CHAPTER-I

1. INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

World trade in textiles and clothing has had a long history of managed trade. It has been subject to regulation in one form or another for more than 55 years. Since the first voluntary export quota was negotiated by the USA on Japanese textiles exports in 1935, there has been a plethora of national, bilateral and international rules governing the trade in textiles and clothing culminating in 1974 in the arrangement regarding international trade in textiles, commonly known as the Multi-Fibre Arrangement (MFA), negotiated within the framework of the General Agreement on Tariffs and Trade (GATT). The MFA was intended to operate within a multilateral framework and its fundamental objective has been the expansion and progressive liberalization of trade in textiles, while avoiding the disruption of individual markets and individual lines of production in both importing and exporting countries. In practice, the trade in textiles is broadly defined and is subject to the provisions of bilateral agreements, which restrict specific products, usually by means of quotas (officially, quantitative restrictions or restraints).

With the World Trade Organization (WTO) enforced from 1st January 1995, the MFA has ceased to exist and the Agreement on Textiles and Clothing (ATC), which was a part of the final act of the Uruguay round of multilateral trade negotiations of the GATT, has taken its place. During
WTO’s short span of existence, the USA has already initiated twenty actions to institute new quotas. Japan which never used the MFA is now considering the application of transitional safeguards. It is quite certain that the removal of MFA protection does not imply that the industries concerned will be deprived of all protection. Tariffs were the main protection tool for the industrialized world’s textile and apparel sectors until the introduction of Voluntary Export Restraints (VERs) and the MFA systems. Thus, the permanence of tariffs at high levels in developed countries, in part, is adding significantly to the protection of their markets. Developing countries which are exporting should not, therefore, export to benefit from meaningful trade liberalization in textiles in the immediate future. The transition period, nonetheless, should be used to identify the strengths and weaknesses in the production base. It should be a period for carrying out structural adjustments in the industries.

1.2 AN OVERVIEW OF HOSIERY GARMENTS

The apparel industry is the largest source of foreign exchange inflow for India with the garments export accounting for almost 16% of the total commodity exports of the country. The industry has a vast size with over 30,000 hosiery garments manufacturing units in the country employing about three million people. Indian garments export business made great strides in the past few years and today many of the leading fashion labels, all over the world, are known to source their products from India. This speaks volume of India as a major supplier of top quality fashion garments if one takes into the
account that India garment exports were negligible till the 1970’s. The Indian government is encouraging joint ventures in textile/garment industry with foreign collaboration.

Textiles and garments industry form a significant portion of manufacturing base of many developing countries. Textiles industry is one of the main pillars holding the Indian economy. It constitutes about 14 percent of industrial production, 20 percent of total export earnings, 4 percent of GDP and direct employment to an estimated 35 million people. (Annual Report 2003-04, Mot, GOI). In spite of these, India’s entire share in the world textiles trade is still maintained at around 3 percent.

Mills, powerlooms and handlooms constitute three independent sectors of the Indian Textiles Industry. The mill sector is organized, mechanized and modernized, concentrating in the production of yarn whereas the powerloom and handloom sectors have remained technologically backward and stagnant. Almost all the spun yarn made in India comes from the organized mill sector, reflecting the highly capital intensive nature of yarn spinning. Weaving in the mill sector has been gradually suffering due to the competition from the powerloom and the trend may continue. Most of India’s competitors in textiles in the world market have a much larger number of shuttleless looms. The Hosiery sector caters mainly to the inner garment requirement.
1.3 PRODUCTION OF HOSIERY APPARELS/GARMENTING IN TIRUPUR

Tirupur and Ludhiana are the main hosiery products making clusters in India. Some other important clusters of knitwear are Kanpur, Kolkata and Kota. In Tirupur cluster main products manufactured are T-shirts, undergarments, vests, trunks, knitted pyjama, kids wear, ladies wear, etc. In Tirupur, there are about 1500 knitting units, 2500 knitted garment making units, 700 dying and bleaching units, 500 fabric printing units, 250 embroidery units, 300 compacting and calendaring units and 500 other ancillary units (Bedi 2009).

