Chapter-3

Research Methodology
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3.1 Introduction

Research is referred to a search for knowledge, it can also be define research as specific systematic search for pertinent information on a specific topic, in fact research is an art of scientific investigation, Redman and moray defined “research as a systematized effort to gain new knowledge some people consider research as a movement, a movement from the known to unknown”.

Research is a diligent enquiry and careful search for new knowledge through systematic scientific and analytical approach in any branch of knowledge. Constant search and research are the guiding factor of research which helps to discover new facts.

Full form of Research includes as below and each has its own Significant:

R - Requirement
E – Estimation
S – Searching
E – Enquiry
A – Allocation
R – Raw Data
C – Creativity
H – Helpful For Society Welfare

3.2 Definition of Research

Research in common parlance refers to a search for knowledge. Research means Re – Search. It means again and again searching 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. Research can be considered as a movement, a movement from the known to the unknown.

“Systematized effort to gain new knowledge”

-Redman & Mory define research as a

“Research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and researching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.”

-According to Clifford Woody

“Research is a systematic activity directed towards the discovery and development of an organized body of knowledge.”

-According to Johan West

“Scientific research is a systematic, controlled, empirical and critical investigation of propositions about the presumed relations among natural phenomena.”

-According to Kerlinger, Fred N

### 3.3 Review of Literature

There is wide range of literature available on financial performance analysis of different companies in conforming to its dynamic value and Significant of intuitive nature. A good dealing in analytical part of literature exists at broad levels like size and technology, problem associated with productivity, financial performance, and capacity utilization. Relevant existing literature and studies have been clipped below. A researcher has studied this literature for gaining insight into the problem.

**R. Deep, K. Pal Narwal**, This study analyses the relationship of intellectual capital with financial performance measures of Indian textile sector for a period of 10 years ranging
from 2002 to 2012. For the study, corporate annual reports, especially the profit and loss accounts and balance sheets of the selected companies for the relevant years have been used from CMIE prowess database. Value Added Intellectual Coefficient (VAIC) method is applied for measuring the intellectual capital of the companies. For analyzing any existing relationship between variables, correlation and OLS regression is used in this study. It has been observed that intellectual capital in textile sector has significant positive relationship only with profitability of the companies. The empirical analysis found that physical capital (VACA) was the one which was seen to have major impact on the profitability of the firms over the period of study. Results indicate that Indian investors consider only financial disclosure of the companies regarding their investment decision. The study provides useful knowledge to the researchers and managers regarding intellectual capital disclosure and its relation with financial performance.\(^4\)

**Dr. P. Palanivelu, Mrs. C. Indhumathi**, In this paper an attempt is made to know the profitability and financial position of selected textile companies, for accomplishment of the objective, the data collected from the annual reports from 2001-2010 from the selected textile companies in India, the collected data is analyzed and computed to fit for drawing inferences, this study utilizes various ratios analysis, correlation, trend, compounded growth rate. The results revels that there is a close relationship exist between the financial performances of the selected selected textiles units of India in India and the proportion of changes in return on total assets.\(^5\)

**A. Dharmaraj and Dr. S. Sivakumar**, in their paper observed Textile industries in India are playing a vital role in the economy of the country. In recent years, it has also become an important factor for employment. It has made a remarkable impact in the economic growth of the nation through its growth and development in the past few years. This paper presents an analytical study of Indian textile industries. The direct and indirect impacts of independents variables on return on the total assets of composite cotton sector have been thoroughly analyzed. This study mainly focuses on the financial impact of the selected industries. This investigation gives a overall financial performance of the Indian textile industries.\(^6\)
OECD/WTO/IDE-JETRO 2013, report suggest that the textiles and apparel value chain is full of entry points for developing countries. On the one hand, cotton growing is the entry point at an upstream part of the chain for countries with appropriate climatic conditions. On the other hand, for those with large young and typically low-skilled populations, sewing at a downstream part of the chain is the entry point because of its labor-intensive nature. In addition, some middle-income developing countries play a critical role at a midstream scale, in activities such as spinning, weaving, knitting, dyeing and finishing, as well as producing synthetic fibres. Thus, the textiles and apparel value chain is “fertile” for developing countries, in the sense that it bears fruits at many pieces of the chain. Above all, apparel is a commodity for which low-income countries have become indispensable parts of suppliers to the world market. The apparel industry is a promising entry point, not only along the textiles and apparel value chain, but for industrial development as a whole. In fact, many East Asian economies achieved industrial development and became high-income countries through this entry point. Some low-income countries have made remarkable progress in apparel exports in the past decade – success achieved without large scale transfers of aid. The textiles and apparel industry is now one of the most globalized industries, providing employment opportunities to more than 60 million workers worldwide, most of them in low-income exporting countries.7

