



AN EMPIRICAL STUDY ON FINANCIAL PERFORMANCE OF THE GARMENTS SECTOR IN TIRUPUR DISTRICT

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ABSTRACT

The garments sector in Tirupur District plays a pivotal role in the economic development of the region, contributing significantly to employment generation, export earnings, and industrial growth. This empirical study aims to analyze the financial performance of garment manufacturing units in Tirupur by examining key financial indicators such as profitability, liquidity, solvency, and operational efficiency. The study is based on both primary and secondary data collected from selected garment firms, financial statements, and industry reports over a specific period. Various financial tools and techniques, including ratio analysis, trend analysis, and comparative analysis, have been employed to evaluate the financial health and performance of the sector. The findings reveal that while the Tirupur garments industry demonstrates strong export potential and revenue growth, it also faces challenges such as fluctuating raw material costs, global competition, and compliance with environmental regulations. The study further identifies variations in financial performance among firms based on size, scale of operations, and management efficiency. The research concludes by emphasizing the need for strategic financial planning, cost control measures, and adoption of modern technologies to enhance competitiveness and sustainability in the garments sector. The study provides valuable insights for policymakers, industry stakeholders, and investors to make informed decisions regarding the growth and development of the Tirupur garments industry.

Keywords : Financial Performance, Garments Sector, Tirupur, Profitability, Liquidity, Solvency, Ratio Analysis, Textile Industry, Export Growth, Industrial Development

INTRODUCTION

The garments sector has emerged as one of the most dynamic and significant contributors to industrial growth and economic development in India. Among the prominent textile hubs, Tirupur District has earned global recognition as the “Knitwear Capital of India” due to its strong presence in hosiery and garment exports. The region plays a crucial role in the country’s export economy, supplying a substantial share of knitted garments to international markets such as Europe and the United States. With a well-established network of manufacturers, exporters, and supporting industries, Tirupur has developed into a specialized cluster that sustains thousands of small, medium, and large-scale enterprises. Financial performance is a key determinant of the sustainability and growth of any industrial sector. In the garments industry, it becomes even more critical due to factors such as intense global competition, fluctuating raw material prices, labor costs, and changing consumer demands. The financial strength of garment firms influences their ability to invest in technology, maintain quality standards, and expand their market reach. Therefore, evaluating financial indicators such as profitability, liquidity, solvency, and efficiency provides a comprehensive understanding of the operational effectiveness and long-term viability of the sector.

Despite its strong export orientation and industrial base, the Tirupur garments sector faces several challenges, including environmental compliance issues, foreign exchange fluctuations, and increasing competition from other low-cost manufacturing countries. These challenges have a direct impact on the financial stability of firms operating in the region. In this context, an empirical study of financial performance becomes essential to identify strengths, weaknesses, and areas for improvement. This study aims to analyze the financial performance of selected garment units in Tirupur District using appropriate financial tools and techniques. By examining the financial trends and ratios, the research seeks to provide insights into the efficiency and sustainability of the sector. The findings of the study will be useful for industry stakeholders, policymakers, and investors in formulating strategies to enhance the competitiveness and growth of the garments industry in Tirupur.

OBJECTIVES FOR THE STUDY

General Objective

To analyze the impact of financial performance on the growth and sustainability of garment companies in Tirupur district.

Specific Objectives

1. To examine the financial performance of garment companies in Tirupur district.
2. To analyze the profitability, liquidity, and solvency position of selected garment firms.
3. To study the impact of financial performance on production, employment, and business expansion.
4. To assess the challenges affecting the financial stability of garment firms in Tirupur.
5. To suggest measures for improving the financial performance and competitiveness of the garment sector in Tirupur district.

REVIEW OF LITERATURE

Cosma (2024) studied sustainable clothing consumption in middle-income countries and found that consumer attitudes, social values, and environmental awareness significantly influence purchasing behavior, which in turn affects the revenue and financial sustainability of garment firms.

Market research reports (2023) indicate that the Asia textile industry is expected to grow steadily due to rising demand for affordable and comfortable clothing, highlighting the importance of product diversification and cost efficiency for financial performance.

Industry analyses (2023) show that stable supply chains and quality raw material procurement improve production efficiency, reduce wastage, and enhance the profitability of textile companies.

Technical textile market studies (2023) reveal that innovation-driven segments such as technical textiles are growing faster than traditional apparel, contributing positively to overall financial growth in the sector.

Recent global apparel reports (2022–2024) emphasize that digitalization and automation in garment production reduce labor costs and increase productivity, leading to improved profit margins.

Sustainability-focused studies (2023) highlight that eco-friendly production practices and ethical sourcing improve brand value, customer loyalty, and long-term financial performance.

Supply chain resilience research (2022) indicates that firms with diversified sourcing strategies perform better financially during global disruptions such as pandemics and trade restrictions.

