Ltd. as per requirements of export financing?

High Brand Value	35%	Economical Prices	15%
Exports Financing	45%	Others	05%

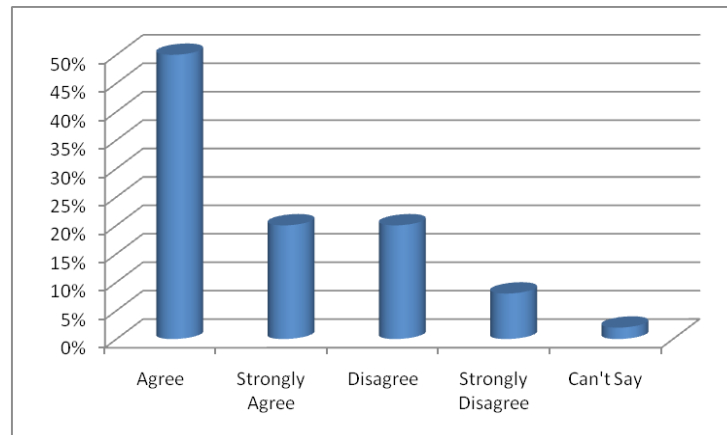


Graphical Data Interpretation

As per above graph, it is found that 35% respondents says that as per requirements of export financing with respect to Alok Industries features goes to High Brand Value, 15% goes with economical prices and 45% goes to Exports Financing.

Q6. Do you agree with export financing procedures adopted by Alok Industries and customer satisfaction level is critical with AIL for a long run performance?

Agree 50% Strongly Agree 20%
Disagree 20% Strongly Disagree 8% Do not know/ Can't say 2%

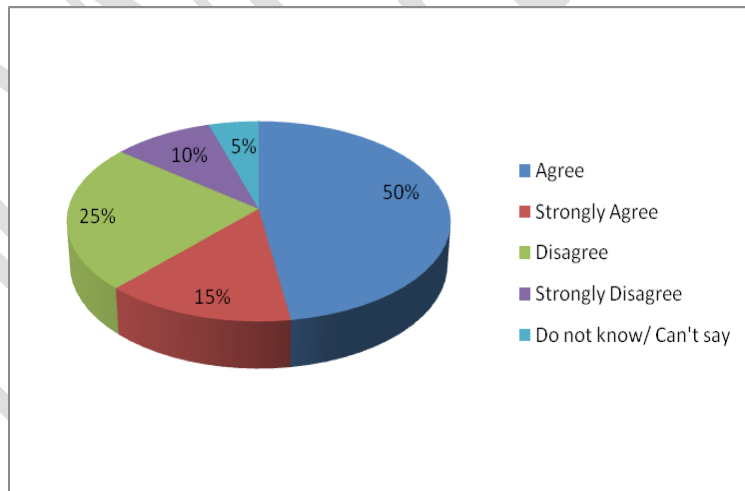


Graphical Data Interpretation

As per above graph, it is found that 70% respondents agree with export financing procedures adopted by Alok Industries and customer satisfaction level is critical with AIL for long run performance while 28% are disagree.

Q7 Do you agree that the customers and clients are satisfied with Alok Industries Ltd.?

Agree 50% Strongly Agree 15%
Disagree 25% Strongly Disagree 10% Do not know/ Can't say 5%

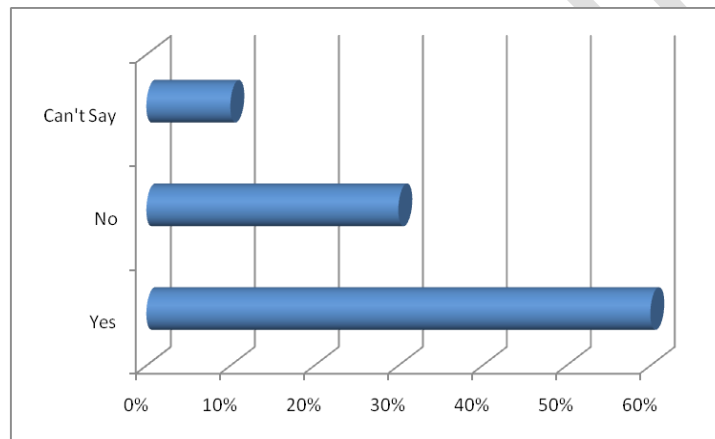


Graphical Data Interpretation

As per above graph, it is found that 65% respondents agree with customers and clients of Alok Industries are satisfied while 35% are disagree.

Q8.Do you feel that Alok Industries Ltd. needs to modify their export financing terms and conditions?