Dr. Mary Jessica, Marimuthu K. N. indicated that Textile industry is playing a vital role in the Indian economic growth of the country through its contribution towards GDP, employment, exchange rate, exports, total production etc. The purpose of the study is to identify the difficulties of textile companies facing challenges from the general manager’s point of view on financial sustainability of selected textile companies. The study has used factor analysis for exploring various dimensions of barrier as well as weighted average method and other tests for selected measurement analyzes using SPSS-17 version for different statistics. Overall, the large scale companies performing very well with automatic plant with modern innovation products, medium scale unable to produce due to various reasons and impacting the growth and technological factors as well as
facing various difficulties. It reflects overall textile issues and challenges as general results towards the structured questionnaires.\(^8\)

**Hiralal R. Desrani**, suggest that The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. Our economy is largely dependent on the textile manufacturing and trade in addition to other major industries. About 27% of the foreign exchange earnings are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14% to the industrial production and 3% to the gross domestic product of the country. Around 8% of the total excise revenue collection is contributed by the textile industry. So much so, the textile industry accounts for as large as 21% of the total employment generated in the economy. Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million.\(^9\)

**Asiya Chaudhary & Nazneen Shahid**, found that Hometech Textiles have attracted considerable attention that is other than fabrics, nonwovens and composite reinforcements, lies in the field of furniture, household textiles and furnishing. This sector has got its significant in today’s corporate world due to the consumer’s changes in life style, process complexities, requirement of specific products, demand for comfort, security situation and well – furnished and modern homes. Hometech industry is considered as one of the emerging areas with huge potential in the Technical Textile field all over the world, the Indian companies are expected to perform well in eleventh plan in order to meet consumer’s demand. From the various literature reviews it is found that there is no conclusive work done about the financial performance of Hometech industry in India. In recent years, the government has realized the significant of Hometech textiles and taken some steps for the promotion of this sector in India. Hence, there is a need to look into the trend of financial analysis of Indian Hometech Industry. The present study is an attempt to find out the difference in Eleventh five year plan performance compared with Tenth plan in terms of profitability, liquidity, leverage and turnover. The scope of the study is limited to selected companies in India which are taken as sample to represent
the total population. The statistical tools used are descriptive statistics, paired sample t-test.\(^\text{10}\)

**Dr. P. Palanivelu, Mrs. C. Indhumathi**, In this paper an attempt to identify the impact between Capital structure and financial performance of selected textile companies, for accomplishment of the objective, the data collected from the annual reports for ten years. The collected data is analyzed and computed to fit for drawing inferences; this study utilizes various ratios, correlation and compounded growth rate. The results revels that there exists a negative relationship between capital structure and financial performances. It is reflect the insignificant level of the selected textile companies in India. Hence Business companies mostly depend on the debt capital. Therefore, they have to pay interest expenses much.\(^\text{11}\)

**Marimuthu, K.N**, on the basis of findings Indian textile industry is the second largest industry in the world after China. It generates employment for more than 35 million people and excise collections nearly 9 percent and it contributes to 16 percent share of the country’s export. About 27 percent of the country’s foreign exchange comes from the textile exports. It contributes to nearly 14 percentage of the total industrial production of the country. Coimbatore is known as Manchester of South India. 76% of India's total textile market is from Erode Tex-City or Loom-City of India and 56% of knitwear exports come from Tiruppur. Each company could invest on the basis of current performance compared with previous year or with other company. Decision making, additional investment, liquidity position changes in working capital depend upon the performance & return of company reports. Funds are highly required for day-to-day business operations of the firm and how to utilize it and in what way should avoid loses from the investment are discussed here plus, it happens by ineffective management. The objective of the paper is to analyze the performance of textile industry in the selected companies from Tamil Nadu. In addition, the data collected from the CMIE and used the tools of ANOVA and descriptive statistics.\(^\text{12}\)

**Prof. Tanaji Dinkar Dabade, Dr. Shivaji u. Gawade, Prof. Balaji Bhanudas Khune**, the study shows that Solapur is a city in South Eastern Maharashtra and is a Municipal
Corporation, making it a self-governed entity, under provincial or state laws and has a municipal charter. Solapur is near the Karnataka border and is the administrative headquarters of the Solapur district. It is located on an important junction for the North-South railway line, a good base for its industries for logistical reasons, with approximately 98 medium and 8986 smaller industries. As stated the Solapur district consists of medium and small scale industries, although Solapur is one of the leading centres for power looms and cotton mills. Chaddars have earned Solapur a name and fame for their durability and novel designs. Solapur is known for its textile products, hence, the number of handlooms and power looms units is more in Solapur. Even Solapur was known for the composite mills right from cotton into yarn and yarn into cloth. But from the year 1988, the composite mills were stated to face the problems and were closed down one by one due to financial, marketing, labour, technology problems. The power loom industry, which emerged in the informal sector when the mills closed, is under threat. The government has cancelled the 9% subsidy. The looms are empty, now the workers get work for only three or four days. Former Chief Minister Sushilkumar Shinde announced a revival package for power looms with various concessions for reopening of closed mills/units, but the entire textile sector of Solapur is still in the depression. This industry generally includes manufacturers, wholesalers, Suppliers of Cotton textile etc.

