

Economic crisis in Guilan textile industry

Seyed Ali Mirebrahimi ,Hamidreza Alipour

Department of management,economic,collage of management,Islamic Azad University, Rasht Branch ,Iran
drbehdad_66@yahoo.com

Abstract: Today, industrial development is account as one of means and area for the economic development and improvement of the countries which some of the industrial courses that exist in any country due to relative advantages are account of high priority in industrial development area. textile industry, is account as the most important and oldest industry of the country and Guilan province. It can play a role as the main base of industry and mine sector if there is the required support from producers . But still it is not taken place a remarkable activities as developmental region planning in Guilan and it could not find a scientific and professional figure. So, the main goal of this article is identifying the variables and tensor factors in the Guilan textile industry and turning ways from current situation to modern developmental situation . This research had been attempted to study how turning out of the created crisis aiming to identify the crisis in textile industry and also allocating the optimal resources. The results indicated that the most important and significant problem of textile industry in Guilan is weak in management area . [Seyed Ali Mirebrahimi and Hamidreza Alipour. Economic crisis in Guilan textile industry. Journal of American Science 2011;7(1):417-421]. (ISSN: 1545-1003). <http://www.americanscience.org>.

keywords : crisis, economy, textile industry, private sector, technology

1. Introduction :

In the recent decade . as south-eastern Asia countries had been progressed in economic area , Iran is continuing to its slow movement as it was before and so textile industry had been not excluded in this way.

Textile industry in Iran, despite of it's extension , power and long and great background , could not develop as the other industry elements such as machinery wear, raising production cost, raw material and inefficient management had been caused to this industry lost its competitive capacity in the world market and it is lost even 30% of domestic consumption market because of irregular imports(Alipour,2006).Textile industry is very prosperous and have a long history in Guilan and it is at 6th rank in the world . In the past , despite of its extent and bright history , This industry was one of the best industrial unit due to production and its produced fabric from quality point of view was at the extent that it exported to some countries such as America(Alipour,2007). But after the revolution , especially just in 2000-2003 few factory were active and the other factories because of enormous reason suffered from backwardness and crisis. Present problem in this industry had been rooted in its all structure widely .

Now, It is necessary the industry officials deal with the global economy with knowledge management view, especially to the textile industry of developed countries and capable and efficient management which have full knowledge on the modern technology in this industry so that they could change this wear and critical industry to a

developed and efficient industry due to technology and management. Despite some problems which are in this industry , textile industry have important contribution in the value added and industrial products value of the country and due to the human forces occupying in this section , its important role in Iran economy is not negligible.

This research had been performed with an economic approach aiming to identify crisis in Guilan textile industry . For this purpose, the following special aim is considered :

- 1- To study the sellers market of Guilan textile industry products in the home and foreign markets .
- 2- To study the management role in shutting down Guilan textile factories.
- 3- To study the industry situation in Guilan.
- 4- To study industry situation in Guilan after the technology and ... in forming the crisis of this industry and going out of this situation.

2. Research Method

With regard to the subject and the research essence, research method is descriptive (measurement). This research using various questions from the managers and practitioners and the available resources in statistics deal with the crisis reasons in Guilan textile industry and also it had been used from interview as a research tool for detailed study of textile crisis .

Analyzing method of data

This research had been used from descriptive and inferential statistics method for analyzing the information and in order to take results, with fish Bool technique discussed with the experts and the industry managers .

Research finding

Industrial development trend in the most developed countries showing the place and role of textile industry in the economic development process of the countries .

In Iran , textile industry is facing with human forces inflation and many of this forces are inefficient and unskilled which great part of the fixed cost allocated for their payroll .

Unfortunately, on the one hand, in this industry, the products are sold hardly and on the other hand selling prices receive in long time and there is not the possibility of raising selling rate proportion to increase the cost (Ghalamzan, 2006). Consequently the liquidity of the company suffered from reduction, repeatedly. Moreover, with regard to taking restrictive policy and restriction of bank facilities and lacking for company financial circulation, taking heavy securities, existence of excessive outstanding debt, these companies compensated their liquidity lacking with the highest cost (Safarzade, 2001).

It has to be noted that irregular good's imports with high optimal quality and conform with customer taste, performing after-sale services, providing new and fashion products, on-time goods delivery to customer, high effort in marketing and market policy area and wants, had been faced the fate of Iran textile products include Guilan with a serious change and crisis.

With investigation the current situation of textile industry, we come to this important conclusion that the most major problem is machinery obsolescence. By average. This industry has a history about 35 years which itself had been caused to fading and obsolescence of the units (Karvani, 2009).

Technological problem and restriction had been caused to limitation in diversity of the products. And, on the other hand because a need for providing spare part from the abroad , it had been turned the textile industry to a dependent industry which of course, This dependent can attribute to raw materials (Fahimi, 2000). Despite having raw material with ideal quality , because of expensive and lacking the machinery for transforming the material Iran has to import raw material which almost have not good quality and

impose high cost on the country economy (Masoudfar, 2002).

