Research Paper
Impact Factor: 3.567
Peer Reviewed Journal

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

KEY PERFORMANCE OF SMEs – AN APPROACH THROUGH GARMENT INDUSTRY

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Abstract
The present study aimed to know the satisfaction level of readymade garment owners in running garment industry in Erode and Tirupur District of Tamilnadu. Small and medium enterprises are the major agents of economic development and employment. Fashion has to come a long way and the textiles have been the integral part of India's cultural heritage. India has made significant progress in its export performance of readymade garments for more than two decades and in the recent years it has established its prominence in the world scenario. India, a traditional country which is known as a producer of low cost products, it is also popular for cheap labour, and has now transformed itself to a stage where supply of high fashion garments with value addition has become its competitive edge.

Key Words – Textile, Export, Performance, Prominence, Fashion.

Introduction

In India, over sixty percent of small businesses are estimated to fail each year. The dramatic increase in the contribution of SMEs to employment was largely attributed to retrenchment in both public and private sectors. However, even with this growing percentage, not many micro-enterprises grow into small-scale enterprises to significantly contribute to employment creation and economic growth. This study seeks to investigate the factors that influence the performance of small businesses in order to develop an understanding of the dynamics of SMEs not only for the development of support programmes and growth strategies for SMEs, but also for the growth of the economy as a whole. Indian knitting industry has emerged as a premier supplier of value added items earning high foreign exchange. The industry is shaping itself and identifies the areas and required changes to meet the new imperatives of international market. This industry has adapted itself to suit to the changing market conditions globally. Fabrics from India executed by untiring loom of generations are used to style of some international fashion's most inspired designs Fashion designers from all over the world find Indian fabrics the perfect complement to their style. Knitwear sector in India grabs major chunk of its share in the country's textile exports. Exports of knitwear items from India have made strides and occupied 50% share of its total readymade garments exports. The key centres of knitwear exports are Tirupur, Ludhiana, Delhi, Mumbai and Bangalore. The present study aimed to know the satisfaction level of readymade garment owners in running garment industry in Erode and Tirupur District of Tamilnadu.

Materials and Methods

Jahid (2013) observed that challenges that originate from changes in the global trade regime and the relative competitive environment in the global markets were reasons for deep concern for Bangladesh. Because of quota system abolition, many of the less efficient suppliers would lose quota rents and market shares as they were forced to compare with more efficient suppliers among developing countries. Since, 1974, Bangladesh was enjoying a quota free access of garments under the Multi-Fibre Arrangement (MFA). But the phase out of the Multi-Fibre Arrangement (MFA) had completed in 2005 under the Uruguary round of GATT (General Agreement for Tariffs and Trade) in 1994. The freeing of trade in textile and clothing had created formidable challenges to the Bangladesh Ready Made Garments (RMG) Industry. The phase-out of the MFA, emergence of competitors such as China, India, Vietnam, Turkey, Mexico and African nations had negatively impacted on the fortunes of Bangladesh RMG sector. Dependence on imported raw materials, political instability, turbulent economy, high bank interest rates, lack of government incentives, poor knowledge of international marketing, port problem, poor infrastructure and labor union were some of the internal problems of Bangladesh RMG. This sector was being incrementally faced with burden of obligations imposed by the developed countries in the guise of compliance issues. There were two types of views about the future of Bangladesh Ready Made Garments (RMG) Industry after MFA era. The optimistic view emphasized that Bangladesh had held a strong position in the global market due to its abundant supply of cheap labor. On the other hand, the pessimistic view revealed that there was no opportunity for Bangladesh to survive in the competition. Kumar and Ananth (2013) suggested that Tirupur, the well-known textile hub of India had more garment manufacturing and job work units in the district. Tirupur was the biggest centre for exports of knitwear in India and seen as one of the most dynamic garment clusters in the developing world. In fact, when the textile industry was booming, Tirupur was portrayed as 'Dollar City' and 'Little Japan' by media. The growth of Tirupur textiles did not continue for long time due to growing global economic crisis and with the rising cotton prices and faced many serious troubles. The present study was carried out to find the problems faced by these industries. The study thus found that these industries suffer from various problems like management problems, finance problems, marketing problems, quality problems, documentation problems, production