Imran Alam, suggest that October 06, 2008 was the day when many developing countries saw record declines in their stock markets. These declines were registered in those sectors which were dependent on the markets of developed world. Its repercussions were seen in developing countries also. Ongoing financial crisis has affected them through many channels. However, exports, employment and investment are suspected to be affected most. Textile sector is the most important sector of Pakistan’s economy, contributing about 57% to the export earnings and 46% to the employment. This study intends to explore the impacts of financial crisis on Pakistan’s textile sector exports and employment. Based on pilot survey of 25 firms, the results revealed that rising unemployment rate high cost of production, lower demand and exchange rate volatility in foreign countries had unpleasant impact on Pakistan’s export indents. The main cause of the above mentioned deteriorating conditions is said to be the ongoing financial crisis.
Dr. Rajendra N. Shendage, the result shows that the problems facing the textile industry in Solapur City are too many, which have been adequately elaborated upon and remedies suggested thereon in the main Thesis. Broadly, these suggestions relate to the setting up of an Entrepreneurship Training Development Centre for the benefit of owners and promoters of small scale textile units, setting up of a Textile-manufacture Training Institute for textile workers, introducing short-term courses in textile export management, textile factory administration and management, setting up of a research and development centre exclusively for terry and Turkish towels, setting up a textile library of international and national reference books and periodicals, setting up a textile export house, relaxation of the stringent terms of the Central Government's Textile national policy for Power loom textile industry, in view of the challenges emerging out of the globalization scenario.  

Arif Anjum and D. V. Thakor, this article has presented that the Indian textile industry has an awesome existence in the Indian economy. It is second largest employer after Agriculture in India. It is one of the largest in the world with a massive raw material and textiles manufacturing base. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million. The India Textile Industry has three main segments mill sector, handloom sector and decentralized power loom sector. This paper analyses the functioning and the problems of power loom industry.

Vern Simpson examined that the textile and apparel industry plays a major role in India, ranking among the country's largest sources of economic activity, foreign exchange, and employment. As such, the global competitiveness of the industry is of critical concern to India. The industry benefits from low wage rates and access to a huge domestic market, an abundant supply of skilled labor, and a large production base for raw materials and intermediate inputs. However, low productivity and product quality, limited product diversification and differentiation, high energy and capital costs, and an underdeveloped infrastructure, especially as it relates to weaving and finishing fabrics, undermine the
industry’s competitiveness. In addition, sources in India claim that the industry’s competitiveness is harmed by GOI tax, labor, and trade policies that favor the small production units relative to the larger ones, which have discouraged investments in large-scale manufacturing technologies, and limited large-scale manufacturing. As India carries out its WTO commitments to open its markets to import competition, and as WTO countries phase out their import quotas on textiles and apparel by January 1, 2005, the Indian industry will face increasingly intense competition in markets both at home and abroad, especially from other exporting developing countries. This chapter highlights recent initiatives adopted by the GOI and the Indian textile and apparel industry to meet the competitive challenges facing the industry in a liberalized trade environment, and identifies potential growth areas in India for U.S. exports and investment.17

Mohammad Morshedur Rahman, finding that Textiles Industry plays a vital role in the socio-economic development of Bangladesh. But the profitability of this industry is not satisfactory. This study is designed to show the Profitability and Working Capital position of Textiles Industries, correlation between them and whether the profitability is affected by Working Capital Management. Ratio Analysis, Correlation Matrix and Regression Analysis have been used to show Profitability, Working Capital position, correlation between them and the impact of Working Capital on Profitability respectively. For the source of data the author mainly relied on Annual Reports and official records as well as primary data collected through questionnaire. It is observed from the study that profitability and Working Capital Management position of the Textiles Industry are not satisfactory. The study reveals that correlation exists between Working Capital Management and Profitability. The study also brings to fore that Working Capital Management has a positive impact on Profitability.18

Zala Virambhai S, finding that Gross Profit Ratio, Operating profit Ratio, Net Profit Ratio, Earning Per Share Ratio, Return on Gross Capital Employed, Return on Net Capital Employed, Return on Net-Worth Ratio, ANOVA test and Chi-square test.19

Ali Hasanbeigi, the study analyzed the textile industry is one of the most complicated manufacturing industries because it is a fragmented and heterogeneous sector dominated
by small and medium enterprises (SMEs). Energy is one of the main cost factors in the textile industry. Especially in times of high energy price volatility, improving energy efficiency should be a primary concern for textile plants. There are various energy-efficiency opportunities that exist in every textile plant, many of which are cost-effective. However, even cost-effective options often are not implemented in textile plants mostly because of limited information on how to implement energy-efficiency measures, especially given the fact that a majority of textile plants are categorized as SMEs and hence they have limited resources to acquire this information. Know-how on energy-efficiency technologies and practices should, therefore, be prepared and disseminated to textile plants.