Export-oriented garment sector studies (2023) found that export intensity, currency fluctuations, and international demand strongly influence profitability in textile-producing regions like India and Bangladesh.

Cost management studies (2024) show that effective control of raw material costs, energy usage, and labor expenses significantly improves operating margins in garment manufacturing firms.

Technology adoption research (2022–2023) demonstrates that firms using ERP systems, automation, and AI-based forecasting achieve better financial outcomes through improved efficiency and inventory control.

Human resource and productivity studies (2023) indicate that worker skill development, motivation, and workplace conditions positively affect output quality and financial performance.

Market competition analyses (2022) reveal that strong branding, product differentiation, and fast fashion strategies lead to higher sales growth and improved financial indicators.

Financial ratio-based studies (2023) found that liquidity, asset turnover, and debt management are key determinants of profitability in textile and apparel firms.

SME garment sector research (2024) highlights that access to credit, government incentives, and export subsidies significantly enhance the financial stability of small and medium garment enterprises.

Regional studies on Indian textile clusters (2023–2024) indicate that infrastructure support, skilled labor availability, and government schemes contribute to improved financial performance in major hubs like Tirupur.

Cost of Raw Materials

The cost of raw materials is one of the most significant factors influencing the financial performance of the garments sector. Raw materials such as cotton, yarn, fabric, dyes, and accessories constitute a major portion of the total production cost. Any fluctuation in the prices of these materials directly affects the cost structure and profitability of garment companies. In regions like Tirupur, which largely depend on cotton-based products, variations in cotton prices due to climate conditions, global demand, and supply chain disruptions can create financial uncertainty. When raw material costs rise, manufacturers either have to absorb the increased expenses or pass them on to buyers, which may reduce competitiveness in both domestic and international markets.

Labor Cost and Productivity

Labor cost and productivity are critical determinants of financial performance in the garments sector, as the industry is highly labor-intensive. A significant portion of total production expenses is allocated to wages, salaries, incentives, and employee benefits. In garment manufacturing hubs like Tirupur, where large numbers of workers are employed in stitching, cutting, finishing, and packing processes, even small changes in labor costs can have a considerable impact on overall profitability. Rising wage levels, labor shortages, and compliance with labor laws can increase operational expenses, thereby affecting the financial stability of garment firms. At the same time, labor productivity plays an equally important role in shaping financial outcomes. Higher productivity levels enable firms to produce more output within the same time frame, reducing per-unit production costs and increasing profit margins. Skilled and well-trained workers can improve efficiency, minimize wastage, and maintain product quality, which enhances the company's competitiveness in both domestic and international markets. Therefore, investment in employee training, motivation, and effective workforce

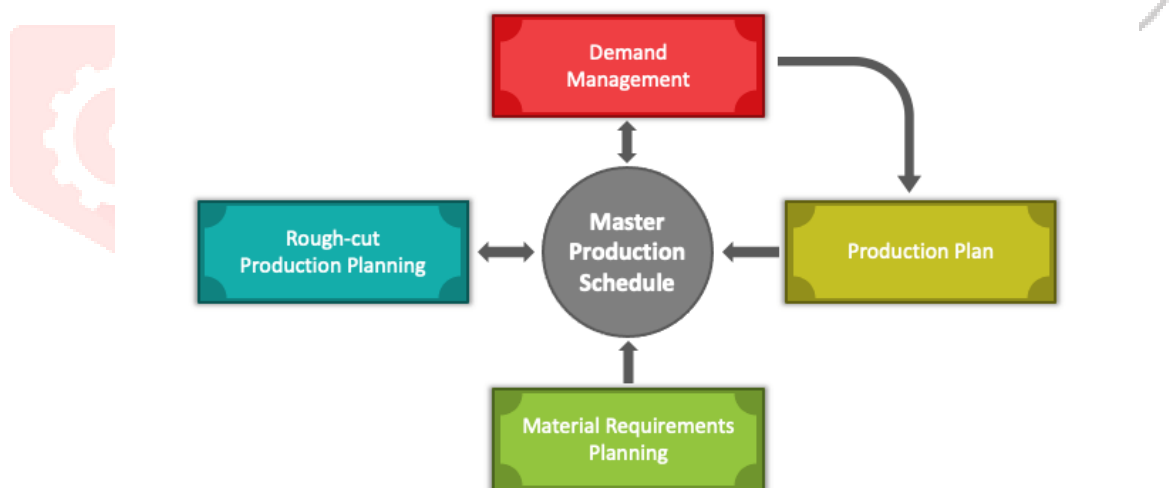
Market Demand and Export Performance

Market demand and export performance are key factors that influence the financial performance of the garments sector. The success of garment companies largely depends on the level of demand in both domestic and international markets. Changes in consumer preferences, fashion trends, seasonal demand, and purchasing power directly affect sales volume and revenue generation. In export-oriented clusters

like Tirupur, a significant portion of production is intended for foreign markets, making global demand patterns highly important. Economic conditions in importing countries, currency exchange rates, and international trade policies can either boost or reduce export orders, thereby affecting the financial stability of garment firms. Export performance also determines the growth opportunities and long-term sustainability of garment companies. Strong export orders lead to increased production, higher employment, and improved profitability.

