IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

FINANCIAL PERFORMANCE OF TEXTILE COMPANIES IN INDIA – A RESEARCH PROPOSAL

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Abstract: A textile is the largest single industry in India (and amongst the biggest in the world), accounting for about 20% of the total industrial production. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the power loom and handloom sectors as well. Textile companies 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. In this regard, there is need to study the financial performance of Textile Industry in India. The descriptive and analytical research methods will be used for this study. This study mainly depends on secondary data. This study will be used on the liquidity ratio is the ratio that describes the company's ability to meet short-term liabilities, solvency ratio is the ratio that describes the company's ability to meet longterm obligations and the profitability ratio is the ratio that measures the company's ability to generate profits. The four variables were used as proxy for checking the linear relationship between financial performance, liquidity, turnover and solvency are Return on Capital Employed (ROCE), Current Ratio (CR), Quick Ratio (QR), Inventory Turnover Ratio, Assets Turnover Ratio (ATR) and Debt Equity Ratio (DER) respectively for ten leading textile units working in India based on the market capitalization share

Key Words: Textile Companies, Financial Performance and Profitability

I. INTRODUCTION

Introduction: The textile industry in India plays a crucial role in the country's economy, contributing approximately 2.3 per cent to the national GDP. The industry is also a key player in exports, accounting for over 10 per cent of India's total exports. This places India among the top four largest textile exporters globally. On the manufacturing front, India ranks second worldwide in the production of polyester, fibre silk, and Personal Protective Equipment (PPE). Employment-wise, the textile industry is the second largest employer in the country right after agriculture. Surprisingly, out of the total hand-woven fabrics produced across the world, 95 per cent is produced in India. A textile is the largest single industry in India (and amongst the biggest in the world), accounting for about 20% of the total industrial production. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the power loom and handloom sectors as well. The Indian textile industry continues to be predominantly based on cotton, with about 65% of raw materials consumed being cotton. The yearly output of cotton cloth was about 12.8 billion m (about 42 billion ft). The manufacture of jute products (1.1 million metric tons) ranks next in importance to cotton weaving. Textile is one of India's oldest industries and has a formidable presence in the national economy in as much as it contributes to about 14 per cent of manufacturing value addition, accounts for around one-third of our gross export earnings and provides gainful employment to millions of people. They include cotton growers, artisans and weavers who are engaged in the organized as well as decentralized and household sectors spread across the entire country. The fundamental strength of this industry flows from its strong production base of wide range of fibers / yarns from natural fibres like cotton and silk to synthetic /man-made fibres like polyester, viscose, nylon and acrylic.

Review of Literature:

There are several studies are conducted on Indian textile companies' origin and growth and some of them are presented bellow; Gupta (2017) evaluated the performance of textile companies based on their liquidity, solvency, profitability and managerial efficiency. It is concluded that there is a significant difference between Return on Capital Employed, Net Profit Margin, Current Ratio, Debt equity and fixed turnover ratio. Thaku (2016) examined the impact of FDI, productivity, capital intensity, exchange rate and MFA phase out on textile export of India. Granger causality test have been conducted to check causal relationship over the period of Q1: 2000 to Q4: 2002 time series quarterly data collected from CEIC database. The result showed that only productivity, capital intensity, exchange rate and MFA phase out have positive impact on textile export in India. So, it is concluded that India should provide attractive FDI policy to meet competitive advantage of textile industry as China has offered in past years. Trivedi and Birau (2015) examined the causal relationship between international stock market of two countries i.e. Hungary and Austria by Granger causality test from F.Y. 2000 to F.Y. 2013 stock index time series. It is found that there is no causal relationship between Austria market and Hungary market in both ways. Altee et al. (2014) investigated causal relationship between financial development, trade openness and economic growth of Sultanate of Oman over the period 1972-2012 by applying granger causality test. The test result showed unidirectional causality flow from economic growth and trade openness to financial development. The result showed significant impact of trade openness on financial development and economic growth in sultanate of Oman. Abbas et al. (2013) investigated the impact of factors on financial performance of textile companies listed in KSE for the period 2005-2010. Regression result shows cross sectional fixed effect on output so, one-way fixed affect model has been used to find out significant effect of independent variables on financial performance of textile companies

Research Gap:

There are various studies are conducted on origin and growth of Textile Industry in India, determinants of textile exports and imports in India, major factor influencing the growth of textile industry, investment pattern in industry and working capital management of select textile companies. There are other studies are conducted on Textile and apparel industry growth and there are few more studies are conducted to identify the challenges and issues involved in this industry. There are very few studies are conducted on financial statement analysis or financial performance of select Textile Industries in India. In this background, the financial performance of Textile Industry is appropriate for this Doctoral Research Work.

