

Cash crunch hits textile units

TNN | Nov 29, 2016, 09.14 AM IST



INDORE : Cancellation of legal tender status of Rs 500 and Rs 1,000 has adversely hit the textile and garment industry.

Unable to procure raw materials and pay contract workers, several textile units have slashed production by 20 - 30 per cent. Hit hard by the cash crunch, many units in the region have laid off contract workers.

According to experts of the total working staff, about 20-30 per cent of the workers involved in non-perennial jobs are on contract.

In the series of demonetisation, unorganized or daily wage workers are the most hit as majority of them are migrant workers and do not have bank accounts to receive direct payment through banking channel.

Vippy Spinpro's managing director and chairman Madhya Pradesh Textile Mills Association Piyush Mutha said, "Demonetisation has led to severe shortage of funds for regular operations in the textile industry hitting day to day business operations."

Industrialists said that scrapping of large currency notes has hit the purchase of raw material, sale of finished goods and other routine factory expenses and small machinery items.

Industry participants said that the availability of raw material for textile mills - cotton has reduced as farmers are bringing less

produce in the market due to cash crunch. They said merchants do not have cash to give to farmers who do not accept cheques.

The association secretary M C Rawat said, "The main worry is how to dispense payment to workers next month. Most of them do not have bank accounts. Textiles is a cash intensive industry where cash is required for running daily activities."

Market experts said that sales of garments have also reduced sharply due to cash crunch as customers are avoiding purchase.

Maharaja Tukojirao Cloth Market Merchants Association president Hansraj Jain said, "Sales have gone down drastically as purchasing power of consumers have declined. Rotation of money has stopped and businessmen are not in a position to accept new orders."

Jain said workers payment is major issues as the withdrawal limit from banks for current accounts are very less.