Technology and Production Efficiency

Technology and production efficiency play a vital role in determining the financial performance of the garments sector. The adoption of modern machinery, automation, and advanced production techniques helps improve the speed, accuracy, and consistency of manufacturing processes. Technologies such as computerized cutting machines, automated stitching systems, and digital design tools reduce manual errors, minimize fabric wastage, and enhance product quality. As a result, companies can produce more garments in less time, lowering per-unit production costs and increasing overall profitability. Firms that invest in advanced technology are better positioned to compete in both domestic and international markets. Production efficiency also depends on how effectively technology is integrated into the workflow. Streamlined production processes, proper maintenance of machinery, and skilled operators contribute to higher output and reduced downtime.



Financial Management and Access to Capital

Financial management and access to capital are crucial factors influencing the financial performance of the garments sector. Effective financial management involves proper planning, budgeting, cost control, and allocation of resources to ensure smooth operations and sustainable growth. Garment companies must manage working capital efficiently to cover expenses such as raw materials, labor, utilities, and logistics. Sound financial planning helps firms maintain liquidity, avoid unnecessary debts, and improve profitability. It also enables businesses to invest in modern technology, quality improvement, and market expansion, which are essential for long-term success. Access to capital is equally important for the

growth and stability of garment companies, especially in a competitive and export-oriented market like Tirupur.

CONCLUSION

The financial performance of the garments sector in Tirupur district is influenced by multiple interrelated factors such as the cost of raw materials, labor productivity, market demand, technological adoption, and effective financial management. As one of India's major textile and garment export hubs, Tirupur plays a significant role in contributing to employment generation and foreign exchange earnings. However, the sector faces continuous challenges due to fluctuations in raw material prices, rising labor costs, global competition, and changing consumer preferences. These factors directly affect the profitability and sustainability of garment enterprises. Efficient labor management and productivity improvements are essential for maintaining cost competitiveness. The availability of skilled workers, proper training, and the use of advanced machinery can significantly enhance production efficiency and product quality. At the same time, strong export performance and stable market demand are vital for ensuring consistent revenue generation. Since the Tirupur garments sector is heavily dependent on international markets, global economic conditions, trade policies, and currency fluctuations also have a considerable impact on financial outcomes.

SUGGESTIONS

1. **Efficient Raw Material Management**

Garment companies should adopt better procurement strategies to manage fluctuations in raw material prices. Bulk purchasing, long-term supplier contracts, and the use of alternative or blended fabrics can help reduce costs and improve profit margins.

2. **Enhancement of Labor Skills and Productivity**

Regular training programs should be conducted to improve workers' technical skills, efficiency, and quality awareness. Skill development initiatives and performance-based incentives can increase productivity and reduce production errors, leading to better financial outcomes.

3. **Adoption of Advanced Technology**

Firms should invest in modern machinery, automation, and digital production systems to enhance efficiency and reduce operational costs. The use of computer-aided design (CAD), automated cutting, and AI-based quality control systems can improve production speed and accuracy.

4. **Strengthening Export and Market Strategies**

Garment companies should diversify their export markets to reduce dependence on a few countries. Exploring new international markets, adopting e-commerce platforms, and focusing on branding and quality certification can improve market reach and financial performance.

5. **Improved Financial Planning and Cost Control**

Proper budgeting, cost monitoring, and financial forecasting should be implemented to ensure efficient use of resources. Companies should regularly analyze their financial statements to identify cost-saving opportunities and improve profitability.

6. Access to Affordable Credit and Financial Support

Small and medium garment enterprises should be provided with easier access to bank loans, subsidies, and government schemes. Financial institutions should offer low-interest loans and flexible repayment options to support modernization and expansion.

7. Encouragement of Sustainable and Eco-Friendly Practices

Adopting sustainable production methods, energy-efficient machinery, and eco-friendly dyes can reduce long-term costs and attract environmentally conscious buyers, especially in international markets.

8. Strengthening Industry–Government Collaboration

Government agencies should work closely with garment associations to address industry challenges, provide infrastructure support, and introduce favorable policies. Regular workshops, subsidies, and export incentives can improve the sector's financial health.

9. Focus on Product Innovation and Value Addition

Companies should invest in design innovation, product differentiation, and value-added garments to enhance competitiveness and command better prices in both domestic and international markets.

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