

# Growth of Family Business in Textile Industry of Punjab

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## Abstract

Family business in India has been evolutionary as well as revolutionary at different point of time. Family business at a stage were so dominating in India that they could influence the policy and decision making which ultimately became a reason for their inefficiencies. With time Indian economy gained stability and came up with a healthy business environment which resulted in increased number of establishments, growth of private sector, increased competition, new venture creations and Indian economy welcomed other nations to trade which resulted in growth of multinational corporations in India. Thus, the present study throws the light on the growth of family business in textile industry with special reference of Punjab State.

**Keywords:** Textile Industry, Growth, Family Business, Manufacturing, Production, Importance

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## I. INTRODUCTION

There has been development of Punjab in the form of prominent place for the establishment of industries in the textile business such as apparel manufacturing, spinning, cotton and woollen textile, and hosiery export, due to the reason that the State flourishes in rich resources, and has an eco-system for manufacturing and a robust spinning capacity, that cumulatively form Punjab into a perfect target for the textile industry. There are three major industrial units in the State, which are the agro-based industrial unit, machinery units and chemical units. Across India, Punjab is second biggest producer of cotton & blended yarn with nearly seventy percent of the best quality cotton production. The gross yarn production is of 655 million Kg. The contribution of the State is approximately 2.2 million bales (170 Kg. each) in the cotton production, which comes out to be fourteen percent of the total cotton production of the country. Of all the industries established in the State, the textile industry has a share of 23% of the total production. 38% of the export from the State to foreign nations is contributed by the textile industry. The total export of yarn and textile and hosiery and readymade garment of Punjab is USD 1300 million and USD 630 million respectively.<sup>1</sup>

Due to the prospective growth and employment opportunities that it is likely to produce in the future, the textile and apparel industry forms one of the push sectors of the State. In accordance with their Industrial and Business Development Policy, 2017, the additional support is being provided by the Government of Punjab to the textile units, under the amended technology upgradation scheme. At present there are four integrated textile parks in Punjab (i.e., Ludhiana Integrated Textile Park, Rhythm Textile and Apparel Park, Lotus Integrated Textile Park and Punjab Apparel Park), whose main task is providing the required infrastructure and necessary clearance to the units of production. These four industrial parks are not covered under the ambit of Punjab Apartment and Property Regulation Act (PAPRA), 1995. In North India, Ludhiana is the highest manufacturing cluster for textile. Popularly, Ludhiana is also referred to as the Manchester of India. For the purposes of providing support to the textile industry, the Punjab Government is looking to upgrade Northern India Institute of Fashion Technology (NIIFT). The State Government has also started the initiative of establishing three Common Effluent Treatment Plants (CETPs) for the dyeing industry in Ludhiana. (Industrial and Business Development Policy, 2017 and Textile Punjab Bureau of Investment Promotion).<sup>2</sup>

### 1.1 Concept of Textile Industry

Textile industry is basic industry for any economy around the globe and has its existence centuries back. Textile industry of India is one of the few most contributing industries in national GDP, Exports, Employment generation, Industrial Production, etc. Globally India is amongst top 5 countries for major exporter

<sup>1</sup> Singh, D. (2017): "ISO 9000-Quality Protection in the Textile Industry", The Indian Textile Journal, Vol. 14, pp. 93-94.

<sup>2</sup> Yadav, S. (2012): "Indian Textile Industry Stifled by Warped Policies", Economic and Political Weekly, Vol. 37, No. 12, March 23, pp. 1095-1100.

of textiles and clothing. Textile industry in itself is very complex and deep as it have abundant of activities from production of raw material to finished garments. In India there are different fibres namely natural and manmade fibres which in itself have different kind of numerable fibres. Indian textile sector includes handloom, handicrafts, cotton, jute, wool, silk and technical textiles and this sector is classified in two major sectors-organised sector and unorganised sector. The unorganised Indian textile industry is the dominant sector and is more of labour intensive having a feature of decentralization. The organised sector of Indian textile industry is highly capital intensive. The majorly effecting change for Indian textile industry was in year 2005 when the Multi Fibre Agreement (MFA) of 1962 was replaced with the scheme to set up of integrated textile parks.<sup>3</sup>

