



OPERATING SMALL AND MEDIUM ENTERPRISES – VIEW FROM PROFIT AND PROBLEMS OF GARMENT INDUSTRY

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Abstract

The present study aimed to know the profit and problems of garment entrepreneurs in running garment industry in Erode and Tirupur District of Tamilnadu. Small and medium Enterprises are today recognized as a priority in almost every country. According to an estimation that half of two third of business all over the world is of SMEs. It comprise wide divergent of establishment form the micro level to rural enterprises or macro level to modern industrial area. Such MSMEs exists in the form of factories, workshop, trading and service organization and its ownership pattern may be different such as sole proprietorship, partnership, firm or limited company and co-operative societies. Due to their contribution in economic growth importance and emphasis in SME sector is increasing. SMEs are playing crucial role in Indian Industrial sector and have become oxygen for sick units of industry growth.

Introduction

The textile and garment sector is regarded as the engine of growth for many developing countries since it accounts for around 45% of developed markets imports from the developing countries. SMEs are contributing 8 percent in GDP, besides 45 percent to the total manufacturing output and 40 percent to the exports. This sector has the potential to spread industrial growth across the country and can be major partner in the process of inclusive growth. In the process of development other industries such as electronics, telecommunications, steel, light engineering goods, leather goods, processed food, etc have also gained prominence. The textile and garment sector still occupies an important place in the economy of south Asia especially in the Indian economy and contributes substantially to its exports earnings. Textiles exports represent nearly 30 per cent of the country's total exports. It has a high weight age of over 20 per cent in the National production. It provides direct employment to over 15 million persons in the mill, power loom and handloom sectors. India is the world's second largest producer of textiles after China. It is the world's third largest producer of cotton after China and the USA, and the second largest cotton consumer after China. The textile industry in India is one of the oldest manufacturing sectors in the country and is currently it's largest. The Textile industry occupies an important place in the Economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The textile industry encompasses a range of industrial units, which use a wide variety of natural and synthetic fibres to produce fabrics. The textile industry can be broadly classified into two categories, the organized mill sector and the unorganized mill sector. Considering the significance and contribution of textile sector in national economy, initiative and efforts are being made to take urgent and adequate steps to attract investment and encourage wide spread development and growth in this sector. The present study aimed to know the profit and problems of garment entrepreneurs in running garment industry in Erode and Tirupur Districts of Tamilnadu.

Materials and Methods

Tiwari and Babel (2013) stated that knitting industry occupies a pivotal position in the economic dynamism of various countries. The workers in the knitting industry suffer from various types of health risk factors. The risk in the knitting industry is higher and the ability to control it is lower. The majority of the problems are due to poor work environment, manual work condition and long hours of static working posture in the knitting industry. The present study was conducted to study the health and nutritional status of the workers in knitting industry, located in the city Kanpur, India. The study concluded that the selected respondents were suffering from occupational stress and health problems. But it was noteworthy that most of the respondents were having normal nutritional status and nearly one third of them were at risk category. The variety of morbidities detected among knitting workers especially the high prevalence of under nutrition, was alarming. Yoganandan et al., (2013) stated the problems faced by small knitwear exporters in Tirupur (India). The government has indentified the garment export sector as a thrust area and was providing the support required to boost exports from this sector. Modernization was expected to help in product and market diversification as well as better price realization for various categories. This also saved time and enables quick delivery of product to customers. Dogged by problems, investing in brand was still not preferred by the majority of exporters in Tirupur. Therefore, some exporters were adopting the other route. They were trying to bring in value addition through outsourcing or by using the brand of their international collaborators. During the period of study, it was found that the main problems such as competitors, government rules and regulations, transportations, lack of finance, lack of labor, lack of economic stability of buyer's country, lack of space, unexpected rejection of goods and export orders and profit fluctuation had a greater influence in export performance. The problems that affected the performance of the exporters were identified by using the Henry's Garrett Ranking Technique. Sudeshna Saha



