

An Empirical Study on Garments Manufacturing SMEs in Mumbai Suburban Area

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1. INTRODUCTION:

1.1 Abstract:

Textile development and trade have been India's forte since centuries. The last few decades have also seen the growth and development of the Clothing or Garment Industry. India's garment industry has achieved worldwide prominence as a source of clothing that combines the latest global fashion trends with exquisite designs, inspired from local culture. In reaction to the drastic changes, SMEs play an essential position in growing us to a better level. The objectives of the study are to evaluate the impact of cost control and cost reduction on the profitability of Garment Manufacturing SMEs, to evaluate various cost control techniques and their impact on Garments Manufacturing SMEs and to verify cost control and reduction as a competitive strategy for profitability & growth SMEs. However, the sector has always struggled due to the burden of challenges. Quality Assurance is the systematic monitoring and evaluation of the various aspects of a project, service or facility to maximise the probability that standards of quality are being attained by the production process. The cost reduction has impacted positively on the profitability of the garments manufacturing SMEs in Mumbai Suburban Area. Garments Manufacturing SMEs reduce overhead manufacturing costs with build-to-order and mass-customised inventory as cost control provides appropriate and system oriented information to control the activities of the company which operates in a competitive environment. Findings are based on data collected from different sources and data analysis done by applying various tools. In the light of outcomes, few samples selected for the study for proving the hypotheses by using the correct testing

methods. The study highlights the optimum utilisation of cost categories like material and people which lead to maximum profitability. The techniques / strategies are really favourable in cost control to achieve reasonable profitability.

Keywords: SMEs, Garments, Suburban, Cost Reduction, Profitability

1.2 Introduction

Globalisation has helped trade in many ways. The indirect portion helps to sustain the direct production sector in the shape of items associated with the garment industry production, which includes sewing/embroidery threads, trims, machine parts, cardboard sheets, and packaging material. As the apparel industry is fashion driven and fashion keeps changing, manufacturing units have to cope with the changing trends. The consumer or wearer will have to be present at each purchase to try on different sizes of different brands to determine the best fitting piece for himself.¹ Even within the same brand and same size, each piece would have an individual fit and sizing, making purchase extremely time consuming and difficult. In reaction to the drastic changes, SMEs play an essential position in growing us to a better level. The business of fashion retail depends on volumes or quantities of goods. The “financing gap” that influences those agencies is frequently an “increased capital gap”. Quality Assurance (QA) is the systematic monitoring and evaluation of the various aspects of a project, service or facility to maximise the probability that standards of quality are being attained by the production process. Ultimately, quality is a question of customer satisfaction. Superior quality increases the value of a product or service, builds up a good reputation for the apparel exporter and establishes brand name, which in turn results in high sales, foreign exchange for the country and customer satisfaction. The perceived quality of a garment is the result of a number of aspects which together help achieve the desired level of satisfaction for the customer. Consequently, some SMEs wind up self-financing, which further limits their ability to grow their business. Cost control is a practice of comparing the cost of a business activity with the original cost in order to ascertain if the cost is as planned. The strategic

¹ <https://www.textilesphere.com/2022/04/history-of-indian-textile-industry.html>, *Textile Sphere, Weaving Contemporary Ideologies, History of Indian Textile History.*

impact of cost cutting, management has to weigh the net effects of the proposed change on all areas of the business. This practice is intended to promote bottom-up cost control measures and encourage a widespread consensus over cost management strategies

1.3 Division of Mumbai Suburban Area

Mumbai Suburban District has three Talukas/Tehsils namely, Andheri, Borivali and Kurla. It has 87 villages. The jurisdiction of Mumbai Suburban District is from Bandra to Dahisar, from Kurla (Chuna Bhatti) to Mulund and from Kurla and upto Trombay Creek. This District has four Parliamentary Constituencies and 26 Assembly Constituencies.

1.4 Map of Mumbai Suburban Area



Source : Map of Mumbai Suburban District - Maps of India²

2. REVIEW OF LITERATURE:

1. Manoj Kumar Pandey : In the present day highly competitive and rapidly changing environment of business, it is very crucial that Indian Industries be in position to reduce the cost of production and improve productivity in various operations. It is aimed at developing a system

² <https://twitter.com/vyasonmukh/status/1516009806779215873>, Map of Mumbai Suburban Area, Maharashtra, Maps of India.

in which non productive activities are minimised and efficiency of various factors is enhanced. Effective cost reduction ultimately results in an increase in profitability and profit³.