### **1.2 Textile Industry of Punjab**

Indian textile industry has a recognised place in international market. Punjab is a well recognised place not only in India but globally as well for its textiles. With time and changing phases of economy and textile sector Punjab have lost its real fabric and art. Earlier Punjab was known for its textiles and unbeatable quality as well as art but era's changes and different phases left an irreversible effect to Punjab textile. The need of time or say need of technology textiles of Punjab have lost its originality century back. Leaving many things behind and with a lot of changes the textile sector of Punjab has witnessed growth trends.

Presently Punjab in Textile Industry is not only the largest producer but is also a leading exporter, producer of cotton, mill made fabrics and blended yarns and exporter of hosiery, readymade garments and yarns. As per the reports in 2012 Ludhiana is the biggest manufacturing cluster for textiles in North India. Punjab have bagged some titles As per World Bank Study 2009, Ludhiana, Punjab has been adjudged the "Easiest Destination for doing business in India" and first rank in "Investment Environment & Infrastructure" by India Today, 2013. As per the reports in year 2015-16 Textile Industry contributes 19% of total industrial production and 38% of total Export in Punjab. Apart from this under the guidance of national and state policies & incentives and formation of integrated textile parks, Punjab textile sector witnessed a different growth story.<sup>4</sup>

### **1.3 Growth of Family Business in Textile Industry in Punjab**

Family business is the most important pillar for survival and growth of any economy in the world. Indian economy and state economies have always been confronted by the biggest challenge of presence of informal sector and informal sector is dominated by small household enterprises which are as important as big business houses of the economy. The study regarding the Family Business has been conducted by many researchers but the number of the same is less in case of India and the number becomes nil in case of Punjab. Most of the researches conducted in India are based on the case studies with central focus on the big family based business in India ignoring the majority of the family business which directly or indirectly affects the economy. Textile industry of Punjab have already been studied by many researchers but with a particular focus on either some selected textile manufacturing units or specific district and major clusters like Ludhiana and Amritsar. Both family business and Textile Industry of Punjab share a similarity i.e. boosting up the economic growth. There is the need to understand the growth aspects of Family Business in Textile Sector of Punjab. The in-depth study of this important area is useful not only for researchers, government or authorities but equally important for business tycoons, business owners, potential founder, successors, and professional institutions of the region and growth of the economy.<sup>5</sup>

## **II. REVIEW OF LITERATURE**

**Rivers (2010)**<sup>6</sup> disclosed the similarities and differences in the scope and growth of family business in Indian and US economy. The challenges faced by both nations' family business are somehow similar but the differences are cited in this article-in India the role and attitude of senior generation towards younger generation is bounding instead of motivating, and role of women in business is changing. The challenge for US economy cited was lack of business opportunities. The major challenge faced by both nations was the succession issue which in India is more complex due to varied and diverse cultures. This author observed the needs of family business in India are very closely similar to the needs of family business in America and other nations around the world.

**Yadav.P., Singh,J.,(2010)**<sup>7</sup> made an attempt to study the view and perception of owners about succession of the business. For the study both primary and secondary data was used and nature of study was

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<sup>3</sup> Gokhle, C. (2010): *Globalizing Indian Textiles: 'Threats and Opportunities'* Tecoya Publications, Bombay

<sup>4</sup> Hashim, Danish A. (2004): *Cost and Productivity in Indian Textiles: Post-MFA Implications*, ICRIER Working Paper No.147, November.

<sup>5</sup> Cockerill, Taj (2015): *Structure and Performance of Industries*, Heritage Publishers, New Delhi.