The price of all products in texil industry is increasing and this increase is not transformable to sales price and so the interest of products will be reduced. The reasons for raising cost price briefly are : raising cost price of imported material and petrochemical material, aggregation of municipality finance duties and taking 3% (percent) of duties from factory production rather than its interest, inflation in the salary of labour and raw material, remarkable increase of fixed cost such as power, frequency and increase of receive duties type, low productivity, high waste, exchange rate (which had been caused to some problem in foreign loan refund manner)

Today, textile industry is facing with two serious and main foreign problems:

- 1- Intensive global competition for products with superior quality and lower price and serious attention to cost reduction component.
- 2- Fundamental and suddenly changes in technology area which reduced actual service life of machinery , intensively .

Constantly, exports need to along with providing inter-need in producers work order , but there are some problems and restriction on the road of producers which lead to absence of them in the global market and remove their competition power.

The most important problems and restrictions are:

Instability in the decisions and rules related to non petroleum export and in turn lacking long term planning for export development because of constant changes in exchange regulation and lacking constant policy making in this area.

Lacking concession of 100% exchange from exports to producers for importing raw material and the other requirement of industry section.

Unjusting and uneconomic of exchange rate for exports with compared to exchange cost price for production .

Weakness of Iran export development center in holding an exhibition which as a result of presence in this exhibitions for Iranian producers and exporters , it lead to just a set of overhead and excessive cost (Nasrollahi, 2000).

The main problem in the textile industry is lacking investment in the important section of this industry with regard to the existence problem and inefficient of many units, investment in the main section of the industry have not economic justification and even have operating loss. Also the current condition in the investment on Guilan textile

industry is not suitable. Moreover, there was not an exact and scientific view on management problem in Iran community from long before. Experts had been stated that the most important element for creating this problem are inability of managers in taking strategic decision, lacking performing authority and decision- making, multicareer and unfamiliar with their roles. According to all economic exports in Guilan, The most important and great problem in textile is weakness in management section. The loss from the heavy snow crisis in 2004 in Guilan which caused to high damage to 400 big and small unit which was from 30 to 100% is the other problem of textile industry in this province.

Table No(1) is investigating the number of Guilan textile industry factory relative to total number of industrial factory from 2001 to 2006 . In this viewing, the number of Guilan textile industry factories had been descending order since 2007 respectively and showing weakness of textile industry section relative to other economic section.

Table 1: The number of Guilan textile industry factories and comparing them with total industry factories of the country during 2007-2006.

Year	The number of textile industry factories	The number of industry	Textile contribution in the industry
2001	2907	13509	21.5
2002	2665	16257	16.3
2003	64	610	10.4
2004	63	564	11.1
2005	56	565	9.9
2006	52	565	9.2

Source : Guilan statistical year book, various year

4. results and Discussion

Most textile industry plant from 22 years ago up to now which were under the government support, now are living in crisis situation. Their various debts are so high which are included in article 141 due to trade law. Up to now, the performed efforts had been cross section. For this units can locate in the correct path with a scientific and rational planning , the only possible way is performing article 44 of constitution (privatization).

At the present which the community is in dangerous situation because of unemployment of young generation , we can create constructive

productive movement through attracting their participation in managing the crisis units .

With regard to all mentioned problems about Guilan textile industry, the role of medium in moving crisis due to effectiveness of TV must be attended. In this regard, providers put textile industry in the high priority, because this industry always had a intensive dependence and belonging from Guilanian people and have bright and long history in Guilan. Preparing some programs such as round table, representation, report, documentation and ... which take advantages from hard research support are helpful in the developmental trend of this industry and helping to remove its crisis.

Current research could have key role in constructing TV programs in order to inform people about textile industry .

High structural changes toward economical section indicate suitable production situation and there are more powerful basis for development and improvement in it. In all industrial developed countries, governments take some policies in favor of producers in order to support their economy, trade and their exports and meanwhile, they overlook from their right in order to support the producers. In Iran, this story is different and in fact this is producers who support government and the condition is a form that it tends to imports side itself. In fact lacking government subsidy is itself encouraging the imports. The country economic trustees in imports raw material which is the key factor in the production are performing much severity , while in entering final product which include domestic market, There are not exercising tax and customs policy(Rodas,1998) .

In fact , in our country , as much as our export is an important subject, import is take place easily. Performing liberation policy to found industrial units had been faced with extremes , and country capital and exchange (which along with foreign debt, associated with heavy pressure on the country economy) had been invested without scheduling . So in some part of the industry (main group of textile products) we are encountering with out of order capacities because of need to more investment and at the other section (subgroup of products) which had been found new productivity capacities, we are facing with deficiency productivity from capacities.