Yes 60% No 30% Can't say 10%

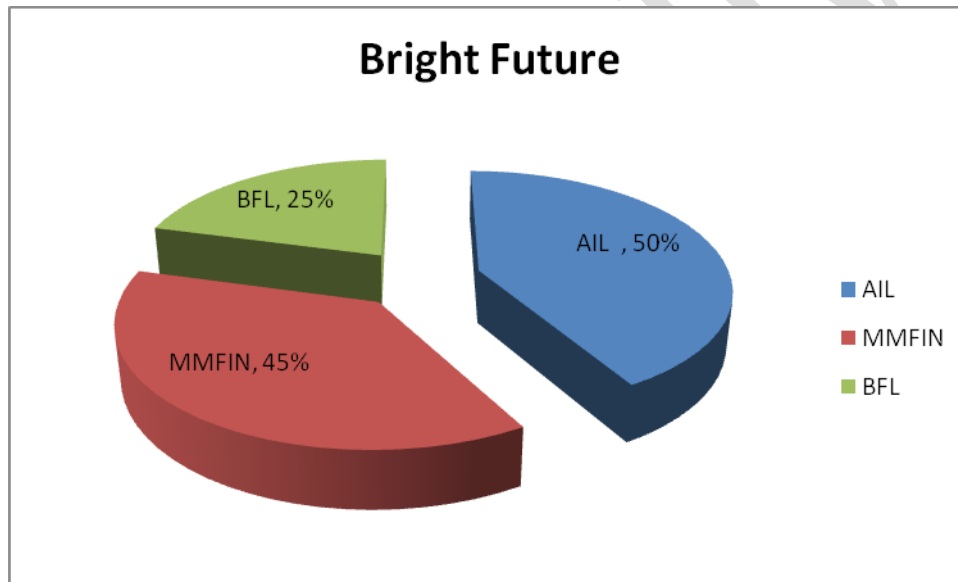


Graphical Data Interpretation

As per above graph, it is found that 60% respondents says that Alok Industries needs to modify their export financing terms and conditions and rest says no need to modify.

Q9. How bright future at Alok Industries and its leader competitors?

	AIL	MMFIN	BFL
Bright Future	50%	25%	25%
Gloomy Future	30%	45%	25%
Can't Say	65%	20%	15%



Graphical Data Interpretation

As per above graph, it is found that 50% respondents accept that Alok Industries has a bright future in export financing business in comparison with their leader competitors while 30% accept that it has a gloomy of dark future while rest can't say while its competitors has 25% future, 45% dark future and rest are 25%.

FINDINGS

It is found that 60% respondents are aware of Alok Industries and rest are not aware of. 70% respondents accept that Alok Industries involves as an Export Financing Company. 60% respondents accept that Alok Industries provides good quality of export financing services It is found that 25% using for aware of Newspaper and 45% Television, 10% sponsorship, 10% Radio and 15% using Road Shows.35% respondents says that as per requirements of export

financing with respect to Alok Industries features goes to High Brand Value, 15% goes with economical prices and 45% goes to Exports Financing. It is found that 70% respondents agree with export financing procedures adopted by Alok Industries and customer satisfaction level is critical with AIL for long run performance while 28% are disagree. 65% respondents agree with customers and clients of Alok Industries are satisfied while 35% are disagreed. It is found that 60% respondents say that Alok Industries needs to modify their export financing terms and conditions and rest says no need to modify. 50% respondents accept that Alok Industries has a bright future in export financing business in comparison with their leader competitors while 30% accept that it has a gloomy of dark future while rest can't say while its competitors has 25% future, 45% dark future and rest are 25%. And finally 60% respondents are aware of Alok Industries and rest are not aware of.

RECOMMENDATIONS

Alok Industries Ltd. is expecting more interaction with the online advertising company. So it's better to be more interactive with the companies. The video chat with the AIL will be more useful because the interaction with the companies will be more beneficial. Alok Industries Ltd. has innovative ideas for export financing through advertising can also increase the loyalty of the clients and customers. A better web designing and web promotion of export financing companies as like as Alok Industries Ltd. can also show the growth potential in export financing and develop the more and channels for other exporters and importers. A more attractive web design is very important for the online advertising. The flexibility of the website is also very important for online advertising for export financing companies. So the website should more flexible. There is possibility of clicking the link by mistake. So there is a need to work to find out the original click. The leads that are sent to the companies should be unique and different. So that the same leads to the different companies can be reduced.

CONCLUSIONS :

It is concluded that extensively on export trade, the benefits, the incentives, the financing, the economics, the procedures and its applications. It leaves no doubt that international trade is absolutely vital to a country from an economic perspective. It's GDP, economy, job market, all

benefit tremendously from the proliferation of international trade. It generates invaluable foreign exchange which a country can dip into during times of financial crisis. With the easing of regulations in financial transactions, the field has opened up for foreign investors to move in and out of a country with little hassle. This is a double edged sword in that while it can improve the health of an economy it can at the same time destabilize it if large chunks of foreign currency leaks out of a country. The only saving grace at such a time is the foreign currency flowing in through exports which keeps the exchange rate stable. It is for this reason primarily that any country that wants to establish itself in the world cannot ignore its export industry.

According to George Bernard Shaw once famously stated that “If you have an apple and I have an apple and we exchange these apples then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two idea.” That is what international trade gives us. An interaction between countries and nations that brings about understanding and mixing of cultures.

By fostering the continuance of globalization it gives countries a platform to come forward and exchange ideas, innovations, technologies in a manner that promotes peace and harmony in an increasingly turbulent world.

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