<sup>6</sup> Rivers,W., (2010), *Indian family business confront the challenges of growth*", family business, pp 14-18

<sup>7</sup> Yadav.P., Singh,J. (2010), "Family Owned Business: Issues Relating To Succession Planning".

empirical. The paper discussed the view and perception of fifty owners of family business regarding the succession planning and the data was collected through literature review & questionnaires. This paper concluded the need of efforts of family members for the growth and survival of business and suggested the need to teach next generation not just about the business but the culture and values of family as well for knowing the family togetherness and its importance.

**Ramachandran, K., Bhatnagar, N. (2012)** build this paper on the work of Stewart & Hit (2012) and the authors for the study undertook two case studies, one with smooth professionalization and another struggling with the professionalization process. For the formation of the cases two medium enterprises were taken both family business managed and controlled enterprises working in its 3rd generation. The study concluded the major role of leader who affects the transition process of professionalization. The acceptance, trust, and respect about non family member and awareness about the growth of business by leader and team make the process very smooth and beneficial.

**Shaik (2013)<sup>8</sup>** discussed the importance of succession planning in Indian corporate which is turning to be the crucial aspect after 1990, s reforms have changed the vision and strategies for business. The study attempts to fill that gap by focusing on the significance, issues, realtime practices and effective strategies in the Indian business with the objectives to identify the challenges in succession planning and to recommend effective succession planning strategies. This paper concluded that the companies differ in the dynamics which make succession more critical and importance of the decision making regarding effective leader ship, employees developments and recruitments to provide right direction not only for business growth but for nation's growth.

**Mbmc consulting Ltd (2013)<sup>9</sup>** emphasized on the Indian family business vision for the future and preparedness as well as the business outlook. For this study the Family Business Owners across sectors in India were given online questionnaires. This survey found the need of professionalization in Indian family business and the need to change the view of managing business. Ownership and succession is considered to be the issues of concern for family business and concluded the importance of guidance of professionals for sustainable development and growth of business.

### **III. IMPORTANCE OF THE STUDY**

The textile industry in India, in general, and in Punjab, in particular, is gifted with numerous encouraging settings such as the obtainability of natural resources, eco-system for manufacturing, large geographical infrastructure and the aid and assistance of various Ministries and Departments of the Government. Punjab makes a great deal of contribution in the Indian economy, in the domestic share as well as in exports. Punjab is responsible for a remarkable and extraordinary 14% share in the nation's total production and approximately 38% share in the total exports. However, in spite of all this, the industry is suffering from major structural irregularities such high cost of transaction, poor infrastructure amenities, transportation facilities and fragmented industry structure. There is an immediate need of monitoring the performance as well as future prospects of the textile industry in Punjab due to the simple reason that it provides livelihood to more than 2 million people who are involved either directly or indirectly in the textile work.

### **IV. OBJECTIVE OF THE STUDY**

To study the growth of the Family Business in Textile industry of Punjab.

### **V. RESEARCH METHODOLOGY**

Methodology is a strategy for doctrinal research which gives an outline of the manner in which a research work would be carried out and, apart from the other things, it is used for the identification of the methods which are to be made use of in it. The present study has been undertaken with the aid and assistance of primary sources such as the self-prepared questionnaires and secondary sources like books, magazines, newspapers, websites etc.

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<sup>8</sup> Shaik (2013), "Succession Planning in Business Enterprises: Implication and Strategies for Emerging India", International Journal of Advance Research in Computer Science and Management Studies, Vol.1, No.7, pp 28-32

<sup>9</sup>. Mbmc consulting Ltd. (2013), "Business Outlook Survey", Indian Family Business.