Most of these hosiery units are not composite units. The number of integrated or composite units are very low compared to the total number of units. In addition, within integrated units also there is much heterogeneity in terms of operation, size and scale. For example, in some units knitting, embroidery, stitching and printing are done, in other units only knitting, stitching and embroidery are done. Further, in some units only knitting and stitching are done. There are very few units where all the operation of the value chain, from knitting to packaging of garment is undertaken. In Tirupur, more than 90% of the knitting and knitted garment units are export oriented units. It contributes to 80% of the country's cotton hosiery exports.
1.4 IMPORTANCE OF THE STUDY

There are tremendous possibilities for future growth in exports of Hosiery products. The Indian Hosiery garments industry has many advantages over its counterparts in other countries. India has the second largest labour force in the world. Its basic raw material, namely fabric, is mainly indigenous. Unlike Bangladesh, which is a relatively new entrant in international trade, India is one of the well established exporting countries. Presently, it has developed a very sizeable base of exports of clothing from a very small one a decade or so ago. Ecological considerations are becoming important factors in the marketing of consumer goods, including textiles, all over the world. Quality requirement for textiles and clothing sold on the European market are evolving rapidly, as competition in this sector increases and consumer concerns for environmental, health and safety factors also gain momentum.

Garment exporters using such materials should follow the changes underway closely, if they wish to maintain and expand their share in this lucrative trade. Some of the recent development in the quality requirement for textile and textile goods marketed in the EU include the ban first instituted by Germany owing to the heightened environmental consciousness on garments dyed with azo, benzidine and other similar amines.

Exporters of textile goods must, therefore, be in a position to adapt their products and processing techniques to comply with new environmental regulations being introduced to their products and processing techniques. The
Indian dye industry is stepping up investment in plant and machinery to meet these new challenges. The government of India is providing the necessary support to both producers and exporters in meeting their market requirements.

1.5 STATEMENT OF THE PROBLEM

Hosiery entrepreneurs producing readymade garments asper the specification, design and orders given by the foreign buyers. Due to aggressive involvement, they have achieved very good progress in hosiery readymade garment production and export. Through the sound export garments, the Indian economy accelerated dynamically with sustainable growth. But the same Hosiery readymade garments exporters, suffered with unexpected problem and heavy risk. Due to a very meagre defects the entire lots are rejected and returned back to the country. In some situation, they are unable to send the goods on time due to labour problem (or) raw material problem (or) power crisis. A few entrepreneurs are suffered with working capital management and shiver hard for getting financial support from banking and financial institution. Apart from these issues, the Tirupure hosiery entrepreneurs are shiverly suffered by pollution norms and unable to install a common water effluents treatment plant. Hence the government officials, straight action against the entrepreneurs with heavy penalty and try to close the individuals in the name of pollution problems.

On the other hand the agriculturist also giving a big threat for closing the hosiery units due to usage of heavy chemicals and dyes. Which are
polluting the agriculture are up to 60 KMs areas. At this junctions, the hosiery readymade entrepreneurs facing ennurable problem and various facts.

The research focuses on the innumerable problems faced by the Hosiery garments exporters. Hence, the problems are analyzed on various operational areas viz., issues related to high quality of raw materials, labour problems, financial problems, transportation problem, settlement issues, government officials problems, ISO issues and pollution problems. Based on the above issues, the following questions were probed.

1. To what extent the Hosiery garments exporters are suffering in the study area?
2. How to alleviate the domestic problems and international buyer’s problems?
3. What strategies may be adopted for smooth and efficient functioning of exclusively export-oriented Hosiery garment industries?

1.6 OBJECTIVES OF THE STUDY

The study entitled “A study on Export Performance of Hosiery Entrepreneurs in Tirupur District” has the following objectives:

1. To study the exporters opinion towards the Hosiery garment industry in Tirupur District.
2. To analyze the export performance of the selected sample respondents in the study area.
3. To find out the benefits gained by the entrepreneurs of the export oriented Hosiery garments industry.