problems, vendor problems etc. Aruna, (2015) found in the research that the small businesses often faced a variety of problems related to their size. A frequent cause of bankruptcy was undercapitalization. This was often a result of poor planning rather than economic conditions. It was a common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses. MSMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower. These were often confronted with problems that were uncommon to the larger companies and multi-national corporations. These problems included the following: Lack of ITs Support, Lack of ITs Literacy, Lack of Formal Procedure and Discipline, Uneven ITs Awareness and Management Skill, Lack of Financial Resources, Lack of Human Resources, Raw Material problems, Production problem, etc. Micro, Small and Medium Enterprises played a dominant role in Indian Economy. But there were various problems faced by these enterprises due to which the growth of the enterprises was affected, in turn affecting the growth of the country. Hence the researcher felt a need to study the problems faced by MSMEs.

The reliability and validity of any research depends upon the systematic method of collecting data and analyzing the same in sequential order. In the present study, an extensive use of both primary and secondary data has been made in order to achieve the objectives of this study. Field survey technique was employed in the study for collecting the primary data. First-hand information was collected from 300 readymade garment entrepreneurs of Erode and Tirupur districts. These two districts were deliberately selected because of excessive operation of garment units. Simple random sampling method was employed for selecting the respondents from the selected taluks. Structural Equation Modeling method was employed for further analysis.

Results and Discussion

In structural equation modeling, the confirmatory factor model is imposed on the data. In this case, the purpose of structural equation modeling is twofold. First, it aims to obtain estimates of the parameters of the model, i.e. the factor loadings, the variances and covariances of the factor, and the residual error variances of the observed variables. The second purpose is to assess the fit of the model, i.e. to assess whether the model itself provides a good fit to the data.

Table 1, Manifest Variables And Latent Variable Considering For Measuring The Level of Satisfaction Perceived In Operating Garment Industry (Estimates)

MANIFEST VARIABLES	LATENT VARIABLES
Sales performance of garment	Level of satisfaction perceived in operating garment industry
Export performance of garment	
Cost optimization	
Manufacturing facilities operations	
Availability of loans	
Availability of buyers	
Cheap cost of manufacturing and services	
Abundant availability of highly talented staff members	
Quick grasping power in research and development	
Global business environment	
Good government support	
Opportunity to earn high income	

The research hypotheses have been defined on the basis of the factors regarding satisfaction of garment industry owners.

H_1: There is no significant relationship between manifest variables and the level of satisfaction perceived in operating garment industry.
H_2: There is no significant relationship between manifest variables and the level of satisfaction perceived in operating garment industry.

To test the hypotheses Structural Equation Model was used and the output is presented in the form of path diagram. The sketch of the path diagram is given in the figure 4.1.

IJMDRR
E- ISSN –2395-1885
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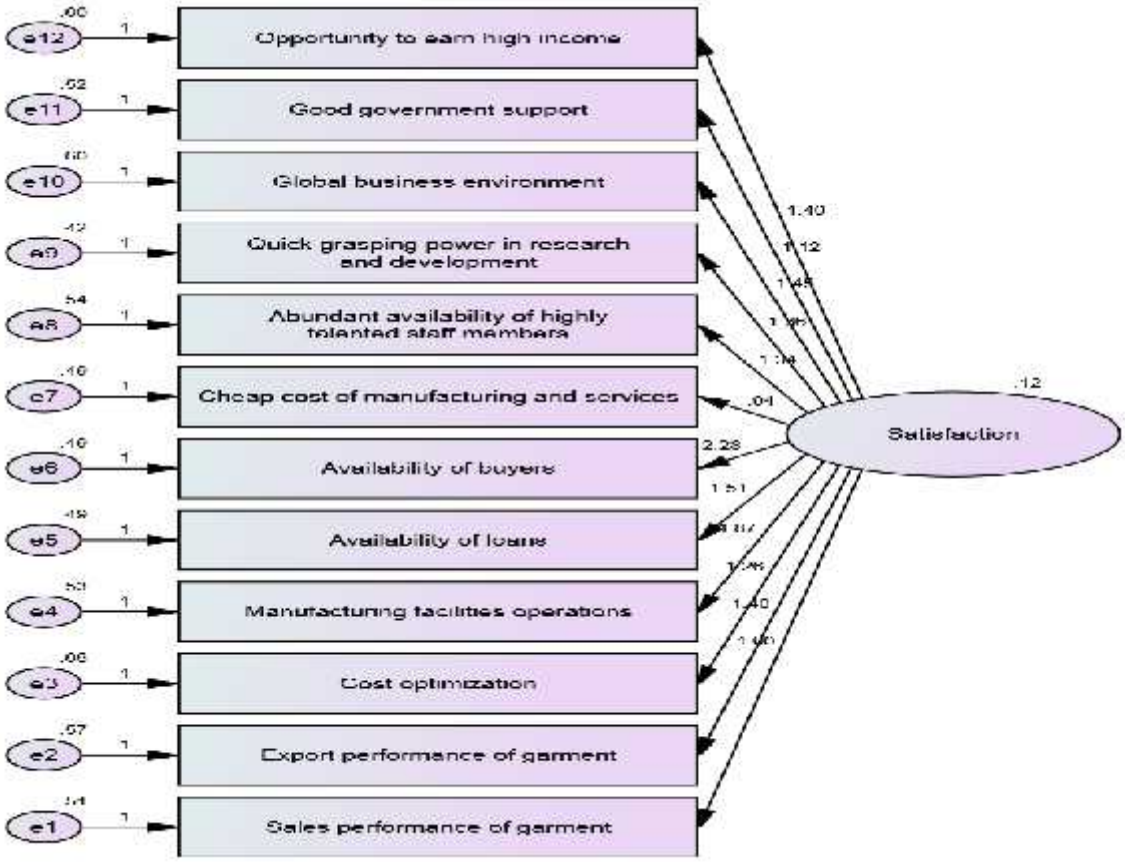
Figure 4.1,Path Diagram Indicating The Level of Satisfaction Perceived in Operating Garment Industry