2. Krishna Gupta : For the purpose of this study data and other valuable information have been collected from published financial and cost statements of the selected companies. Information relating to organization, working pattern, technical input, supply etc. was obtained through personal discussions and interviews with the officials and other technical staff of the organizations in this field. It may also be very useful to the executives of the FMCG companies, suppliers, federation, retailers' and all those associated with FMCG business⁴.

3. Chidamabar Ganapaiah : Globally, Small and Medium Enterprises (SMEs) play a most important role in most economies, especially in developing countries. Formal SMEs contribute up to forty five percent of overall employment and up to thirty three percent of national income (GDP) in developing economies. The objective will be to assist the investors to track their applications for setting up their operations in the state. This would bring efficiency in the operations of granting permissions to the entrepreneurs in the state and make the process hassle-free⁵.

4. R.P. Jayani Rajapathirana : One of the significant objectives of this research study was to also understand the impact of government initiatives, such as “Make in India” in boosting the technological innovativeness of Indian manufacturing SMEs and thereby improving the firm's manufacturing performance. Finally, the relationship between technological innovativeness and firm performance was also explored and analysed by taking into consideration the role of government initiative in the efforts⁶.

3. RESEARCH METHODOLOGY:

³ Wang, Y. (2019) *Strategic Cost Management—A Review of Research Status at Home and Abroad. Modern Economy, 10, 513-522. doi: 10.4236/me.2019.102035.*

⁴ Syed Muhammad Sajjad Kabir, Curtin University · School of Psychology, In book: Basic Guidelines for Research: An Introductory Approach for All Disciplines (pp.201-275), Edition: First, Chapter: 9, Publisher: Book Zone Publication, Chittagong-4203, Bangladesh

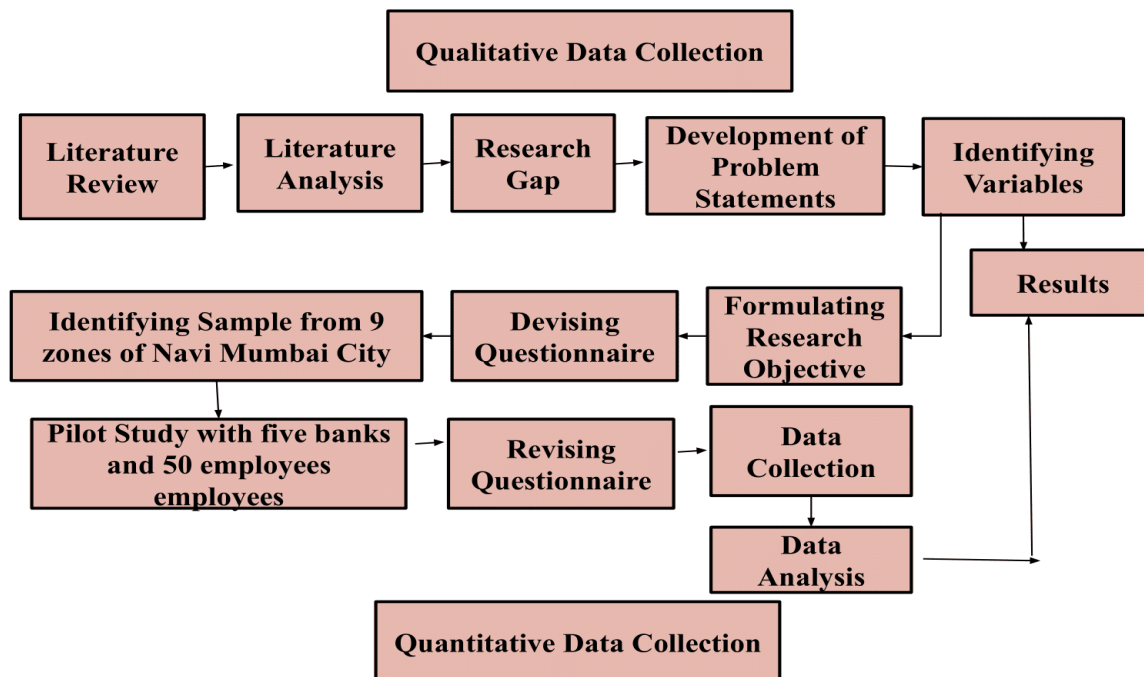
⁵ Amanuel Girma, Debre Berhan University, *International Journal of Engineering Technologies and Management Research Published by Granthaalayah Publications and Printers, Online ISSN: 2454-1907*