4. To find out the problems faced by the entrepreneurs in running the Hosiery garment industry.

5. To suggest better ways and means to increase the volume of turnover and profit in Hosiery garment industry.

1.7 METHODOLOGY

For the present study, Tirupur district was purposively selected due to their aggressive involvement in earning money through hosiery business and leading a standard life style. There are three revenue division in Tirupur District. For the purpose of this empirical research study, the respondents were chosen from all the revenue division of the study area by employing stratified random sampling method. The names of the revenue divisions in the district are listed in the table according to the extent of hard work put forth in Tirupur north and south covering 142 villages, Dharapuram revenue division covering 115 villages and Udumalpet revenue division covering 93 villages. They are manufacturing and exporting the hosiery products. The geographical distribution of the respondents involved in hosiery manufacturing and exports are given in the following table.

Table.No:1. Geographical Representation of Sample Respondents

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Revenue Division</th>
<th>No.of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tirupur (North &amp; South)</td>
<td>200</td>
</tr>
</tbody>
</table>
Sampling Method

The sampling size was determined using cocharns (1997) sample size determination formula for continuous data information. Used in this formula included (i) a five point liker-type scale (ii) a two percent margin of error (iii) an estimate of population standard deviation of .833. a five present risk that true margin of error may exceed that acceptable margin of error was utilised.

Sample size formula continuous data:

Where t = value for selected alpha level of 0.25 in each tail = 1.96

S = estimate of standard deviation in the population = .833 Estimate of variance for five point scale calculated by using 5 (inclusive range of scale) divided by 6 [number of standard deviations that include almost all, approximately 98% of the possible value in the range)]

d = acceptable margin of error for mean being estimated = 0.1 (0.2x5 point likert type scale)

n₀ = unadjusticated sample size

n₁ = n₀/(1+n₀/N) = 267/267/12600 = 261.459

n= adjusted sample size
Therefore the required sample size is 261 sample of 522 respondents, (double the size of required sample) who are actively involved in hosiery readymade garment manufacturing were selected and the data collection were obtained from these respondents on the convenient of the respondents by adopted satisfied random sampling methods the satisfaction covered all the revenue division of Tirupur district. The data thus collected were verified and found certain flaws and incomplete information in the questionnaire. They were discovered and finally 400 respondents were chosen for analysing the data.

1.8 DATA COLLECTION

The reliability and validity of any research is based on the systematic method of data collection and analysis. In the present study, both primary and secondary data were used.

Primary data

Primary data was collected from the respondents who are manufacturing and exporting hosiery products in the study area. First-hand information was collected from four hundred sample respondents living in Tirupur district. The data was collected with the help of a well-structured questionnaire from the selected sample respondents. A questionnaire contains various information like, socio-economic data of the respondents, awareness of exporting rules, regulations, formalities, sources of information of various
foreign buyers, respondents’ opinion against structure and layout of hosiery manufacturing place, respondents’ opinion on quality standards and various other kinds of problems organized in a systematic way. The data collected from the hosiery entrepreneurs were organized in a simple tabular form.

**Secondary data**

The primary data were supplemented by a spate of secondary sources of information. In order to learn about the export performance of hosiery entrepreneurs, several literature reviews were collected from well-equipped libraries in Bangalore, Chennai, and Coimbatore. A number of standard text books and journals were studied to obtain pertinent literature and the export progresses were gathered from SITRA, SIMA, and NIJRA. Further, internet web resources were also used to collect the latest information of export progress of the hosiery entrepreneurs.

**1.9 DISCUSSION AND INFORMAL INTERVIEWS**

In order to know the benefits and problems faced by the hosiery entrepreneurs and the exporters several rounds of discussions were held with knowledgeable persons in the field of hosiery exporting, research experts, tycoons in hosiery exports and the research supervisor.

**1.10 TOOLS OF DATA COLLECTION**

By virtue of a mass data obtained from research survey, as well as data from secondary sources collected and presented in the present report, descriptive
and analytical research was considered most appropriate for the study. The research problems and the questionnaire were all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the study of information collected from the sample respondents who are involved in hosiery manufacturing and exporting in the study area. The researcher used closed-ended and open-ended questions in the questionnaire to collect primary data.