(2013) aimed to study the conditions of work in the unorganized garment sector. The terms and conditions of service, the socioeconomic background of the employees and the problems that are encountered by the work force were analyzed. This study revealed that the significant differences in the nature and conditions of work, income between men and women in work place and also the study outlined the worse conditions of work that women face. Due to their low educational qualifications and skills the women workers have less access to better working conditions, promotions, leave facilities, occupational safety, etc., unlike their male counterparts. The survey tried to highlight some of the best practices with respect to women workers so that the employers in the organizations could bring about some changes in work conditions and make collective bargaining more gender sensitive. Razia Khatun and Shamsuzzaman, (2015) identified that the ready- made garments (RMG) industry of Bangladesh had been the key export industry and a main source of foreign exchange for the last three decades. More than 78 percent of Bangladesh's export earnings came from the garment industry. This study focused on the job satisfaction of the employees of the RMG industry in Bangladesh. The study reviewed the literature on working conditions in Bangladesh RMG sector and failure of its existing labor laws. It showed that after the liberation industrial base here in Bangladesh had to face a sudden vacuum of the entrepreneurs.

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. The present study used both primary as well as secondary data. The primary data was collected from the garment entrepreneurs in running garment industry in Erode and Tirupur District of Tamilnadu. Field survey technique was employed to collect the pertinent data from the 300 selected sample respondents in Erode and Tirupur districts. The respondents were selected by using simple random sampling method from the selected towns. Questionnaire was the main tool for collecting the data. The secondary data was also collected for the study. The data thus collected from the primary sources were arranged in the simple tabular statements. Multiple regression method was used for the further analysis.

Results and Discussions

The following analysis shows the relationship between volume of profit gained in operating the garment industry and eight independent variables that were studied. It was found that among these eight variables, two variables were closely associated with the volume of profit. In order to measure the interdependence of independent factors and their total contribution to the volume of profit, the results of the analysis were put into multiple regression analysis, and detailed results are shown in the following table.

Table 1, Profit Gained in Operating Garment Industry (Multiple Regression Analysis)

Variables	B	Std. Error	t	P
(Constant)	46.931	17.348	2.705	.007
Age	9.533	3.757	2.538	.012
Gender	-5.420	4.554	-1.190	.235
Marital status	-15.237	5.424	-2.809	.005
Educational qualification	-3.337	2.492	-1.339	.182
Experience	1.992	2.076	.959	.338
Family size	3.149	2.887	1.091	.276
Business turnover	.064	2.297	.028	.978
Kind of work	1.349	2.634	.512	.609

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.229	.052	.026	36.749

The Multiple linear regression components are found statistically a good fit. It shows the two independent variables contribute on the variation in the profit and statistically significant at 1% and 5% level.

The table indicates that the co-efficient of respondent's access to age and marital status were significant at 1% and 5% level. It also noted that the variables such as age, experience, family size, business turnover and kind of work are positively associated with the volume of profit. Further, it indicates that these variables that contribute to the volume of profit are statistically significant and implying that their influence is stronger than the other variables.



The rate of increasing the volume of profit shows better results of the independent variables such as respondents' age with 2.538, with 0.959 units change in experience, with 1.091 units change in family size, 0.697 unit change in monthly income, with 1.863 unit change in family type, with 0.028 units change in business turnover and with 0.512 unit change in kind of work.