Significance of the study

The textile manufacturing industry is a vital sector of the Indian economy, with a rich history dating back centuries. India has been known for its textiles and is one of the largest textile producers and exporters in the world. The Indian textile manufacturing industry is diverse, encompassing a wide range of textiles, including apparel, home textiles, technical textiles, and traditional handloom textiles. The Indian composites market is expected to reach an estimated value of US$ 1.9 billion by 2026 with a CAGR of 16.3% from 2021 to 2026 and the Indian consumption of composite materials will touch 7,68,200 tonnes in 2027. The industry, however, faces challenges, including competition from other countries, rising labor costs, infrastructure gaps, compliance with regulations, and environmental concerns. Addressing these challenges requires sustained efforts from stakeholders, including the government, industry players, and other relevant entities. The industry is increasingly focusing on sustainability and eco-friendly practices. There is a growing awareness and adoption of sustainable fibers, organic and natural dyes, water and energy-saving technologies, and waste reduction initiatives. Textile companies 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. In this regard, there is need to study the financial performance of Textile Industry in India.

Objectives of the Study:

The following will be the main objectives of the study 1. To study the origin and growth of Textile Industry in India 2. To present the role of textile industry in Indian economy 3. To analyse the profitability position of the selected textile companies. 4. To assess the liquidity position of the selected textile companies. 5. To evaluate the solvency position of the selected textile companies. 6. To draw conclusions from the study and give valuable suggestions for effective functioning of textile companies.

Hypothesis of the Study:

Keeping in view of the above objectives, null and alternative hypothesis will be formulated and tested with suitable statical techniques. H0: There is no significant difference in profitability, liquidity and solvency position of the selected textile companies. Ha: There is significant difference in profitability, liquidity and solvency position of the selected textile companies.

Research Methodology:

The descriptive and analytical research methods will be used for this study. This study mainly depends on secondary data.

- **Data Collection**:

The secondary data will be collected from the published sources like books, reports and published working papers and research papers. The select textile companies' annual reports and audited reports will be used to analyse the financial performance.

• **Scope of the Study**:

The present study is analytical in nature which examined linear relationship between financial performance, liquidity, solvency and turnover of selected textile units of Telangana.

• **Period of the Study:**

This study will cover the time period of ten years from financial year 2015-16 to 2024-25.

• **Techniques for Data Analysis**:

This study will be used on the liquidity ratio is the ratio that describes the company's ability to meet short-term liabilities, solvency ratio is the ratio that describes the company's ability to meet long-term obligations and the profitability ratio is the ratio that measures the company's ability to generate profits. The four variables were used as proxy for checking the linear relationship between financial performance, liquidity, turnover and solvency are Return on Capital Employed (ROCE), Current Ratio (CR), Quick Ratio (QR), Inventory Turnover Ratio, Assets Turnover Ratio (ATR) and Debt Equity Ratio (DER) respectively for ten leading textile units working in India based on the market capitalization share.

Organization of the Study:

This Doctoral Research work will be presented in Six Chapters

Chapter – I: Introduction – presents the significance of textile industry, determinants involved in the textile industry, review of literature, research gap, significance of the study, objectives of the study, hypotheses, scope of the study, research methodology includes data collection, period of study, analytical tools and organisation of the study.

Chapter – II: Origin and Growth of Textile Industry in India

Chapter – III: Profitability Position of Select Textile Companies

Chapter – IV: Liquidity position of the selected textile companies

Chapter – V: Solvency position of the selected textile companies

Chapter – VI: Conclusions and Suggestions

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