This guidebook provides information on energy-efficiency technologies and measures applicable to the textile industry. The guidebook includes case studies from textile plants around the world and includes energy savings and cost information when available. First, the guidebook gives a brief overview of the textile industry around the world, with an explanation of major textile processes. An analysis of the type and the share of energy used in different textile processes is also included in the guidebook. Subsequently, energy-efficiency improvement opportunities available within some of the major textile sub-sectors are given with a brief explanation of each measure. The conclusion includes a short section dedicated to highlighting a few emerging technologies in the textile industry as well as the potential for the use of renewable energy in the textile industry.²⁰

Dr. Jatinder S. Bedi, It is found that The Textiles and clothing industry is the second most important economic activity in the country in terms of employment generation after agriculture. It is also one of the major sources of export earnings for the country. Its share in manufacturing value added is estimated currently at about 12 percent. The textile industry is presently in a state of flux due to the severe contraction in export and domestic demand in the wake of global economic and financial crisis. Major business restructuring is taking place across the industry. The government is also considering measures to support the industry on which livelihood of millions of people is dependent. The industry is afflicted by slow and uneven modernization across various segments. Insufficient modernization is especially the case with dying and processing, weaving, garments, non-
woven and technical textiles segments. Existing policies for modernization such as Technology Upgradation Fund Scheme (TUFS) and policy to attract FDI need to be properly designed to allow investments where they are most essential. This requires an understanding of the state of the textile and clothing industry so that relevant policy decisions are taken on the basis of facts and figures. This study is an attempt to provide alternative estimates of basic parameters of the industry number of units, output, value added, employment, number of machines and looms, etc. The study provides a review of the government policies and programmes for the industry by analysing the relevant documents. It provides some insights into the corrections required in various policy measures and explores various measures to make the industry more efficient and competitive.\textsuperscript{21}

\textbf{Jodie Keane and Dirk Willem Te Velde}, This paper examined the role of textile and clothing industries in growth and development strategies in developing countries. Broadly, we suggested that textiles and clothing industries are important in economic and social terms, in the short-run by providing incomes, jobs, especially for women, and foreign currency receipts and in the long-run by providing countries the opportunity for sustained economic development in those countries with appropriate policies and institutions to enhance the dynamic effects of textiles and clothing.

The T&C industry is very important for a handful of countries, in terms of trade, GDP and employment and has contributed significantly in several other countries. The T&C industry provides opportunities for export diversification and expansion of manufactured exports for low-income countries that can exploit their labour cost advantages and fill emerging niches and meet increasing buyer demands. There are also dynamic effects of T&C and these effects are greater, the more linkages have been built up between the garment industry and local textile suppliers.\textsuperscript{22}

\textbf{P. Chellasamy and N. Sumathi}, analyses that Finance is the lifeblood of every organization. The Indian textile industry has an overwhelming presence in the economic life of the country. In the selected textile companies, Gangotri textile limited performance was satisfactory and the remaining companies’ performance was moderate. The present
business world has more competitive because world like a global village. So the companies’ objectives not only earn high profit and also run the business with social or moral obligation and maximum utilization of ideal resources properly.\textsuperscript{23}

\textbf{Maurice Landes, Stephen MacDonald, Santosh K. Singh, and Thomas Vollrath, June 2005,} this paper examines Demand for cotton and manmade fibers in India will likely strengthen in response to rising consumer demand in India and increased exports of textiles and apparel following the removal of the Multifiber Arrangement quotas. The pace of growth in cotton demand will hinge on execution of reforms to policies, including taxes that discriminate against the use of manmade fibers and regulations affecting the scale, technology use, and export competitiveness of the textile and apparel industries. Imports of raw cotton have increased in concert with rising demand in recent years, but future growth will depend on the extent to which India can boost chronically low cotton yields and improve cotton quality.\textsuperscript{24}

\textbf{Pankaj Chandra} observed that competitive strategies are developed by sector level firms and it’s their individual and collective initiatives that secure higher market share in global trade. While one has to be ever vigilant of non-tariff barriers in the post MFA world, the new market will be won on the basis of capabilities across the supply chain. Policy will need to facilitate this building of capabilities at the firm level and the flexible strategies that firms will need to devise periodically.\textsuperscript{25}

\textbf{Hildegunn Kyvik Nordas,} This paper has focused on other factors that are also important and which have generally not been taken into account in the previous literature. The main contribution of this study is thus to take into account recent developments in the organization of the textiles and clothing sector, where vertical specialization is an important feature. Vertical specialization implies that the inputs embodied in the final product cross borders several times and such trade is very sensitive to the tariff level. Hence the outcome of the phasing out of quotas will depend much more on the prevailing tariff rates and the preference margins of countries receiving such preferences than is captured by the conventional estimates. Second, time to market is important and increasingly so, particularly in the fashion clothing sector. Therefore, countries close to
the major markets are likely to be less affected by competition from India and China than has been anticipated in previous studies. Mexico, the Caribbean, Eastern Europe and North Africa are therefore likely to remain important exporters to the US and EU respectively and possibly maintains their market shares. This is even more likely given the preferential access they have to the markets through regional trade agreements. Thus, it is shown in the paper that having a common border with the importer and facing low or zero tariffs have a substantial impact on bilateral trade.  

