

Mei Exporters Satisfaction Towards Various Incentive Schemes - Empirical Study

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Abstract - Tirupur is a textile town in Tamilnadu, which is popularly known as “DOLLAR CITY”., Emerging as a major hub for production of knitted garments. Among various industries, garment industry has grown significantly for the past three decades. This might have been due to increase in demand for garments, particularly due to increasing demand for Indian knitted garments abroad. Tirupur exporters are specialized in producing cotton based knitted garments.

Keywords - Satisfaction, Factor analysis, MEIS, SEIS, Collection, Variables etc.,

INTRODUCTION

The industry has now become one of the largest employment providers. Garments designed and manufactured to individual specifications and trends are exported to more than 100 countries world wide, the major regions being North America, EU, Latin America, and Middle East. The success is reflected in the fact that today garment export is one of the most important and the highest foreign exchange earners for the country

Tirupur city contributes over 56% in knitted garments. Buyers from 35 countries frequently visiting Tirupur. Tirupur can deliver customized samples in less than 12 hours and half a million pieces in a matter of few days. The Government of India in its Export / Import policy has recognized the city as the “Town of Export Excellence”.

STATEMENT OF THE PROBLEM

Among various industries, garment industry has grown significantly for the past three decades. This might have been due to increase in demand for garments, particularly due to increasing demand for Indian knitted garments in abroad. Due to larger demands of foreign buyers, the garments industry was able to flourish. However, this industries also not an exception to problems. The industry has problems relating to labour, production marketing and finance as a result, the performance of the garment industry gets affected. In addition to technological and competitive problems, these problems pose a threat to the garment industry and hence it became necessary for this industry to concentrate on these vital issues and ensure better performance. It is also relevant to consider the factors that affect the growth of the garment industry and take appropriate remedial measures to solve the problems. In this context, it would be more relevant to make an attempt to study the performance related issues so as to know the comprehensive plan for the success of the garment industry despite its problems.

OBJECTIVES OF THE STUDY

1. To analyze the level of satisfaction towards exporters in Tirupur .
2. To give suitable suggestion to improve the satisfaction of exporters.

METHODOLOGY OF THE STUDY

The data has used primary data only. The primary data was collected from 300 units by using interview schedule method. For the purpose of collecting primary data, the interview schedule was prepared in such a way that the respondents were able to understand clearly and give their opinions freely and frankly. The interview schedule had been pre-tested and validated so as to meet the accuracy and reliability. Data was collected from Tirupur Exporters. Purposive sampling method has used in this study. Factor analysis has been used in this study. Data was collected from September 2018 to December 2018.

LIMITATIONS OF THE STUDY

The study has consumed lot of time, involved several problems and became a challenge for the researcher to complete the data collection. The inferences of the study are subject to the limitations which are inherent to primary data. However adequate care has been exercised to collect unbiased data. The problems include difficulty in meeting the head of the exporting units, the reluctance on their part in providing the data etc.

ANALYSIS AND INTERPRETRATION

DIMENSIONALITY OF THE MULTI-SCALE ITEMS (FACTOR ANALYSIS)

Factor Analysis is a set of technique, which analysis correlation between variables and reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in

economic use of data collection efforts. The subjective element of factor analysis is reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis is assumed as reliable or stable.

Table –1

EIGEN VALUES AND PROPORTION OF TOTAL VARIANCE OF EACH UNDERLYING FACTORS RELATED TO LEVEL OF SATISFACTION TOWARDS EXPORT SCHEMES

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	18.04	85.906	85.91	18.04	85.906	85.906	12.51	59.563	59.563
2	1.704	8.113	94.02	1.704	8.113	94.019	5.742	27.341	86.905
3	1.082	5.153	99.17	1.082	5.153	99.172	2.576	12.267	99.172

Extraction Method: Principal Component Analysis.

The results of the level of satisfaction towards export scheme, have revealed that there are twenty one factors that had Eigen value exceeding “one”. Among those three factors, the first factor accounted for 85.90 percent of the variance, the second 8.11 percent and the third factor 5.15 percent of the variance in the data set. The first three factors are the final factors solution and they all together represent 99.17 percent of the total variance in the scale items measuring the factors related to level of satisfaction towards export scheme. Hence from the above results, it is certain factors that relates the level of satisfaction towards export schemes.

