



An Analysis on Financial Problems due to Exports faced by Coir Industries in India

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Abstract

Coir is a natural product which is biodegradable as well as environment friendly and poses no threat to the nature after its waste are disposed off in the ground. Fibre is extracted from coconut husk and various types of traditional products are made from coir fibre or yarn. Recently, there are some innovative uses of coir products in preventing soil erosion and irrigational purposes as the water content in coir are very high. This paper tries to analyse the production and export data from 2009-10 to 2019-20 and focuses on whether there is a correlation between production and export of coir products in the same year. It also tries to find out the YOY percentage growth in production and export of coir from 2009-10 to 2019-20. Based on the export data available in this time period, a linear trend analysis has been studied for the next six years from 2021 to 2027. It also analyses the percentage of coir produced during a particular period are exported. The study finds out the relationship between the employability and the production of coir in any particular year from 2009-10 to 2018-19. The reasons for major challenges of the coir industry have been studied.

Keywords:- Coir, coir fibre, coir industry, export of coir

Introduction

Coir is one of the oldest industries in India and was first setup in Alleppey in Kerala in the year 1859 and later the development of coir industry is mainly in the areas where there is a concentration of coconut trees as India has a vast sea coast and the cultivation of coconut and the coir industries are mainly located in the states like Kerala, Tamil-Nadu, Karnataka, Andhra Pradesh, Orissa, West-Bengal, Tripura, Assam, Pondicherry, Union territories of Lakshadweep and Andaman. Coconut husks are the main raw materials for this industry which is extracted from the waste of coconut.

Coir industry is one of the key sectors in MSME because it is a labour intensive industry and provides employment to around seven lakhs of people mainly from rural India who do not need to be displaced from rural area to urban India for finding jobs. It is one of the world's biggest producers and exporters of coir fibre products. Another important aspect of this industry is that it provides employment to the backward sections of the society amongst which 80% are women. Some of the key importers of coir products are China, USA, Netherlands, South Korea, and England. Coir industry is one of the major sector in the MSME and produces around 80% of the world's coir fibre production generating employment to the rural India for around seven lakh people of India majority of whom are from the backward sections of the society and out of which 80% are women. [1]

Coir is one of the most labour intensive agro-based cottage industry generating employment to the rural people and also its main attractions are it is export oriented. The main traditional coir products are door mats, floor mats, brooms, everyday use brush, string ropes, fishing nets. Some of the modern uses of coir for insulation in construction companies as coco coir has tremendous property of good temperature management. It is also used for irrigation purposes and other gardening purposes as it has a good water retention capacity. It is also used for vehicle seats in automobile industries. Some other uses of coir fibres are in soil erosion control purposes on the river banks, hilly areas in a large scale.

India has been the world's largest coir exporter and some of the major countries are China, USA, South Korea, Spain, Italy and Netherlands[2]. There are a few countries which also exports coir products like Phillipines, Srilanka etc. which are not as big exporters as India is but, they had diversified their product mix and had captured international markets with their value added products better than India, which still have much value added product[3] i.e. coconut- copra, coconut-oil.

Though this industry is quite old in terms of production, and is also one of the largest exporters of the world, still a lot of problems remains with the industry. There is lack of adequate training facilities of the workers and the entrepreneurs, thus implementation of newer technologies are beyond the reach of most of the coir units in India. There is lack of awareness among the entrepreneurs about the financing schemes that are available for this industry and many entrepreneurs find getting finances as one of the main challenges.

Literature Review:-

S.Sitarasu(2020)has pointed out how India has been the major exporter of coir products in the world and China is one of its main importers. The author has analysed the performance of the coir sector from 2013-19 and also mentions that the ministry of MSME has been promoting the sector including khadi, village and coir sector and is providing support to the existing enterprises through technology and also providing support to the new industries.

Chandra SekharMund(2020) has brought into light the hindrances that this sector faces and particularly in getting finances. Though CGTMSE plays an important role in providing adequate finances in India, still there are many hindrances and this sector is not getting adequate finances and in time.

K Praveen Kumar and Vinanyagamoorthi (2017) had studied the various schemes for coir development and analysed the production and export of coir products and highlighted the problems faced by the manufacturers because of lack of awareness of the government schemes and the advantages and challenges of this industry.

S. Poornimadevi (2017) studied the problems faced by coir industries and found out in the study that one of the major problems in the coir industry is not focusing on the value addition and diversification of product mix which are the demands by importing countries.

Singh and Wasdani(2016, ADBI) has studied the key challenges faced by MSMEs in procuring financing during different phases of their lifecycle. It further studied the financial awareness of the entrepreneurs and found out that one of the key limitations are underutilisation of collateral assets.

S.Sarkar and A.Sana (2013) studied the problems of coir industry particularly in West Bengal inspite of the fact that Bengal being one of the most important coconut producing states. This study finds out several problems that are faced by this industry in Bengal amongst which are financing problems, lack of marketing of coir products, problems in availability of quality raw-material, trained man power and lack of use of modern technologies.

E.Sambasivan and S. Vennilaashree (2018) studied the support of the government to the coir board, activities of the coir board, different schemes available, research and development in coir technologyand domestic and export market promotion of coir board. The study also pointed out the challenges faced by the entrepreneurs.

Objectives of the Study

- 1.To find out whether there is correlation between increase in production and increase in export growth in a particular year
- 2.To find out a linear trend analysis for the next five years from April 2021 to March 2026.
- 3.To find out whether there is YOY growth in production and export in coir industries.
- 4.To find out what percentage of production is exported in that year
- 5.To find out the correlation between increase in production of coir products and in total employment in that year.
- 6.To find out the problems associated with this industry.