M. A. O. ALUKO, The present study examines the multidimensional impact of culture on organizational performance in selected textile firm from Lagos, Asaba and Kano in Nigeria. The main objectives of the study were to (i) identify the cultural variables which influence organizational performance, (ii) determine the nature of the relationship between culture and performance, (iii) identify other determinants of performance and (iv) determine the ways in which culture interact with other factors to influence organizational performance. The data were collected using both qualitative and quantitative methodologies. The former were collected through interviews and observations while the latter were collected via structured questionnaire and from documents. In all, 630 respondents were used for the study. The respondents were selected using multiple sampling techniques - comprising of (i) stratified random sampling, (ii) quota sampling and (iii) systematic sampling techniques. The data were analyzed using parametric and non-parametric statistics. The main finding of the study was that irrespective of their cultural backgrounds, workers in the textile industry appeared to have imbibed the industrial way of life. The results of the analysis of the cultural variables showed a high level of commitment to work, low level of labour turnover and absenteeism, positive beliefs about work, positive work values, attitudes, and norms in all the firms studied. But these positive attributes of the cultural variables did not translate directly to high level of organizational performance in these mills because some other variables were at work. This was an indication that culture was not the sole determinant of organizational performance. Other factors most especially exogenous variables such as the economy, technology and the murky political climate all
influence organizational performance significantly and much more than endogenous variable such as size, structure, and style of management.\textsuperscript{27}

**Samar Verma,** The study has examined India’s competitive performance in the US and EU markets for MFA (ATC) product categories that are important in Indian export basket, and has found that Indian exports to the EU and the US are, on the whole, export-competitive. It has also delineated the changing landscape in the international trading environment which is likely to significantly impact global textile and clothing trade. To enhance the competitiveness of the industry, the study has highlighted areas requiring government policy intervention. The study concludes that while there is little doubt regarding the immense potential that the Indian industry-specially garment sector- has, several policy reforms are needed urgently in order to unlock this latent capability. Besides, from the emerging nature of global trading environment, it appears that market access would become an increasingly important aspect of translating competitiveness into export performance.\textsuperscript{28}

**Suresh Kataria,** suggest that Financial statements are admittedly a storehouse of valuable information of the past performance and present position of joint stock companies. Their scientific analysis and interpretation can give a fair indication of the future growth of a company. More and more dependence is being placed by management on information obtained by an objective analysis of financial statements, not only for assessing what has happened, but also to pre-determine what should happen. Analysis and interpretation of financial statements are necessary so that the mystery behind the figures of financial statements may be revealed and the real picture brought to light for the benefit of all concerned. Forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities and probability of a sound dividend policy on the basis of the analysis of financial data. Analysis of statements helps to determine the Significant of the financial data.\textsuperscript{29}

**Ms. Sunita Sukhiija,** the overall result is that The Indian textile industry has a significant presence in the economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial
production, employment generation and foreign exchange earnings. It contributes 20 percent of industrial production, 9 percent of excise collections, and 18 percent of employment in the industrial sector, nearly 20 percent to the countries total export earning and 4 percent to the Gross Domestic Product. The objective of this paper is to understand and analyze the leverage positions of Textile Industries in India and to examine the impact if leverage on EPS of selected Textile Companies. The study reveals that overall leverage of Lakshmi Mills Co. Ltd is maximum indicating higher profits and also ensuring that any small change will lead to more reflection. The mean value of EPS for Raymond Ltd. is high as compared to the other five companies. Visaka Industries Ltd shows an average performance during the study period.30

Dr. Abid Usman, Muhammad Kashif Khan, This study analyzes the operating & financial performance of merged companies in the textile sector of Pakistan during the period 2001 to 2005. For analysis three years pre- and three years’ post-merger financial statements of the sampled companies are used. The hypotheses are tested through paired sample t-test. The calculated results reveal insignificant decrease in the operating performance of merged firms during the post-merger three years period. Moreover, the projected performance is calculated through ordinary least square method. The results show insignificant increase during the post-merger three years period with respect to pre-merger three years performance. The findings of projected scenario demonstrate that these companies could have performed insignificantly well in comparison to their actual performance after mergers.31

Badri Narayanan G. Examining the organized textile and apparel sector has shown that employment remained stagnant while capital and output were increasing until 2000/01, after which employment started to rise as well. The apparel subsector has expanding tremendously in terms of output, capital and employment, despite a much lower increase in the number of factories than in textile subsector, indicating a structural change in terms of huge investments and an increase in scales of operation since its de-reservation from the small-scale industry subsector in 2000. Better prospects of employment are possible in the apparel subsector, although it should be enhanced in the textile subsector as well,
by promoting huge investments. Even in the unorganized subsector, smaller firms are worse off than the bigger ones, in terms of various productivity measures. Hence, even small firms could be encouraged to expand by investing more while preserving their merits in being small, especially flexibility and customized production possibilities.\(^{32}\)