⁶ R.P. Jayani Rajapathirana, *Relationship between innovation capability, innovation type, and firm performance, Journal of Innovation & Knowledge, Science Direct.*

3.1 Research Design:

It consists of the methods, techniques, and framework of research that a researcher selects to use. A research design can be divided into three categories: data collection, measurement, and analysis. The research design of study will be influenced by the research problem. The design phase of a study determines which tools are appropriate and how they are applied. A descriptive and empirical nature of the study prompted the use of an exploratory and descriptive research design. Data from primary sources were used.

Figure Title: Research Design of the Study.



Source: Developed by Researcher.

This design was followed as a guideline. The researchers were able to accomplish every task designed in a stipulated period of time.

3.2. Significance of the Study:

3.3.1 The research study will add to the pool of knowledge and help to instil cost-consciousness amongst garment manufacturing SMEs in Mumbai Suburban area and identify the cost control systems and cost minimization tools that suit the organisation

such that they will no longer claim ignorance or be left in the dark.

3.3.2 Furthermore, the result of this research work is expected to widen the view held by potential managers and other corporate bodies, who have been in one way or the other perhaps, have a parochial view of the needs of cost control.

3.3.3 The research can be extended for the best utilisation in future with the full potential with respect to Garments Manufacturing SMEs Mumbai Suburban Area.

3.3.4 It will be of great benefit to the manufacturing and processing SMEs. Relevant industries will be exposed to determine the increased level of demand, which invariably increases profitability.

3.3.5 Tax authorities and auditors are not left out of the benefits derivable from cost control and cost reduction. Increased revenue will subsequently boost infrastructure facilities.

3.4. Scope of the Study:

The scope is to study the cost control and its impact on the profitability of garments manufacturing SMEs. This research will also reveal the impact of cost reduction on the profitability of garments manufacturing SMEs. This research is restricted to garment manufacturing SMEs in Mumbai Suburban Area. The research is also helpful in studying the growth and budget plan of garment manufacturing SMEs. The sole aim of any SMEs is to make a profit and most SMEs owners believe that the best way to make a profit is to increase sales.

3.4.1 The scope is to study the cost control and its impact on the profitability of garments manufacturing SMEs.

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3.4.3 This research is restricted to garment manufacturing in the Mumbai Suburban Area.

3.4.4 The research is also helpful in studying the growth and budget plan of garment manufacturing SMEs.

3.4.5 The sole aim of any SMEs is to make a profit and most SMEs owners believe that the best way to make a profit is to increase sales.

3.5. Objectives of the Study:

The present study is an attempt to throw light on the cost control and reduction and its impact on the Garments Manufacturing SMEs in Mumbai Suburban Area. The basic objectives of this study are as follows:

- 3.5.1 To evaluate the impact of cost control and cost reduction on the profitability of garment manufacturing SMEs in the Mumbai Suburban Area.
- 3.5.2 To evaluate various cost control techniques and their impact on Garments manufacturing SMEs.
- 3.5.3 To verify cost control and reduction as a competitive strategy for profitability & growth SMEs.

3.6. Hypotheses of the Study:

Hypotheses of the research study on the cost control and reduction and its impact on the Garments Manufacturing SMEs in Mumbai Suburban Area are as follows:

Hypothesis 1:

H₀: There is no significant relationship between cost control and the profitability of the garments manufacturing SMEs.

H₁: There is a significant relationship between cost control and the profitability of garment manufacturing SMEs.

Hypothesis 2:

H₀: Inefficient application of cost control techniques does not lead to a decline in the profit level of SMEs when other factors are constant.

H₁: Inefficient application of cost control techniques leads to a decline in the profit level of SMEs when other factors are constant.

Hypothesis 3:

H₀: Budget has no direct link with cost control and profitability of garments manufacturing

SMEs in Mumbai Suburban Area.

H₁: Budget has direct link with cost control and profitability of garments manufacturing SMEs in Mumbai Suburban Area.

3.7. Limitations of the Study:

The time to carry out the research is short and insufficient, since it is done alongside with some other courses to contend with so as to present a good result.

There are also difficulties associated with personnel's accepting to give vital information which will be of help to the researcher.