Scope of Study

The scope of the study is limited to secondary data from different websites, magazines and journals.

The data for 2021-2022, i.e. the current year of study is not available.

Methodology

The study is primarily based on secondary data and the qualitative literature survey method and annual reports of coir industries, export data of coir industries, publications of coir board and different websites of MSME annual report. Linear trend, Karl Pearson's correlation and relation between production of coir in any year and export of coir in the same year has been shown using Microsoft excel. The research is both descriptive and analytical in nature and thus descriptive research design has been used.

Analysis

- i. The study aims to find out whether there has been any correlation between the production of coir and export of coir in the same year- it has been found out that there is a strong positive correlation between the two is (since correlation is 0.675069988).
- ii. A linear trend analysis on export of coir products has been estimated for six consecutive years from April 2021 to March 2027 based on the data available on export of coir products from 2009-

10 both in terms of quantity (in metric tonnes) and value (in terms of rupees). Table 1 below shows that there has been a rise in both export quantity and value since 2009-10 till March 2020. Since April 2021 export quantity has declined significantly from 1163213 metric tonnes to 248187.736 metric tonnes. The value of export also declined from Rs. 377897.91 lakhs to Rs. 52517.42 lakhs. One of the main reason may be the arrival of Covid 19 pandemic and subsequently lockdown in whole of India for more than 50 days. The linear trend from April 2021 shows that both the export quantity and value is likely to increase from 2021 onwards till 2027.

Table 1:- Linear trend on production (in metric tonnes) and export (In terms of rupees in lakhs) of coir products in India from 2021 to 2027.

iii. The Table 2 below shows a comparative chart on percentage of growth of production and export of coir from 2009-2019 on YoY basis. It shows that there is a rise in export if there is even a marginal increase in production and also decline in export growth if there is decline in production% except in 2010-11 and 2018-19. In 2010-11, there has been a negative growth in production (-1.751424351%) compared to 2009-10, but there is a substantial positive growth in export (9.000737161%). Again in 2018-19, though there has been a growth in production (33.99858246%) there has been a decline in export percentage (-5.166226622.) which means that there has been an increase in domestic consumption.

Table 2:- Percentage of growth in production and export of coir YOY,(Source:- Coir board report, MSME, Government of India)

I. Table 3 below shows what percentage of production is exported in that year from 2008-09 to 2019-20. There has been a constant increase in export percentage from 2009-10 till 2017-18 up from 24.85% to 75.84% except 2018-19 when there is a substantial dip in percentage growth of export on production of that year (down from 75.84 % to 53.67%). The reason behind it is that though there has been a substantial increase in percentage of production of coir in 2018-19 compared to 2017-18, there is an increase in domestic consumption which has resulted in decline of percentage of export in that year.

Table 3:- Percentage of production that is exported in the same year (Source:- Coir board report, MSME, Government of India)

II. Correlation between production of coir (in metric tonnes) and employment shows that there is a high positive correlation i.e. 0.71099903 between these two variables. Table 4 below shows that whenever there is an increase in production of coir, there is subsequent increase in employment of people associated with coir industry and vice-versa.

Table 4:- Percentage of production that is exported in the same year (Source:- Coir board report, MSME, Government of India)

Problems of Coir Industry

Lack of modernization of the traditional units:- Due to lack of modernization of machinery and other tools, it affects the mass production of coir products and thus affects domestic consumption and exports.[4]

Non-availability of good quality raw-material:- The basic raw-material for production of coir yarn, coir fibre etc.requires good quality coconut husk. Non-availability, shortage and high cost of such good quality coconut husk is a concern for the entrepreneurs across India.[5] [6]

Lack of government support towards marketing and promotion towards the industry:- Though this industry is quite old and has good demands in both domestic and foreign markets, India has not been able to grow because of lack of government support for the promotion of coir products. [7]

Hindrances in getting finance:- There are problems in getting finance for the industry. Whatever finance is received, most of the time it is not adequate to modernize or upgrade the machineries needed for mass-scale production of coir.[8]

Shortage of workers, lack of training and dependence on mostly unskilled workers:- Most of the workers in the coir industry are unskilled, and thus the modern techniques cannot be implemented. Also, the shortage of labourers is due to meagre pay and thus the workers migrate to 100 days works of Central Government and other programmes.

Lack of infrastructure like storage of raw-materials and finished products- There is lack of infrastructure for storage of raw-materials. Raw-materials which are exposed to nature tend to

degrade in quality over a period of time and cannot be used to produce good quality coir fibre or yarn.

Use of obsolete techniques and absence of research and development:- Most of the units depend on the traditional method of producing coir and uses obsolete technology for coir production. This affects the production of coir and hampers the export.

Lack of awareness about the government schemes available to the entrepreneurs in this industry:- Rural India has most of the coir industries. These people have little access to the R&D programme, training programmes or the schemes that the government organizes.

Lack of vision of entrepreneurs for scaling up the production for future:-Most of the entrepreneurs are happy with their earnings from coir industry and they lack the vision in making the coir industry better and competitive for future.

Suggestions

Government of India and the coir board should have more awareness programme to educate the people regarding the training and development and financial schemes that are available to them.

Conclusion:-Though there has been a lot of prospects in the coir industry regarding the production and export, there are quite a few challenges regarding the training and development of entrepreneurs and workers, innovation in production and thus minimization of wastage, problems in finding finances, lack of diversification of product mix and value addition to the products in an innovative way, in equal pay among the genders, lack of basic infrastructure at workplace, are to name a few problems which the industry has to overcome in order to maintain its leadership in export market in future.

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