**Mr. S. Sabarinathan, Ms. V. Jenifer**, focuses on the study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis, from the 5years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and other experience company overall financial performance of the company Short term-long term position of the company. Based on the five years balance sheet and profit and loss a/c suitable suggestion were given by the researcher for a better soundness and cost effectiveness of the company.\(^{33}\)

**Dr. G. Ganesan & C. Dhanapal**, Examined that The Indian Textile Industry is the second largest in the world, next to Chinese and is one of the largest foreign exchange earners for the country. Textile is a key contributor to GDP to the order of 4%. The textile sector employs over 20 million people and is the second largest employment generator. Textile businesses are also affected by the global melt down. The industry in India is experiencing an increase in the collaboration between national and international companies. International apparel companies like Hugo Boss, Liz Claiborne, Diesel, Ahlstrom, Kanz, Baird McNutt, etc have already started their operations in India and these companies are trying to increase it to a considerable level. National and the international companies that are involved in collaborations include Rajasthan Spinning & Weaving Mills, Armani, Raymond, Levi Strauss, De Witte Lietaer, Barbara, Jockey, Vardhman Group, Gokaldas, Vincenzo Zucchi, Arvind brands, Benetton, Esprit, Marzotto, Welspun, etc. Therefore, it is the right time to concentrate on operational cost to compete with the global leaders by concentrating on the world class quality products. An empirical study is made on the cost aspects of a textile mills discloses the possibility
of cost reduction and improvement for profitability. This paper presents proactive aspects and relationship of the production with raw material consumption and yield. Cobb Douglas production function has been used to find the behavior of costs with the production per spindle shift. It also presents suggestions for improving productivity and profitability.\textsuperscript{34}

**Dr. P. Chellasamy and N. Sumathi**, suggest that The Indian textile industry is currently one of the largest and most important sector in the economy in terms of output foreign exchange earnings and employment in India. The Textile industry has the potential to scale new height in the globalized economy. The textile industry in India has gone through significant charges in anticipation of increased international competition. The industry is facing numerous problems and among them the most important once are those of liquidity for many organized sector units, demand recession and insufficient price realization. The long-range problems include the need for sufficient modernization and restructuring of the entire industry to cater more effectively to the demands of the domestic and foreign markets for textiles as per the needs of today and tomorrow.\textsuperscript{35}

**Ramachandran Azhagaiah Selvaraj Sathia**, in the presence of market imperfections, leverage has the potential to have an important influence on investment decisions. If a firm makes money on its borrowing has favorable financial leverage, the shareholders realize higher earnings per share (eps) than would be the case in the absence of debt, as the debt-equity ratio (der) is a long term risk measure. In the present study 25 textile firms, which are listed in Bombay Stock Exchange are taken as a sample for the study period from 2004 to 2008. The study reveals that the firms i.e. acm, afl, asl, basml, bcil, gsm, gdpm and gjml show significant growth rate in financial, operating and combined leverage.\textsuperscript{36}

### 3.4 Problem of The Study

Business concerns are facing severe competition in the present world of liberalized economy. The survival, growth and organizational success greatly depend on the efficient management of its finance. Company form of organization is followed in the economic
development of a nation like India. But nowadays business failure in Textile industry is a worldwide phenomenon. It is no exception to India. The business failure in the textile industry in India has increasing day by day. It affects not only the company, those employed by and trading with the company but also industry in general, the overall economy and trading with the well-being of the country. So the present topic entitled, “A Study of Financial Efficiency of Selected Textile Units of India” has been undertaken with a view to highlight the importance of an efficient financial management in textile industry.

3.5 Title of The Study

After the Review of various literatures Researcher has selected the topic .The title of the study is:

“A Study of Financial Efficiency of Selected Textile Units of India”

3.6 Objectives of The Study

The present research work has been undertaken keeping in view the following objectives:

1. To evaluate the financial efficiency of selected textiles units of India through the annual accounts of appropriate ratios.

2. To examine the Impact of global competitiveness on the overall financial efficiency of the selected textiles units.

3. To make comparative study of relation of financial efficiency of selected textiles units of India

4. To study the financial position of selected textiles units of India.

5. To study the effective financial structure of selected textiles units of India.

6. To make suitable suggestions based on research findings to improve the effectiveness and efficiency of Indian textiles units.
3.7 Scope of The Study:

After making the review of literature it is known that many studies have been conducted in the past on financial aspects, profitability and liquidity on both public and private sectors but overall study on financial efficiency of textile industry is not focused till date. A study of financial performance or profitability and liquidity of the organizational study is also conducted but no study seems to be conducted on financial efficiency of textile industry after the downturn. In the present scenario where business world has become highly competitive and there is a slow recession in the world economy each and every sector and sector growth is highly depends on the efficiency of textile industry. The efficiency of textile Industry is highly impacted on the performance of other industries.