3.7.1 This study is restricted to Mumbai Suburban Area only.

3.7.2 This study is based on the cost control and cost reduction only, whereas there are many other factors also that affect the profitability of SMEs.

3.7.3 This study collects data from the area of Andheri, Borivali and Kurla only.

3.7.4 This study deals only with the SMEs of Garments Manufacturing.

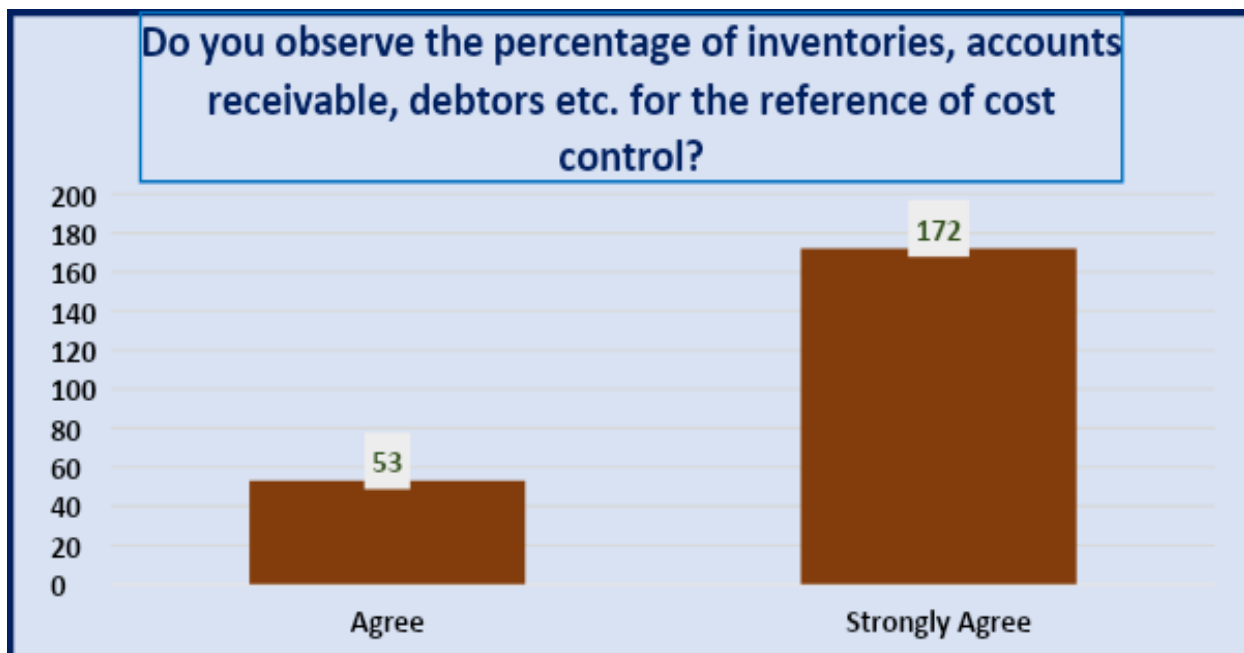
3.7.5 This study deals only with garment manufacturing SMEs. There can be many other manufacturing SMEs also. For e.g : Food products , Cosmetics , Books publication , Furniture manufacturing , Toys manufacturing etc...