**VI. DATA ANALYSIS AND INTERPRETATION**

For the purpose of the study self-prepared questionnaire was used to collect the data and 155 respondents have been selected from the Punjab Textile Industry with having family business. Data analysis and interpretation with the growth of family business in textile industry of Punjab has been discussed on the basis of demographical variables i.e. age, qualification and experience with the following tables with interpretation:

**Table-1**  
**Stage of Development in Family Business**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	6	35.3%	11	64.7%	17	100.0%	4.577	.206
	41-50	16	57.1%	12	42.9%	28	100.0%		
	51-60	23	48.9%	24	51.1%	47	100.0%		
	>60	39	61.9%	24	38.1%	63	100.0%		
Qualification of entrepreneur/managing partner	Undergraduate	17	54.8%	14	45.2%	31	100.0%	2.149	.341
	Graduate	36	48.6%	38	51.4%	74	100.0%		
	Post graduate	31	62.0%	19	38.0%	50	100.0%		
Experience	6-15	11	52.4%	10	47.6%	21	100.0%	8.890	.031*
	16-25	28	48.3%	30	51.7%	58	100.0%		
	26-35	26	49.1%	27	50.9%	53	100.0%		
	>35	19	82.6%	4	17.4%	23	100.0%		
	Total	84	54.2%	71	45.8%	155	100.0%		

Table-1 shows the results about opinions of the respondents about development stage of their family business on the basis of their age, qualification and experience and it is found that there is significant interaction (chi-square value = 8.890) found on the basis of the experience of the respondents whereas on the basis of qualification and age there is no significant interaction found.

**Table-2**

**Anticipation in the family will ultimately take over the business from the current owner/CEO/president for the growth of the family business**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	6	35.3%	11	64.7%	17	100.0%	8.151	.043*
	41-50	12	42.9%	16	57.1%	28	100.0%		
	51-60	21	44.7%	26	55.3%	47	100.0%		
	>60	41	65.1%	22	34.9%	63	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	13	41.9%	18	58.1%	31	100.0%	2.648	.266
	Graduate	37	50.0%	37	50.0%	74	100.0%		
	Post graduate	30	60.0%	20	40.0%	50	100.0%		
Experience	6-15	9	42.9%	12	57.1%	21	100.0%	7.049	0.070
	16-25	24	41.4%	34	58.6%	58	100.0%		
	26-35	31	58.5%	22	41.5%	53	100.0%		
	>35	16	69.6%	7	30.4%	23	100.0%		
	Total	80	51.6%	75	48.4%	155	100.0%		

Table-2 reveals the results about anticipation that someone in the family will ultimately take over the business from the current owner/CEO/president for the growth of the family business on the basis of their age, qualification and experience and it is found that there is significant interaction (chi-square value = 8.151) found

on the basis of the age of the respondents whereas on the basis of qualification and experience there is no significant interaction found.

**Table-3**  
**Development of a formal plan for developing a successor in family business**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	9	52.9%	8	47.1%	17	100.0%	4.933	.177
	41-50	14	50.0%	14	50.0%	28	100.0%		
	51-60	20	42.6%	27	57.4%	47	100.0%		
	>60	40	63.5%	23	36.5%	63	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	18	58.1%	13	41.9%	31	100.0%	0.402	.818
	Graduate	38	51.4%	36	48.6%	74	100.0%		
	Post graduate	27	54.0%	23	46.0%	50	100.0%		
Experience	6-15	11	52.4%	10	47.6%	21	100.0%	11.302	.010*
	16-25	24	41.4%	34	58.6%	58	100.0%		
	26-35	29	54.7%	24	45.3%	53	100.0%		
	>35	19	82.6%	4	17.4%	23	100.0%		
	Total	83	53.5%	72	46.5%	155	100.0%		

Table-3 depicts the results about opinions of the respondents about development of a formal plan for developing a successor in family business on the basis of their age, qualification and experience and it is found that there is significant interaction (chi-square value = 11.302) found on the basis of the experience of the respondents whereas on the basis of qualification and age there is no significant interaction found.