Table 2, Problems in Production of Garment Industry

S.No	Problems	Total score	Mean score	Rank
1	Power supply	14028	46.760	5
2	Poor quality of raw materials	13017	43.390	7
3	Problems in technology up-gradation	12548	41.827	8
4	Frequent absent of tailors	18215	60.717	1
5	High production cost	17315	57.717	2
6	Non availability of machinery spare parts	15139	50.463	4
7	Lack of measurements	13774	45.913	6
8	Cost of labour	15964	53.213	3

It is divulged from the above table that the problem "Frequent absent of tailors" was ranked first with the total score of 18215 points. It is followed by the problem of "high production cost" which was placed in the second position with the total score of 17315. The third rank was earmarked by the problem "Cost of labour" with the score of 15964 points. The problems like "Non availability of machinery spare parts" and "Power supply" were ranked into the position of fourth and fifth with the total score of 15139 and 13774 respectively. The problem "Lack of measurements" was ranked sixth with the total score of 13774 points. Poor quality of raw materials was another major issue faced by the garment industry owners which was ranked in the seventh position with the Garrett score of 13017. The problem in "Technology up-gradation" was ranked as the least problem with the total score of 12548 points. From the analysis, it is inferred that the respondents who are operating garment industry were very much suffered by the problems of "Frequent absent of tailors" and "High production cost".

Table 3, Financial Problems in Operating Garment Industry

S.No	Problems	Total score	Mean score	Rank
1	Non-availability of fixed capital	14467	48.223	4
2	High rate of interest for loan	14198	47.327	5
3	Non-availability of finance in time	13155	43.850	8
4	Inadequate finance	13857	46.190	7
5	Delay in settling the payments by the customer	15805	52.683	3
6	Huge investment	15877	52.923	2
7	Lack of securities	14029	46.763	6
8	Threatening rules and regulations for obtaining bank loans	18612	62.040	1

It is pinpointed from the above table that among the eight financial problems faced by the owners in garment industry, the problem "Threatening rules and regulations for obtaining bank loans" was the major issue faced by the sample respondents in running garment industry and it was ranked first with the Garrett score of 18612 points. It is followed by the problem of 'Huge investment' ranked second with the Garrett score of 15877 and the third rank marked by the respondents was "Delay in settling the payments by the customer" with the Garrett score of 15805 points. The problem "Non-availability of fixed capital" was another issue faced by the sample respondents and it was ranked fourth with the Garrett score of 14467 points. Among the various financial problems faced by the garment entrepreneurs, the problems such as, "High rate of interest for loan" and "Lack of securities" were ranked in the fifth and sixth places with the Garrett score of 14198 and 14029 points respectively. Other financial problem of "Inadequate finance" was ranked into seventh place with the Garrett scores of 13857 points. Lastly, "Non-availability of finance in time" was ranked in eighth position with the Garrett score of 13155 points. From the analysis, it is inferred that the threatening rules and regulations for obtaining bank loans was the major financial problem in operating garment industry highlighted by the sample respondents.



Suggestions and Conclusion

The recent liberalization of the Indian government has helped in giving a boost but it is not good enough to keep the Indian SMEs competitive in the world market. Because of its fundamental, there are a number of opportunities that are likely to be available to be Indian SMEs especially garment industry, which need to be exploited to its fullest extent. The country's garment industry has a pivotal role to play in the national economy, and given proper encouragement, drastic steps and bold innovations of policy through diplomacy measures by the government and industry to take advantage of the global opportunities by increasing the exports of textiles from India by implementation of several suggestion. Factors such as lack of knowledge, poor communication skills, shortage of labor and certain problems related to marketing and finance are the major problems in garment sector. To ensure the success of these garment SMEs and fulfillment of its contributors such as education, skilled labor and efficient management, it is imperative for the government to take prompt action to address the issue. It also showed how the role of MSMEs helped in economic restructuring and development of India. Simple and clear policies and acts are to be made so that these enterprises can understand them and utilize as well as implement them in the business for compliance and secure benefits. There are many government schemes but from the study it was observed that most of these enterprises are not aware and do not understand how they can benefit out of them. Finance is the first major problem for all the garment industry. Hence, the government can provide interest free loans to encourage garment entrepreneurs. To attract more garment entrepreneurs, the subsidy for loans should be increased and hurdles like financial constrain and issues relating to power, raw material procurement should be more effectively dealt by the government.

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