There are approximately 1200 medium to large scale textile mills in India. Twenty percent of these mills are located in Coimbatore (Tamilnadu). India has 34 million cotton textile spindles for manufacturing cotton yarn. Cotton yarn account for 70 percent of India’s textile exports (China has 40 million cotton spindles.) Of the Indian textile yarn exports, almost 80 percent come from coarser yarns (counts below 40s). Consequently, there is a need to upgrade the technology. Indian Textile Industry is one of the largest textile industries in the world. Today, Indian economy is largely dependent on textile manufacturing and A Study of Productivity and Financial Efficiency of Textile Industry of India. India earns around 27% of the foreign exchange from exports of textiles. Further, Indian Textile Industry contributes about 14% of the total industrial production of India. Furthermore, its contribution to the gross domestic product of India is around 3% and the numbers are steadily increasing. Indian Textile Industry involves around 35 million workers directly and it accounts for 21% of the total employment generated in the economy.

In view of this, the present study intends to examine the financial efficiency of selected textile units of India.
3.8 **Universe of The Study:**

The universe of the study consist of all the limited textile companies working in India and listed in stock exchanges of India. There are approximately 1200 medium to large scale textile mills in India.

3.9 **Population of The Study:**

Out of 1200 medium and large scale Textile Mills in India 40 companies are the major leading companies that are working in India and listed in the stock exchanges in India. This constitute the population of the study.

3.10 **Sampling Design**

Due to limitation of time and money the researcher has decided to take convenient sample out of 40 major leading companies that are working in India and listed in the stock exchanges in India. Researcher has selected 7 Textile Companies as a sample for the study. Selected Textile Companies are as under:

**Table no: 3.1 Name of Sample Textile Companies**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Company</th>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Arvind Mills Limited</td>
<td>Public</td>
</tr>
<tr>
<td>2</td>
<td>DCM Ltd</td>
<td>Public</td>
</tr>
<tr>
<td>3</td>
<td>Oswal Spinning &amp; Weaving Mills Ltd</td>
<td>Public</td>
</tr>
<tr>
<td>4</td>
<td>Raymond Limited</td>
<td>Public</td>
</tr>
<tr>
<td>5</td>
<td>S Kumars Nationwide Ltd.</td>
<td>Public</td>
</tr>
<tr>
<td>6</td>
<td>Jindal Cotex Ltd</td>
<td>Public</td>
</tr>
<tr>
<td>7</td>
<td>The Bombay Dyeing and Manufacturing Company Limited</td>
<td>Public</td>
</tr>
</tbody>
</table>
3.11 Period of The Study

The period of the study is of 7 years. The study period cover the period from year 2004-05 to year 2010-11. The Financial Efficiency ratios calculated for the last 7 years from 2004-05 to 2010-11.

3.12 Data Collection

This study is based on secondary data. The data is collect from published annual report of selected textiles units of India. Other information related to selected textiles units of India will be collected from official website and net sources, annual report, various books, IBA Bulletin, different publication, journals and relating textile industry etc. Opinions expressed in business standard, news paper, Annual review Accounting Literature and different publications have been used in this study.

3.13 Hypotheses of The Study

For the present study the researcher has formulated two Hypotheses i.e. Null Hypotheses and Alternative Hypotheses. Both Hypotheses are tested with the help of statistical tools. The statements of Hypotheses are as under:

**H₀ Hypotheses**

1. There is no Significant of Difference in Operating Profit Margin (%) in of selected textiles Units of India.
2. There is no Significant of Difference in Gross Profit Margin (%) in of selected textiles Units of India.
3. There is no Significant of Difference in Net Profit Margin (%) in of selected textiles Units of India.
4. There is no Significant of Difference in Return on Capital Employed (%) in of selected textiles Units of India.
5. There is no Significant of Difference in Return on Net worth (%) in of selected textiles Units of India.
6. There is no Significant of Difference in Gross Return on Long Term Funds (%) in of selected textiles units of India.
7. There is no Significant of Difference in Profit before Interest and Tax Margin (%) in of selected textiles units of India.
8. There is no Significant of Difference in Cash Profit Margin (%) in of selected textiles units of India.
9. There is no Significant of Difference in Return on Assets Excluding Revaluations in of selected textiles units of India.
10. There is no Significant of Difference in Current Ratios in of selected textiles units of India.
11. There is no Significant of Difference in Quick Ratios in of selected textiles units of India.
12. There is no Significant of Difference in Interest Cover in of selected textiles units of India.
13. There is no Significant of Difference in Financial Charges Coverage Ratio in of selected textiles units of India.
14. There is no Significant of Difference in Inventory Turnover Ratio in of selected textiles units of India.
15. There is no Significant of Difference in Debtors Turnover Ratio in of selected textiles units of India.
16. There is no Significant of Difference in Investments Turnover Ratio in of selected textiles units of India.
17. There is no Significant of Difference in Fixed Assets Turnover Ratio in of selected textiles units of India.
18. There is no Significant of Difference in Assets Turnover Ratio in of selected textiles units of India.
19. There is no Significant of Difference in Total Assets Turnover Ratio in of selected textiles units of India.
20. There is no Significant of Difference in Earnings per Share Ratio in of selected textiles units of India.
21. There is no Significant of Difference in Book Value in of selected textiles units of India.

