



Impact Of Financial Performance For Garments Sector At Tirupur District

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ABSTRACT

The financial performance of garment companies plays a crucial role in determining their sustainability, competitiveness, and growth in the global textile industry. The garment sector is highly dynamic and influenced by factors such as production costs, market demand, export opportunities, labor efficiency, and technological advancements. This study examines the financial performance of garment companies by analyzing key financial indicators, including profitability, liquidity, solvency, and operational efficiency. The primary objective of the study is to evaluate the financial health of garment firms and identify the factors that influence their financial outcomes. The research is based on secondary data collected from the financial statements of selected garment companies over a specified period. Financial ratios such as gross profit ratio, net profit ratio, return on assets, current ratio, debt-equity ratio, and inventory turnover ratio are used to assess performance. These indicators help in understanding the companies' ability to generate profits, manage working capital, meet short-term and long-term obligations, and utilize resources effectively. The findings of the study reveal that financial performance in the garment industry is significantly affected by cost control, efficient inventory management, labor productivity, export market fluctuations, and effective financial planning. Companies that adopt modern production techniques, maintain optimal capital structures, and focus on quality improvement tend to perform better financially. On the other hand, firms facing high production costs, poor financial management, or declining market demand experience reduced profitability and liquidity challenges. The study concludes that strong financial management practices, technological adoption, and strategic planning are essential for improving the financial performance of garment companies. It also highlights the importance of government support, export incentives, and skill development initiatives in strengthening the sector.

Keywords: Financial performance, garment industry, profitability, liquidity, solvency, financial ratios, operational efficiency, textile sector, cost management, capital structure.

INTRODUCTION

Impact of Financial Performance in the Garments Sector at Tirupur District

The garments sector plays a significant role in the economic development of India, particularly in regions that are known for textile and apparel production. Among such regions, Tirupur district in Tamil Nadu has emerged as one of the leading hubs for knitwear and garment manufacturing in the country. Often referred to as the “Knitwear Capital of India,” Tirupur contributes a substantial share to India’s textile exports and provides employment opportunities to thousands of workers. The district is known for its strong industrial base, export-oriented production units, and a large network of small, medium, and large garment enterprises. Financial performance is a critical indicator of the efficiency, stability, and growth potential of garment companies. It reflects how well a company manages its resources, controls costs, generates revenue, and maintains profitability. In the highly competitive garments sector, financial performance determines the survival and sustainability of firms. Factors such as raw material costs, labor expenses, export demand, exchange rate fluctuations, and technological advancements significantly influence the financial outcomes of garment companies in Tirupur. The garment industry in Tirupur operates in a dynamic business environment where global competition, changing fashion trends, and fluctuating market demands create both opportunities and challenges. Companies must maintain strong financial health to invest in modern machinery, adopt innovative production techniques, and meet international quality standards. Financially sound firms are better equipped to expand their operations, enter new markets, and withstand economic uncertainties. Conversely, poor financial performance can lead to operational inefficiencies, reduced production capacity, and even closure of units.

The impact of financial performance extends beyond individual firms and influences the overall economic growth of the region. A strong garments sector contributes to employment generation, export earnings, infrastructure development, and the growth of allied industries such as dyeing, printing, packaging, and logistics. In Tirupur, the prosperity of the garments sector directly affects the livelihood of workers, the income of entrepreneurs, and the revenue of the local economy. Therefore, analyzing the financial performance of garment companies is essential to understand the economic strength and sustainability of the sector.

In recent years, the garments industry in Tirupur has faced several challenges, including rising production costs, environmental regulations, global market competition, and disruptions caused by economic fluctuations. These factors have had a direct impact on the financial stability of garment firms. At the same time, opportunities such as technological advancements, government incentives, and growing international demand for Indian garments have created new prospects for financial growth. This study focuses on examining the impact of financial performance in the garments sector of Tirupur district. By analyzing key financial indicators and understanding the factors affecting financial outcomes, the study aims to provide insights into the strengths and weaknesses of garment companies

in the region. The findings will help industry stakeholders, policymakers, and researchers in developing strategies to improve financial stability, enhance competitiveness, and ensure sustainable growth of the garments sector 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.

STATISTICAL ANALYSIS

Proposed Sampling Methods:

The data was processed using the SPSS

1. Sampling design chosen for the present study has been non probability sampling.

Statistical Tool:

1. Percentage Analysis.
2. Chi-square analysis

$$\% \text{ of Respondents} = \frac{\text{No of respondents}}{\text{No of Total Respondents}} \times 100$$

Chi-Square Analysis

A statistical test used to determine the probability of obtaining the observed results by chance, under a specific hypothesis. It is used to test if the standard deviation of a population is equal to the specific value. Chi-square is a statistical significance test based on frequency of occurrence; it is applicable both to qualitative and quantitative variables. Among its many uses, the most common are tests of hypothesized probabilities or probability distributions, statistical dependence or independence and common population. A Chi-square test is any statistical hypothesis test in which the test statistic has a Chi-square distribution if the null hypothesis is true.

Formula:

$$\chi^2 = \sum \{ (O_i - E_i)^2 / E_i \}$$

O_i = Observed frequency.
 E_i = Expected frequency.

CHI SQUARE ANALYSIS:

S.No	Respondents opinion about financial performance for garments sector	No. of the respondents	Percentage
1	Strongly Disagree	3	4
2	Disagree	5	7
3	Neutral	0	0
4	Agree	22	29
5	Strongly agree	45	60
	Total	75	100

CHI SQUARE TABLE

Observed O	Expected E	O-E	(O-E)²	(O-E)² / E
4	3	1	1	0.333
4	2	2	4	2
29	28	1	1	0.035
60	65	-5	25	0.384
Calculated Chi square value				$\sum^2 = 2.752.$

Degree of freedom = $(n-1) = (4-1) = 3$

Level of significance = 5%

For 3 degree of freedom at 5% significance the Chi square table value is = 7.81

Calculated value < Table Value

2.752. < 7.81 So, **Ho is Accepted**

Inference

There are four castigatory respondent's opinion calculated through statistical tools, the finding value is lesser than expected chi square table value So, Ho value is accepted.

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.

10. Improved Supply Chain and Logistics Management

Efficient inventory control, faster transportation, and better coordination with suppliers and distributors can reduce delays and costs, thereby improving overall financial performance.

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