(Note: Chi-square = 165.745, Degrees of freedom = 54 and Probability level = .000**)**

In the above path diagram, the values attached to one-way arrows / directional effects are regression coefficients. The regression coefficients and correlations measure the strength of the relations between the variables. A regression coefficient of 1.40 for opportunity to earn high income indicates a strong relationship with the level of satisfaction perceived in operating garment industry. A regression coefficient of 1.12 and 1.45 for good government support and global business environment indicates a strong relationship with the level of satisfaction perceived in operating garment industry. The factors such as 'Quick grasping power in research and development', 'Abundant availability of highly talented staff members' and 'Cheap cost of manufacturing and services' having a substantial relationship with the level of satisfaction perceived in operating garment industry with the regression coefficients of 1.45, 1.36 and 1.34 respectively. A regression coefficient of 1.00 for the changes in the sales performance of garment indicates a close relationship with the level of satisfaction perceived in operating garment industry. A regression coefficient of 1.40 for export performance of garment and 1.26 for cost optimization indicates a strong relationship with the level of satisfaction perceived in operating garment industry. A regression coefficient of 1.87 for manufacturing facilities operation and 1.51 for availability of loans also having a strong relationship with the level of satisfaction perceived in operating garment industry. On the other hand, a regression coefficient of 2.28 for availability of buyers indicates a very strong relationship with the level of satisfaction perceived in operating garment industry. The analysis indicates that all the twelve factors namely sales performance of garment, export performance of garment, cost optimization manufacturing facilities operations, availability of loans, availability of buyers, cheap cost of manufacturing and services, abundant availability of highly talented staff members, quick grasping power in research and development, global business environment, good government support and opportunity to earn high income factors put together highly influenced the level of satisfaction in operating garment industry. The researchers applied model fit indices to decide whether to accept this model or to fine tune the model further. The result of model fit test is presented in Table No. 2.

Table 2, Model Fit Indices of Level of Satisfaction Perceived in Operating Garment Industry

No.	TEST FACTOR	CALCULATED VALUE	ACCEPTABLE VALUE
1	GFI (Goodness-of-fit-index)	0.913	>=0.90 and above satisfactory fit 0.80 to <0.9 acceptable fit (Hair et al.2006)
2	AGFI(Adjusted goodness-of-fit-index)	0.874	
3	CFI(Comparative fit index)	0.871	
4	NFI (Normed fit index)	0.822	
5	TLI (Tucker-Lewis index)	0.842	
6	RMSEA (Root mean square error of approximation)	0.08	0.08 or less would indicate a close fit of the model

The table 2 indicates that the model fit indices of factors influencing the selecting a plant in industrial locality. The Goodness of fit index (GFI) score is 0.913, adjusted goodness of fit index (AGFI) score is 0.874, comparative fit index (CFI) score is 0.871, normed fit index (NFI) score is 0.822, Trucker Lewis index (TLI) score is 0.842. The root mean Squared Error of Approximation (RMSEA) secured 0.08 that indicates that the model is a close fit with a reasonable error of approximation.