4. DATA ANALYSIS AND INTERPRETATION:

4.1 Objective and Hypothesis -1:

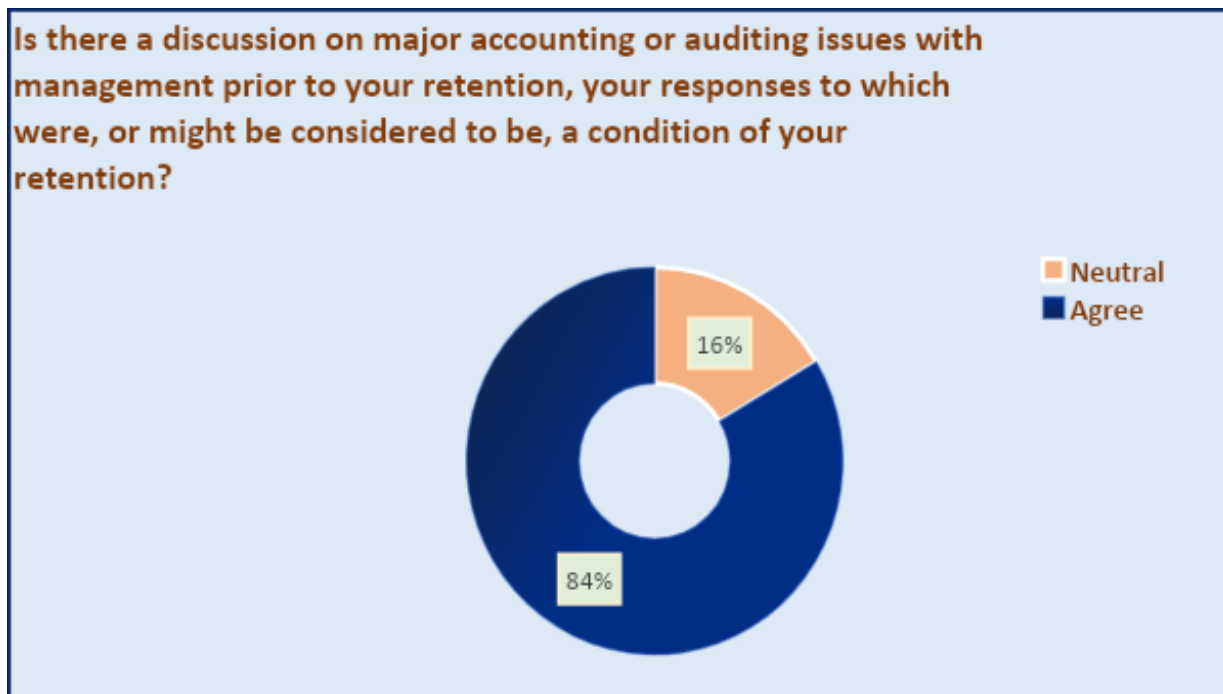
Objective	Hypothesis
To evaluate the impact of cost control and cost reduction on the profitability of garment manufacturing SMEs in the Mumbai Suburban Area.	<p>H₀: There is no significant relationship between cost control and the profitability of the garments manufacturing SMEs.</p> <p>H₁: There is a significant relationship between cost control and the profitability of garment manufacturing SMEs.</p>

Do you observe the percentage of inventories, accounts receivable, debtors etc. for the reference of cost control?	Frequency	Percentage
Strongly Disagree	0	0
Disagree	0	0
Neutral	0	0
Agree	53	23.56
Strongly Agree	172	76.44
Total	225	100



Is there a discussion on major accounting or auditing issues with management prior to your retention, your responses to which were, or might be considered to be, a condition of your retention?	Frequency	Percentage
Strongly Disagree	0	0.00
Disagree	0	0.00
Neutral	37	16.44
Agree	188	83.56

Strongly Agree	0	0.00
Total	225	100



Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
PROFITABILITY * COST CONTROL	210	100.0 %	0	0.0%	210	100.0%

PROFITABILITY * COST CONTROL Cross tabulation					
Count					
		COST CONTROL			Total
		Neutral	Agree	S Agree	
PROFITABILITY	Neutral	1	2	1	4

	Agree	1	8	2	11
	S Agree	1	5	189	195
Total		3	15	192	210

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	112.501 ^a	4	<.001
Likelihood Ratio	55.051	4	<.001
Linear-by-Linear Association	86.061	1	<.001
N of Valid Cases	210		
a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .06.			

Interpretation:

Since P Value (Probability Value) is less than the significance level of 0.05. Thus at 95% of confidence level, **the null hypothesis is failed to accept and alternate hypothesis is failed to reject**. From the above tested, the hypothesis shows that there is a significant positive correlation between cost control and profitability which indicates that an increase in control of cost by various means or techniques will results in an increase in profitability.