Subgroups need to few initial investment volume for establishing new units . So the investors had been paid more attention to this units and this lead to raise inflation in this section which sometimes had surplus production capacity and at the present it remained useless and at least 1/3 of the performed investment are in this section . It

should be noticed that allocating and dividing the capital and exchange equitably between the various parts of textile industry had been not taken place. Also, because of lacking export power there are some difficulties and current problems in this part and if it occurs, remarkable exchange could reach to the country (Shokouhi, 2000).

Economic experts believe that increasing and development of exports will lead to raise investment, improving production level, and promoting technology of textile industry. So, some actions such as granting export rewards, can improve the quality of manufactured commodities and return the lost market of textile industry (Balassa, 1965).

The important challenges faced to this industry is demand which must be solved with developing export market, creating regional cooperation and removing discrimination tariff between domestic and foreign producers.

There is a need to exact and solid scheduling for development and modernization of textile industry due to economic and making employment. The necessary attempts in this regard are as follow:

- 1- using from Islamic development bank facilities
- 2- selecting and assignment competence and expert managers
- 3- creating closeness possibility or participation of textile factories with developed countries industry.
- 4- creating research and laboratorial environment in the textile factories for updating factory products due to quality progressing.
- 5- Improvement and revision in banks management and pay credit manner and providing facilities to the textile industry.
- 6- Training expert engineers in universities
- 7- Lowering social security insurance rate for textile factories and lateral industry from 30% to 18%.
- 8- Revision in high rate of bank interest
- 9- Interaction of employment department and industry and mine department with universities and factories for providing apprenticeship period of students.
- 10- Adjustment customs duties for importing goods which are not produced in home and it is necessary for industry.
- 11- Giving exchange term loan with low interest for purchasing the equipment and providing liquidity.
- 12- Providing necessary possibilities for textile course students for coordinate the theory learned lessons with practice.
- 13- Tax exemption of textile factories for consecutive 10 years.

Acknowledgements:

Authors are grateful to Islamic Azad University, Rasht Branch, Rasht, Iran for financial support to carry out this work.

Corresponding Author:

Dr. Hamidreza Alipour

Department of management, economic, collage of management, Islamic Azad University, Rasht Branch, Iran

E-mail: drbehdad_66@yahoo.com

Reference :

1. Alipour, HamidReza, Rezwani, Mousa, efficiency and inefficiency of technical training, Guilan technical department, 2006 (in per)
2. Alipour, Hamid Reza, Employment and unemployment in Guilan, Islamic Azad university, Rasht Branch, 2007 (in per)
3. Alipour, HamidReza, making capable of economic enterprise, Guilan cooperative department, 2007 (in per)
4. Balassa, B (1965) "Trad liberalization and revealed comparative" the Manchester school of Economic and social studies, no.33.
5. Chanerjee, P.K and ngusen HV, "Mechanism of liquid flow and structure property, Relation", Abstract chatterjeep K (Ed) Elsevier science. B.V.1995.
6. Chow, p.c.y (1990), "The revealed comparative Advantage of the East Asian NICS", The international trade journal, no5, pp 235-262.
7. Emami Raouf, Sayyid Shojae-al-din, marketing in textile, Emrooz textile publication, 2007, No.16 (in per)
8. Fahimi, AbdolReza, why textile industry is account as crisis industry, today? Emrooz textile publication, 2000, No.4. (in per)
9. Ghalamzan Nikoo, Kamelia, possibility of creating cooperative company and small establishment, Guilan cooperative department, 2006 (in per)
10. Iran textile industry association, business review publication, 2000, No.3. (in per)
11. Karvani, Maryam, textile industry and its cooperative company, cooperative publication, 2009, No.233 (in per)
12. Lutz.j. (1987), "shifting comparative Advantage, the NICS and the developing countries", the international trade journal, vol 14, PP 339-58.

13. Masoud far, crisis in textile industry, Asia publication, Tehran, 2002 (in per)
14. Nasrollahi, Gholnar, crisis to the realities of textile industry, Emrooz textile publication ,2000, No.15 (in per)
15. Need measuring of Guilan TV, research unit.2001 (in pers)
16. Norouzi, Asadallah, planning the study of Guilan industrial and mineral development, spring , 2003 (in per)
17. obsolete machinery and unemployment workers in textile industry, Economic journal, Tehran, 2002 (in per)
18. Rodas- Martin, p. (1998), "intra-industry trade and revealed comparative advantage in the central American common market" , world development, vol 26,no 2. pp 337-344.
19. Saffarzade, a design for save government textile unit from crisis , economic journal, Tehran , 2001 (in per)
20. Shokouhi, Ali. Industrial death, the only solving way for crisis textile factories , Emrooz textile 2000 (in per).

12/15/2010