**H$_1$ Hypotheses**

1. There is Significant of Difference in Operating Profit Margin (%) in of selected textiles units of India.
2. There is Significant of Difference in Gross Profit Margin (%) in of selected textiles units of India.
3. There is Significant of Difference in Net Profit Margin (%) in of selected textiles units of India.
4. There is Significant of Difference in Return on Capital Employed (%) in of selected textiles units of India.
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17. There is Significant of Difference in Fixed Assets Turnover Ratio in of selected textiles units of India.

18. There is Significant of Difference in Assets Turnover Ratio in of selected textiles units of India.

19. There is Significant of Difference in Total Assets Turnover Ratio in of selected textiles units of India.

20. There is Significant of Difference in Earnings per Share Ratio in of selected textiles units of India.

21. There is Significant of Difference in Book Value in of selected textiles units of India.

### 3.14 Tools for Analysis

For the present study, following tools have been used for analysis of performance of Textiles Industry.

(a) Ratio Analysis
(b) Trend Analysis
(c) Common Size Statements
(d) Comparative Statements
(e) Statatistical Tools:
   - Mean
   - Standard Deviation
   - Coefficient Variation
   - F – test
3.15 Research Design

For study researcher has collected data from the annual report and various magazine. After the review of various literatures and from the collected data researcher has design the research for the evolution of financial efficiency of selected Textiles units of India some key indicators to measure the financial efficiency are as under.

The indicators are:

1. Operating Profit Margin Ratio
2. Gross Profit Margin Ratio
3. Net Profit Margin Ratio
4. Return on Capital Employed Ratio
5. Return on Net worth Ratio
6. Gross Return on Long Term Funds Ratio
7. Profit before Interest and Tax Margin Ratio
8. Cash Profit Margin Ratio
9. Return on Assets Excluding Revaluations Ratio
10. Current Ratio
11. Quick Ratio
12. Interest Cover Ratio
13. Financial Charges Coverage Ratio
14. Inventory Turnover Ratio
15. Debtors Turnover Ratio
16. Investments Turnover Ratio
17. Fixed Assets Turnover Ratio
18. Assets Turnover Ratio
19. Total Assets Turnover Ratio
20. Earnings per Share Ratio
21. Book Value Ratio

For the measurement of financial efficiency, researcher has classified the data, then find out the mean of every Textile units as whole some other statistical tools like Mean, Standard Deviation, Coefficient Variation and Hypothesis by using student T-test and ANOVA analysis for overall finding.

3.16 Significance of The Study

Textile in India has a very large potential in agriculture, exports and economy, if only it is judiciously exploited. The problems relating to organizational efficiency of the textile units lie in the domain of the management researchers. To that extent, my work has attempted to offer meaningful solutions for enhancing the organizational efficiency through improved managerial communication in the major scale textile units in the study area- in the India. Economic development of a nation depends on multiple factors. Textile is important to compute development in both economic and welfare terms. The textile industry is the single largest foreign exchange earner for India. Currently India has the second highest spindle age in the world after China. Textile industry is providing one of the most basic needs of people and the holds importance maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery unfinished products, with substantial value-addition at each stage of processing. It is a major contribution to the country’s economy. It is vast potential for creation of employment opportunities in the agricultural, industrial organized and decentralized sector & rural and urban areas.
3.17 Chapter Plan

The present study is divided into following chapters, which are as under:
1. Introduction of Textile Industry
2. Brief Profile of The Selected Textile Units
3. Research Methodology
4. Data Analysis and Interpretation
5. Summary, Finding and Suggestions

3.18 Limitations of Study

Any study cannot be free from limitations. Some limitations for present research work are as under.

1. The study is limited to 7 years (2004-05 to 2010-11) only.

2. Scope of this study is wider but sample size is limited to only 7 Textile units in this study.

3. The present study is based on ratio analysis and it has its own limitation that applied to this study also.

4. This research study is based on secondary data collected from annual reports of various Textile units and related websites. The limitation of the secondary data and its findings depend entirely on the accuracy of such data.

5. The data, which is used for his study is based on annual report of the Textile units and secondary data collected from published reports from time to time. Therefore, the quality of this research depends on quality and reliability of data published in annual reports.

6. Results of this research are confined and limited to the selected Textile units.

7. There are different methods to measure efficiency, effectiveness and profitability.
8. Financial statements are normally prepared on the concept of historical cost. They do not reflect values in terms of current cost. Thus, financial analysis on such financial statements or accounting figures would not portray the effects of price level changing over the period.

9. Financial analysis does not depict those facts which cannot be expressed in terms of money, for example; efficiency of workers, reputation and prestige of the management.
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