4.2 Objective and Hypothesis – 2:

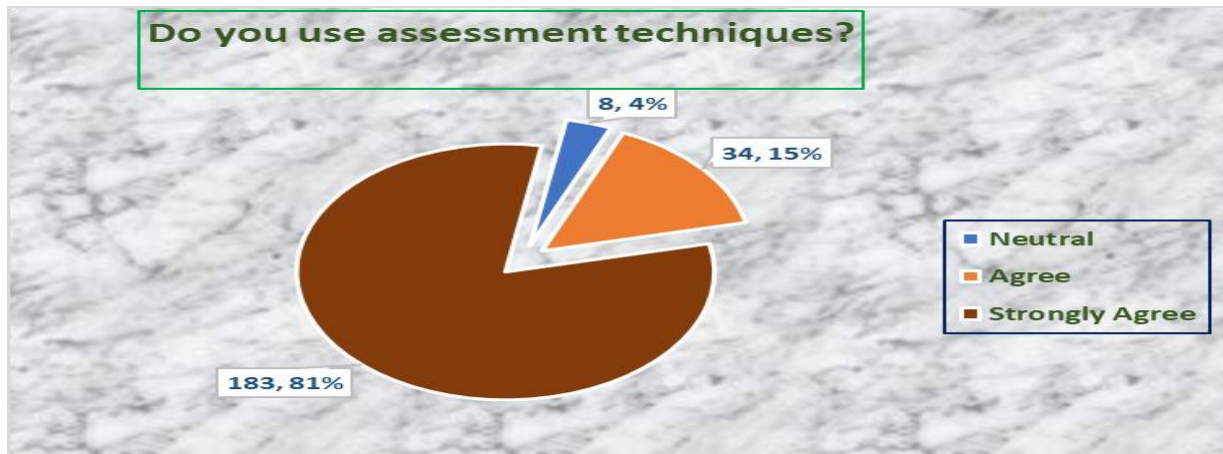
Objective	Hypothesis
To evaluate various cost control techniques and their impact on Garments manufacturing SMEs.	H₀: Inefficient application of cost control techniques does not lead to a decline in the profit level of SMEs when other factors are constant. H₁: Inefficient application of cost control techniques leads to a decline in the profit level of SMEs when other factors are constant.

Do you utilize computer auditing techniques to review computer processes	Frequency	Percentage

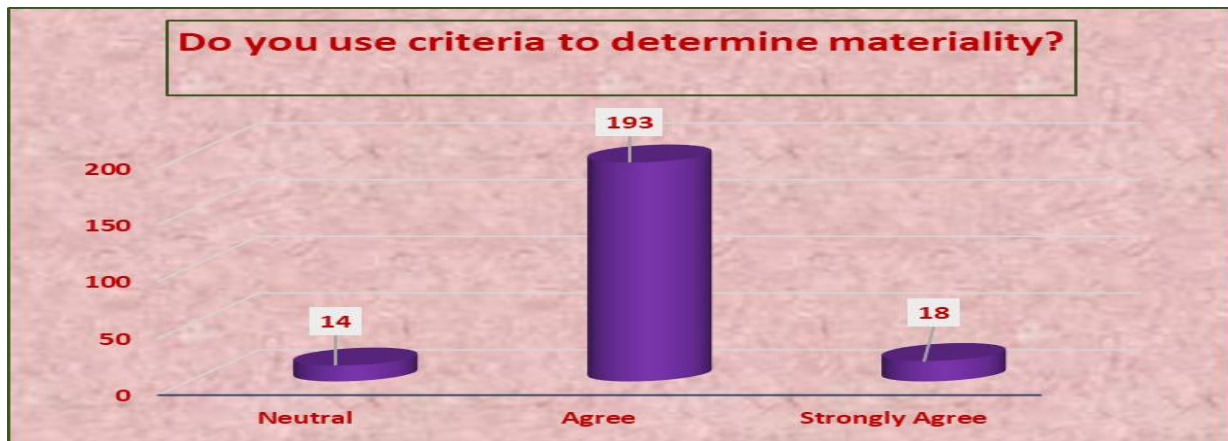
Strongly Disagree	0	0
Disagree	1	0.44
Neutral	6	2.67
Agree	195	86.67
Strongly Agree	23	10.22
Total	225	100



Do you use assessment techniques?	Frequency	Percentage
Strongly Disagree	0	0
Disagree	0	0
Neutral	8	3.56
Agree	34	15.11
Strongly Agree	183	81.33
Total	225	100



Do you use criteria to determine materiality?	Frequency	Percentage
Strongly Disagree	0	0
Disagree	0	0
Neutral	14	6.22
Agree	193	85.78
Strongly Agree	18	8.00
Total	225	100



To study, is there any significant difference in the responses of inefficient application of cost control techniques that leads to a decline in the profit level of SMEs when other factors are constant on different groups