**Table-4**  
**Company as part of a formal succession planning done by predecessors for the growth of the textile industry**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	7	41.2%	10	58.8%	17	100.0%	7.537	.057
	41-50	13	46.4%	15	53.6%	28	100.0%		
	51-60	25	53.2%	22	46.8%	47	100.0%		
	>60	44	69.8%	19	30.2%	63	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	14	45.2%	17	54.8%	31	100.0%	2.805	.246
	Graduate	43	58.1%	31	41.9%	74	100.0%		
	Post graduate	32	64.0%	18	36.0%	50	100.0%		
Experience	6-15	9	42.9%	12	57.1%	21	100.0%	7.722	0.052
	16-25	29	50.0%	29	50.0%	58	100.0%		
	26-35	33	62.3%	20	37.7%	53	100.0%		
	>35	18	78.3%	5	21.7%	23	100.0%		
	Total	89	57.4%	66	42.6%	155	100.0%		

Table-4 shows the results about opinions of the respondents about Company as part of a formal succession planning done by predecessors for the growth of the textile industry on the basis of their age,

qualification and experience and it is found that there is insignificant interaction found on the basis of the age, qualification and experience of the respondents.

**Table-5**  
**Steps been taken by predecessor in advance to ensure smooth succession of the business**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	9	52.9%	8	47.1%	17	100.0%	11.338	.010*
	41-50	14	50.0%	14	50.0%	28	100.0%		
	51-60	24	51.1%	23	48.9%	47	100.0%		
	>60	49	77.8%	14	22.2%	63	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	16	51.6%	15	48.4%	31	100.0%	2.820	.244
	Graduate	45	60.8%	29	39.2%	74	100.0%		
	Post graduate	35	70.0%	15	30.0%	50	100.0%		
Experience	6-15	10	47.6%	11	52.4%	21	100.0%	13.184	.004*
	16-25	30	51.7%	28	48.3%	58	100.0%		
	26-35	35	66.0%	18	34.0%	53	100.0%		
	>35	21	91.3%	2	8.7%	23	100.0%		
	Total	96	61.9%	59	38.1%	155	100.0%		

Table-5 depicts the results about Steps been taken by predecessor in advance to ensure smooth succession of the business on the basis of their age, qualification and experience and it is found that there is significant interaction (chi-square value = 11.338 and 13.184) found on the basis of the age and experience of the respondents whereas on the basis of qualification there is no significant interaction found.

**Table-6**  
**About taken advice from the board of Directors, Key Advisors and Family Members while drawing up your succession plans for the growth of family business in textile industry**

								Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	6	35.3%	11	64.7%	17	100.0%	19.196	.000*
	41-50	6	21.4%	22	78.6%	28	100.0%		
	51-60	22	46.8%	25	53.2%	47	100.0%		
	>60	43	68.3%	20	31.7%	63	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	9	29.0%	22	71.0%	31	100.0%	6.942	.031*
	Graduate	39	52.7%	35	47.3%	74	100.0%		
	Post graduate	29	58.0%	21	42.0%	50	100.0%		
Experience	6-15	7	33.3%	14	66.7%	21	100.0%	15.617	.001*
	16-25	21	36.2%	37	63.8%	58	100.0%		
	26-35	31	58.5%	22	41.5%	53	100.0%		
	>35	18	78.3%	5	21.7%	23	100.0%		
	Total	77	49.7%	78	50.3%	155	100.0%		

Table-6 shows the results about opinions of the respondents about taken advice from the board of Directors, Key Advisors and Family Members while drawing up your succession plans for the growth of family business in textile industry on the basis of their age, qualification and experience and it is found that there is significant interaction found on the basis of the age, qualification and experience of the respondents.

## VII. CONCLUSION

After carrying out an analysis of the different studies and reports, it can be clearly seen that the textile industry in India and also in Punjab is on a path of growth and development on a progressive stride. Numerous remarkable announcements have been made by the Government of India which would go on to increase the employment of the women in the sector along with the growth in exports. A few of the main features that enhance the textile sector in Punjab like improvement in the technology upgradation scheme; rise in the Minimum Support Price; incentives for the purpose of stimulating competitiveness employment and skills. The government has taken into consideration all the different aspects of the textile industry and tried to provide it with the maximum aid and assistance. Subsequent to the initial outlay of the textile budget and Government support for textile sector it can be concluded that it would help to plough back the amount for creating more jobs and able to correct imbalance, which has been created because of GST. It can turn out to be the determining factor for a bright and shining future of the Punjab textile industry.

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