1.11 CONSTRUCTION OF QUESTIONNAIRE

The key aspect of the present research was identified through the preliminary interviews [pilot study] with some selected exporters. The questionnaire so drafted was circulated among some research experts, leading organized exporters and Research Scholars for a critical view with regards to wording, form, sequence and the like, the questionnaire was re-drafted in light of their comments.

1.12 PRE-TEST

The questionnaire meant for the respondents was pre-tested with fifty exporters. After pre-testing, necessary modifications were made in the questionnaire.

1.13 FRAME WORK OF ANALYSIS

The core of the study being “the export performance of hosiery entrepreneurs”, the study centres around the dependent variable viz, the level of satisfaction perceived by the exporter and their relationship with the related
independent variables. Similarly, the tasks achieved by the exporters were analyzed with the respective dependent variables.

1.14 APPROACH TO THE EXTENT OF UTILIZING EXPORT PROCESS

The extent of performing in hosiery export and the level of satisfaction perceived by the hosiery entrepreneurs was studied based on their age, gender, education, income level, family size, type of family and wealth position of the hosiery entrepreneurs, further, it was studied by means of two-way tables, percentage, averages, ranges and standard deviation.

1.15 CHI-SQUARE TEST


In order to identify the factors influencing the level of satisfaction on export progress of the hosiery entrepreneurs, a chi-square test was applied and the formula is given below.
\[ \chi^2 = \sum (O-E)^2/E \]

With degree of freedom (df) = (c-1)(r-1)

Where, \( O \) = Observed frequency, \( E \) = Expected frequency,

\( C \) = Number of Columns, \( r \) = Number of Rows.

1.16 MULTIPLE REGRESSION ANALYSIS

Regression is a statistical relationship between two or more variables. When there are two or more independent variables, the analysis that describes such relationship is the multiple regression. This analysis is adopted where there is one dependent variable that is presumed to be a function of two or more independent variables. In multiple regressions, a linear composite of explanation variables is formed, in such a way that it has maximum correlation with an active criterion variable. The main objective of using this technique is to predict the variability of the dependent variable, based on its co-variance with all the independent variables. It is useful to predict the level of dependent phenomenon through multiple regression analysis models, if the levels of independent variables were given. The linear multiple regression problem is to estimate co-efficient of \( \beta_1 \), \( \beta_2 \ldots \beta_j \) and \( \beta_0 \) such that the expression.

\[ Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_j + K \]

Provides a good estimate of an individual \( Y \) score based on the \( X \) scores,
Where, \( Y \) = level of satisfaction perceived by the Hosiery entrepreneurs.

\[
X_1 = \text{Respondent’s Age},
\]

\[
X_2 = \text{Respondent’s Gender},
\]

\[
X_3 = \text{Respondent’s Education},
\]

\[
X_4 = \text{Respondent’s Occupation},
\]

\[
X_5 = \text{Respondent’s Income},
\]

\[
X_6 = \text{Respondent’s Family size},
\]

\[
X_7 = \text{Respondent’s Wealth},
\]

\[
X_8 = \text{Respondent’s Types of family},
\]

\[
X_9 = \text{Respondent’s level of Awareness}
\]

\[
X_{10} = \text{Respondent’s opinion on Geographical location of the retail market},
\]

\[
X_{11} = \text{Respondent’s opinion on Structure and layout of the retail store},
\]

\[
X_{12} = \text{Respondent’s opinion on Internal facilities and services of retail market}
\]

\[B_0+B_1+B_2+\ldots+B_j\] are the parameters to be estimated.

1.17 Garrett Ranking Technique

This technique was used to rank the problems faced by the Hosiery exporters and the manufacturers in the study area. In this method, the respondents were asked to rank the given problems according to the magnitude of the problem. The orders of merit given by the respondents were converted into ranks by using the following formula.

\[
\text{Percentage Position} = 100 \left( \frac{R_{ij} - 0.5}{N_j} \right)
\]
The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondents were added together and divided by the total number of respondents for whom the scores of all the factors were arranged in order of ranks and the inference drawn.