Y Variable	Group	Mean	Std Dev.	Std Err	N
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Inefficient application of cost control techniques leads to a decline in the profit level of SMEs when other factors are constant	Auditor	4.287	0.291	0.019	225	
	Other Department	4.827	0.223	0.015	215	
	Proprietor	4.194	0.234	0.016	210	
Analysis of Variance						
Source	Type III SS	Df	Mean Sq.	F	Prob.	
Model	50.181	2	25.091	395.834	0.000	
Error	41.011	647	0.063			
Total	91.192	649				
Post Hoc tests for Factor = Designation						
Test	Group 1	Group 2	Mean Diff.	SE	q	Prob.
Tukey	Auditor	Other Department	-0.540	0.017	31.807	0.000
		Proprietor	0.093	0.017	5.452	0.000
	Other Department	Proprietor	0.633	0.017	36.657	0.000

Interpretation:

Since P Value (Probability Value) is less than the significance level of 0.05. Thus at 95% of confidence level, **the null hypothesis is failed to accept and alternate hypothesis is failed to reject**. From the above tested, the hypothesis shows that there is a significant positive correlation between inefficient use of application of cost control techniques and profit level of SMEs when other factors are constant.

4.3 Objective and Hypothesis – 3:

Objective	Hypothesis
To verify cost control and reduction as a competitive strategy for profitability & growth SMEs.	<p>H₀: Budget has no direct link with cost control and profitability of garments manufacturing SMEs in Mumbai Suburban Area.</p> <p>H₁: Budget has direct link with cost control and profitability of garments manufacturing SMEs in Mumbai Suburban Area.</p>
Are there any unresolved questions from the prior year's audit?	Frequency Percentage
Strongly Disagree	188 83.56

Disagree	31	13.78
Neutral	6	2.67
Agree	0	0
Strongly Agree	0	0
Total	225	100



Chi-Square Tests			
	Value	df	P Value
Pearson Chi-Square	139.540 ^a	8	.000
Likelihood Ratio	37.518	8	.000
Linear-by-Linear Association	44.467	1	.000
N of Valid Cases	650		

a. 11 cells (73.3%) have expected count less than 5. The minimum expected count is .01.

Symmetric Measures				
	Value	Asymptotic Standard Error ^a	Approximate T ^b	Pvalue

Interval by Interval	Pearson's R	.656	.127	7.474	.000
Ordinal by Ordinal	Spearman Correlation	.619	.086	4.912	.000
N of Valid Cases		650			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Interpretation:

The P value is 0.000, which is less than 0.05 and has a significant association with the budget and cost control and profitability of Garments manufacturing SMEs in Mumbai Suburban Area. Since P Value (Probability Value) is less than the significance level of 0.05. Thus at 95% of confidence level, **the null hypothesis is failed to accept and alternate hypothesis is failed to reject**. From the above tested, the hypothesis shows that there is a significant positive correlation between the budget and cost control and profitability of Garments manufacturing SMEs in Mumbai Suburban Area. Hence, it is proved that the budget has a direct link with cost control and profitability of Garment Manufacturing SMEs in Mumbai Suburban Area.

13. Findings:

- 13.1 Out of the total Universe/Population of the study, 46.45% respondents are from the Kurla Area who are engaged in the production of Garments Manufacturing SMEs.
- 13.2 38.42% of the respondents belongs to Borivali Area of Mumbai Suburban Area who deals with the Garments Manufacturing SMEs.
- 13.3 The remaining 15.12% of the population are from Andheri Area of Mumbai Suburban Area who deals with the Garments Manufacturing SMEs.

13.4 The data was also collected from Auditor, the Proprietor and the employees from other Departments named as Accounts Department, Stores Department, Purchase Department, Production Department and Sales Department.

14. Conclusion:

- 14.1 This chapter dealt with 'Concluding Observation'. An attempt was made to summarise the whole research study on the basis of data analysis and interpretation. It showed the importance of cost control and reduction as the highest weight to efficiency in performance and appropriate decision making helps to conclude the way it impacts on the profitability of Garments manufacturing SMEs in Mumbai Suburban Area.
- 14.2 It can also be concluded that there are positive effects of cost control on the profitability of the manufacturing SMEs.
- 14.3 The techniques / strategies are really favourable in cost control to achieve reasonable profitability. Because of the proven objectives it can be stated that there is a relationship between cost control and profitability of a business.
- 14.4 Operational expenditure is reviewed timely. SMEs monitor all expenses using checkpoints considering the use of change control systems to help in effective production.
- 14.5 There are relationships between cost reduction measures and profit performance. These SMEs have a cost reduction scheme or programme, and they carry the cost control and reduction to grow and expand.