From the analysis, it is inferred that all the twelve variables selected for the analysis are well fit and it proves that all these variables clearly indicates their relationship with level of satisfaction perceived in operating garment industry in the study area.

Table 3, Variance-Covariance Matrix of Estimates

Factor	1	2	3	4	5	6	7	8	9	10	11	12
1	.054											
2	.031	.050										
3	.046	.041	.080									
4	.037	.033	.049	.057								
5	.055	.050	.074	.060	.108							
6	.023	.021	.031	.025	.037	.032						
7	.033	.029	.043	.035	.053	.022	.050					
8	.033	.030	.044	.036	.054	.022	.032	.047				
9	.035	.032	.047	.038	.057	.024	.034	.034	.057			
10	.027	.025	.036	.029	.044	.018	.026	.027	.028	.040		
11	.034	.031	.046	.037	.055	.023	.033	.033	.035	.027	.055	
12	-.006	-.005	-.008	-.006	-.009	-.004	-.005	-.005	-.006	-.005	-.006	.001

Table 4,Regression Weights for Considering Level of Satisfaction Perceived in Operating Garment Industry

Measured Variable		Latent Variable	Estimate	S.E.	C.R.	P
Sales performance of garment	<---	Satisfaction perceived in operating garment industry	1.000			
Export performance of garment	<---	Satisfaction perceived in operating garment industry	1.404	.232	6.041	Significant at 1% level
Cost optimization	<---	Satisfaction perceived in operating garment industry	1.264	.225	5.627	Significant at 1% level
Manufacturing facilities operations	<---	Satisfaction perceived in operating garment industry	1.873	.282	6.636	Significant at 1% level
Availability of loans	<---	Satisfaction perceived in operating garment industry	1.512	.238	6.342	Significant at 1% level
Availability of buyers	<---	Satisfaction perceived in operating garment industry	2.276	.329	6.916	Significant at 1% level
Cheap cost of manufacturing and services	<---	Satisfaction perceived in operating garment industry	.943	.180	5.247	Significant at 1% level

Abundant availability of highly talented staff members	<---	Satisfaction perceived in operating garment industry	1.337	.223	6.003	Significant at 1% level
Quick grasping power in research and development	<---	Satisfaction perceived in operating garment industry	1.361	.216	6.289	Significant at 1% level
Global business environment	<---	Satisfaction perceived in operating garment industry	1.450	.239	6.060	Significant at 1% level
Good government support	<---	Satisfaction perceived in operating garment industry	1.123	.199	5.632	Significant at 1% level
Opportunity to earn high income	<---	Satisfaction perceived in operating garment industry	1.401	.234	5.985	Significant at 1% level

From the result shown in table 4, it is noted that estimates of the coefficient of manufacturing facilities and availability of buyers which affected the level of satisfaction and it indicates that both factors are highly influenced the level of satisfaction in operating garment industry. Further, the analysis indicated that all the variables are having positive relationship with the level of satisfaction perceived in operating garment industry and significant at 1% level.

Suggestions and Conclusion

Indian knitwear is now exporting to almost every country in the world. Indian knitting industry has been capable to win all the complicated world market including America, European Union, Canada and Japan besides increasing its export growth rate in non-quota market. The study suggested that the government should re-introduce the small business credit scheme so that beneficiaries can use them to run the micro, small and medium enterprises. Inappropriate location and inadequate infrastructure facilities are the hurdles in the way of development of SMEs. Hence, separate industrial estates may be set up exclusively for SMEs to reduce the initial investment and to create a special environment. Efforts should be made to take away the cultural barriers and women garment entrepreneurs should be motivated to avail the benefits of entrepreneurship. Information should be provided to them freely so that they can take better decision. Also, discriminating social norms should be removed which propagate negative toward women entrepreneurs. Government, chamber of commerce and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators where they should be educated on how to plan, organize, direct and control their businesses. Micro, small and medium enterprises operators' should device effective marketing strategies. This includes such promotional strategies as advertising, good management customers relations at all times. Finally, the quality and quantity of garment products should be high at all times. This will attract more customers. Besides, operators should exploit ways of producing at low costs and selling at relatively low price. This will make demand to be high always.

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