1.18 HYPOTHESIS:

1. \( H_0 \) - There is no significant relationship between age of the respondents and the volume of profit gained in operating the readymade garment industry.
\( H_1 \) - There is a significant relationship between age of the respondents and the volume of profit gained in operating the readymade garment industry.

2. \( H_0 \) - There is no significant relationship between sex of the respondents and volume profit gained in operating the readymade garment industry.
\( H_1 \) - There is a significant relationship between sex of the respondents and volume profit gained in operating the readymade garment industry.

3. \( H_0 \) - There is no significant relationship between educational qualification and volume profit gained in operating the readymade garment industry.
\( H_1 \) - There is a significant relationship between educational qualification and volume profit gained in operating the readymade garment industry.

4. \( H_0 \) - There is no significant relationship between marital status and volume profit gained in operating the readymade garment industry.
\( H_1 \) - There is a significant relationship between marital status and volume profit gained in operating the readymade garment industry.

5. \( H_0 \) - There is no significant relationship between income and volume profit gained in operating the readymade garment industry.
\( H_1 \) - There is a significant relationship between income and volume profit gained in operating the readymade garment industry.
6. Ho - There is no significant relationship between business turnover and
volume profit gained in operating the readymade garment industry.

   \( H_1 \) - There is a significant relationship between business turnover and volume
profit gained in operating the readymade garment industry.

7. Ho - There is no significant relationship between period of establishment and
volume profit generated in operating the readymade garment industry.

   \( H_1 \) - There is a significant relationship between period of establishment and
volume profit generated in operating the readymade garment industry.

8. \( H_0 \) - There is no significant relationship between type of sale orders and
volume profit generated in operating the readymade garment industry.

   \( H_1 \) - There is a significant relationship between type of sale orders and
volume profit generated in operating the readymade garment industry.

9. \( H_0 \) - There is no significant relationship between export order and volume
profit generated in operating the readymade garment industry.

   \( H_1 \) - There is a significant relationship between export order and volume
profit generated in operating the readymade garment industry.

1.19 FACTOR ANALYSIS

Factor analysis was used to study a complex product or service in order
to identify the major characteristics or factors considered important by the
respondent. The purpose of factor analysis is to determine the responses to the
several statements, which are significantly correlated.

1.20 PERIOD OF THE STUDY

The study was confined to a period of two and half years. Reviewing
the relevant literature and the conceptual framework took six months.
Preparation of the Questionnaire and conducting the pilot study consumed six months. The data collection from the primary sources consumed a period of six months. Preparing the master table and data analysis took another six months. The interpretation and the presentation of the data in the form of the report covered three months. The last three months were used for rough drafting and in making out the final form of the thesis.

1.21 SCOPE OF THE STUDY

The study will highlight the emerging trends in the growth of Hosiery garments and the major problems faced by Hosiery Entrepreneurs in the global competitive era with numerous designs and high-tech manufacturing. The study will also help the garment manufacturers and exporters who ascertain the extra demand and the necessary design expected by the buyers. Further, it suggests ways to the government in formulating and enforcing regulatory and legal reforms in the Hosiery garment sector.

1.22 LIMITATIONS OF THE STUDY

1. The field survey was conducted only in Tirupur district of Tamilnadu state. Hence, the result arrived at from the study may (or) may not be applicable to other State. Further, the survey method which was adopted for collecting the data has its own limitations.

2. The respondents were selected from the different financial backgrounds and a few respondents were hesitant to reveal the original
data regarding their income, wealth, etc. In case of doubt, however it was cross checked in order to avoid biased information.

1.23 ORGANIZATION OF THE STUDY

This empirical study is organized into five chapters. The first chapter presents the “Introduction and design of the study”. The second chapter presents the “Review of Literature”. The third chapter covers “An overview of Apparel and Hosiery products”. The fourth chapter presents the “Data Analysis and Interpretation”. The fifth chapter presents the “Summary of Findings, Suggestions and Conclusion”.