TABLE NO.2

ROTATED COMPONENT MATRIX FOR FACTORS RELATED TO LEVEL OF SATISFACTION TOWARDS EXPORT SCHEMES

Rotated Component Matrix			
	Component		
	1	2	3
X ₁₀ . Zero Duty EPCG Scheme	.898	.396	.184
X ₁₃ . Brand Rate	.871	.396	.184
X ₄ . Merchandise Exports from India Scheme (MEIS)	.858	.396	.184
X ₅ . Services Exports From India Scheme (SEIS)	.838	.396	.184
X ₆ . Duty Free Import Authorization Scheme	.828	.396	.184
X ₇ . Advance Authorization Scheme	.738	.396	.184
X ₈ . Duty Entitlement Pass Book Scheme	.798	.396	.184
X ₁₁ . Post Export EPCG Duty Credit Scrip Scheme	.718	.396	.184
X ₁₂ . Towns Of Export Excellence (TEE)	.701	.396	.184
X ₁₄ . All Industry Rate (AIR)	.698	.396	.184
X ₁ . Capital Subsidy	.691	.379	.203
X ₂ . Interest Subsidy	.693	.379	.203
X ₃ . ATUFS (Amended Technology Upgradation Fund Scheme)	.692	.379	.203
X ₉ . Duty Free Replenishment Certificate (DFRC)	.591	.589	.203
X ₁₅ . Rebate Of State Levies (ROSL)	.466	.653	.232
X ₁₆ . Market Access Initiative (MAI) Scheme	.466	.651	.232
X ₁₇ . Market Development Assistance (MDA) Scheme	.466	.533	.232
X ₁₈ . Focus Market Scheme (FMS)	.466	.523	.232
X ₁₉ . Focus Product Scheme (FPS)	.565	.516	.260
X ₂₁ . Vishesh Krishi & Gram Udyog Yojana (VKGUY)	.214	.242	.746
X ₂₀ . Market Linked Focus Product Scheme (MLFPS)	.214	.242	.661

Extraction Method: Principal Component Analysis.

The above table represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are the factor loadings which represent the correlation between the factors and the twelve variables (X₁ to X₂₁). From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable X₁₀. Zero Duty EPCG Scheme, X₁₃. Brand Rate, X₄. Merchandise Exports from India Scheme (MEIS), X₅. Services Exports From India Scheme (SEIS), X₆. Duty Free Import Authorization Scheme, X₇. Advance Authorization Scheme, X₈. Duty Entitlement Pass Book Scheme, X₁₁. Post Export EPCG Duty Credit Scrip Scheme, X₁₂. Towns Of Export Excellence (TEE), X₁₄. All Industry Rate (AIR), X₁. Capital Subsidy, X₂. Interest Subsidy, X₃. ATUFS (Amended Technology Upgradation Fund Scheme) and X₉. Duty Free Replenishment Certificate (DFRC) that is, **.898, .871, .858, .838, .828, .738, .798, .718, .701, .698, .691, .693, .692 and .591** respectively. Similarly factor-II has high absolute correlation with variable X₁₅. Rebate Of State Levies (ROSL), X₁₆. Market Access Initiative (MAI) Scheme, X₁₇. Market Development Assistance (MDA) Scheme, X₁₈. Focus Market Scheme (FMS) and X₁₉. Focus Product Scheme (FPS) that is, **.653, .651, .533, .523 and .516** respectively. Next, factor III has high absolute correlation with X₂₁. Vishesh Krishi & Gram Udyog Yojana (VKGUY), X₂₀. Market Linked Focus Product Scheme (MLFPS) that is, **.746 and .661** respectively. For example in this study, factor I is atleast correlated with twelve variables out

of the twelve variables with absolute value of factor loading greater than or equal to 0.5 is considered. In such a complex matrix it is difficult to interpret the factor. So proceed to compute the rotated factor matrix.

Thus the twenty one variables in the data were reduced to Three Component factors and each factor may be identified with the corresponding variables as follows:

TABLE -3
SHOWING THE FACTORS IDENTIFIED THE FACTORS RELATED TO INFLUENCE IN FOR LEVEL OF SATISFACTION TOWARDS EXPORTERS

	%	
X ₁₀ . Zero Duty EPCG Scheme	80.64	FACTOR I
X ₁₃ . Brand Rate	75.86	
X ₄ . Merchandise Exports from India Scheme (MEIS)	73.62	
X ₅ . Services Exports From India Scheme (SEIS)	70.22	
X ₆ . Duty Free Import Authorization Scheme	68.56	
X ₇ . Advance Authorization Scheme	54.46	
X ₈ . Duty Entitlement Pass Book Scheme	63.68	
X ₁₁ . Post Export EPCG Duty Credit Scrip Scheme	51.55	
X ₁₂ . Towns Of Export Excellence (TEE)	49.14	
X ₁₄ . All Industry Rate (AIR)	48.72	
X ₁ . Capital Subsidy	47.75	
X ₂ . Interest Subsidy	48.02	
X ₃ . ATUFS (Amended Technology Upgradation Fund Scheme)	47.89	
X ₉ . Duty Free Replenishment Certificate (DFRC)	34.93	
X ₁₅ . Rebate Of State Levies (ROSL)	42.64	FACTOR II
X ₁₆ . Market Access Initiative (MAI) Scheme	42.38	
X ₁₇ . Market Development Assistance (MDA) Scheme	28.41	
X ₁₈ . Focus Market Scheme (FMS)	27.35	
X ₁₉ . Focus Product Scheme (FPS)	26.63	
X ₂₁ . Vishesh Krishi & Gram Udyog Yojana (VKGUY)	55.65	FACTOR III
X ₂₀ . Market Linked Focus Product Scheme (MLFPS)	43.69	

SOURCE: PRIMARY DATA

SUGGESTIONS OF THE STUDY

Value addition for sustainable growth

Tirupur has recorded highest share in all India exports. However, it is found that the exporters are more specialized on basic items of garments. Therefore it is recommended to focus on value additions such as embroidery, designs, emblems, symbols, logos etc., on the garments which will help to improve the performance of their business. This value addition will enable the export units to sustain growth momentum and face competitions from exporters of foreign countries.

Permanent Trade Fair Centres

This study reveals that trade fairs play an important role for the exporters to secure export orders. The trade fairs were organized only during seasons. As trade fairs are found to be effective in securing orders, it is recommended that a permanent trade fair centre shall be established in Tirupur.

Quality Enhancement

The study reveals that one of the important problems of exporters in marketing is created to quality. Mostly, the exporters found that their goods are being rejected due to poor quality. Therefore efforts should be taken by the exporters to improve quality of the products on par with International standards. In this context, it would be more relevant for the promotional institutions like Apparel Export Promotion Council (AEPC) to arrange for quality awareness programs and training programs for exporters. This will help them to get ISO Certification which will be a proper measure to ensure the quality of products.

Common Brand Development

The study reveals that majority of exporters do not have their own brands for their products. Majority of them were small exporters. They could not build their own brands due to smallness of units and financial constraints. They export in the brand name of the buyers is a usual norm. As a long term measure, efforts may be taken to build a common brand name for products from Tirupur, so separate brand name for the products can be built and also it is possible for the exporters to fetch a better price.

Diversification

The study reveals that the exporters in Tirupur were specialized in producing cotton based knitted garments. The cotton based knitted garments have only seasonal demand. Therefore to come out of the seasonality nature, the exporters can take necessary efforts to diversify from cotton oriented products to woolen and other products categories not only to attract new customers but also to retain existing customers for their business.

Finance at International Rates of Interest

The study reveals that the interest rates charged by the bankers are very high when compared to International rates of Interest. The study also reveals that the cost of Finance was one of the important factors which cause weakness to exporting units. To discuss competitiveness of exports and to avoid weakness, efforts shall be taken by the Government to provide loans for both working capital and fixed capital on par with International rates of Interest.

Enhancement in Duty Drawback Scheme

The study reveals that most of the exporters wish to continue the duty drawback scheme. Enhancement in the rates of duty drawback will be of great help to exporting units for better competitive edge over the exporters of other countries. Hence it is recommended to the government of India to bring the suitable measures for enhancement of rate of duty drawback.

Adequate Working Capital Finance

The study reveals that the lack of Working Capital is a major problem. As exporters have to deal with huge volume of export orders, they require huge amount of Working Capital for their business. For this purpose, they normally approach the Banks, but the exporters are unable to provide the Collateral Security to the Bankers, to the extent of loan required and there were also too many formalities to be complied for successful release of Working Capital Finance from Banks. Therefore it is recommended that there shall be relaxation of modalities and procedures in sanctioning working capital finance to exporting units without much hurdles.

CONCLUSION

The performance of any business units is based on several aspects and issues that are relevant to the business units and the garment exporting units. However, this issues cannot be generalized but are subject to detailed study which examine and evaluate thoroughly as far as the garment exporting units are concerned. These units are not merely manufacturing units but have different characters in their operations. Based on different characters and types, the performance will also vary, though they may be influenced by common issues. It would be more relevant to identify common issues and specific issues as to decide on the particular course of action required for better performance. The performance related issues such as labour, production, marketing and finance are to be analyzed in detail so has to determine the vital issues which affect the performance of exporting units. This will help the exporting units to take the appropriate steps to solve the problem caused by particular issue and initiate suitable action to maintain and improve the performance.

