



The Role of Industrial Association and its Influence on Industry Performance: A Study Amongst The Textile Units in Tirupur

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ABSTRACT

The textile industry in Tirupur is one of the significant clusters in India in terms of textile exports. This cluster came to limelight in the international apparel market after the establishment of Tirupur Exporters Association (TEA) in the year 1990 and later emerged as the knitwear capital of the country. This study in general focuses on the institutional role played by the different industrial associations in Tirupur apparel cluster. Specifically, the role of Tirupur Exporters Association towards the competitiveness of the manufacturer and exporter studied. Regression analysis tool applied to find the influence of the industrial associations' role on the industry performance considering the performance of industries in the form of increase in profit as the dependent variable and the various role played by the Tirupur Exporter Association as the independent variable. The finding reveals that there is a significant relation between industrial association's role and industry performance.

KEYWORDS : Competitiveness, Industrial Association, Performance, Tirupur

Introduction:

The industrial association plays a vital role in coordinating, developing and preserving their industries competitiveness. They assist the member firms, owe the benefits obtained from the cooperation with the other firms, institutions, agencies and the government. Industry associations assist the firms through knowledge building, knowledge deployment, and standard setting (Damsgaard&Lyytinen, 2001). They also promote favorable trade policies and uniform code of practices among the member units (Procassini, 1995; Sell, 1995). Industry associations create a common platform and benefits by monitoring the market trends and developments, conducting market survey training, and engaging in promotion and outreach activities (Ernstthal, 1997; Cox, 2007). At one point of time, industry associations were primarily perceived as the pressure groups associated with the issues of labours and government policy, but those perceptions began to change by late 1980. Today they build cooperation, foster information sharing, workforce development, promoting brands, facilitating financial, legal and technical support and provide different services designed to help the industries to improve the business competitiveness.

An Industrial association can be defined as an association that supports and protects the rights of a particular industry and the people who work in that industry. Industrial associations work in close coordination with the Government Agencies to help and protect the interest of concerned industries. Modern industrial associations were formed to provide the need-based customized supports and enabling the environment to promote the growth of entrepreneurship culture.

Overview of Tirupur Based Garment Industries:

The textile / garment industry in Tirupur is one of the significant clusters in India with regard to textile exports. It has been the center of textile business in India since 1870. This cluster came to limelight in international apparel export arena after the establishment of Tirupur Exporters Association (TEA) in the year 1990, and later emerged as knitwear capital of the country and popularly referred as dollar city or banian city. The cluster has its presence in Europe, USA, and the Pacific region. This cluster is contributing approximately 50 percent of total knitwear production of the country (India). The knitwear cluster has been considered as a driving force for the socio-economic development of India, providing ample employment opportunities and contributing major foreign exchange earnings of India. Tirupur cluster employs 3 lakh people directly and 2.5 lakh people indirectly.

With more than 6000 apparel manufacturers, the Tirupur knitwear industry features hard work, entrepreneurship ability to cope with changes, modern technology, moderate labour costs, and abundant availability of raw material and export level quality products. The cluster has diversified its production basket from being the producers of basic knit garments for the lower end of the domestic market to medium and high range export markets comprising, T-shirts, polo shirts, sportswear, sweatshirts, ladies dresses, children wear and nightwear, etc. With Rs.250 crore exports in the year 1990, the cluster's exports reached to Rs.10,000 crore in the year 2006-07 with 12% CAGR. Studies reveal that the cluster's export touched to Rs 21,000 crore in the year 2015. Since in last five years, despite having turbulence and recession in the global market and closer to dyeing units in the year 2011, the apparel manufacturers and exporters have maintained a good track of record in growth of 15% CAGR (Textile Excellence, April-2016) as against the national average growth rate of less than 9 percent. And consistently facing the global challenges to maintain the growth spirit and sustain in the business.

Current Issues in Tirupur-based Garment Industries

The favorable yarn price, market condition, foreign currency values, foreign trade agreements coupled with the deployment of right technology are adding competitive advantage to Tirupur. Despite all these advantages, the cluster has been struggling hard to compete in cost and variety front before competing countries such as Vietnam, Bangladesh, and China. High labour cost, lack of modern supporting industries, poor financial assistance, R&D facilities & infrastructure and undue price fluctuation in raw material impeding the overall growth of the sector in relation to the global market.

Garment manufacturing is a labour intensive industry, where the skilled labour serves as the backbone of the industry in terms of delivering the required quality and productivity. Non-availability of skilled labour and high turnover and retaining of skilled labour is a major challenge, the industry is facing. Apart from the local labours, the cluster is more dependent on labour comes from neighboring states. These labours are getting recruited as an unskilled worker and later training made them fit to work as a skilled labour. These labours are absent for a longer duration during festival season and crop harvesting season at their home state and sometimes few of them are not returned after the festival season. To overcome this, several labour reform schemes and strategies are developed and few are under progress.

Low labour productivity in comparison to competing countries is also a measure issue directly affecting the profitability and sustainability (Table 1). To overcome the same, recent past few units have taken the steps to restructure their line layout and implement the lean tool.

Table (1): Labour Productivity Measured in Number of Pieces/Day (8-hour)

Country	Blouse	Shirts	Ladies dress	Ladies skirts	Trousers
South Korea	14.59	17.39	8.77	17.54	15.55
Taiwan	18.89	18.18	12.44	16.63	16.12
Hong Kong	20.56	20.87	20.17	19.25	19.25
China	10.93	13.96	7.83	13	6.71
Thailand	16.97	19.75	12.19	20.47	13.08
India	10.98	9.12	6.25	9.62	6.84

Source:ITMF, International Shipment statistics (Zurich, 2000.)

Pollution from the wet processing units has been a serious challenge and large numbers of chemical processing plants have been closed as per the direction of Madras High Court. The cluster has a limited number of effluent treatment plants to overcome the issues. Recent past, with the financial aid from the Union Government, the cluster is able to maintain Zero Liquid Discharge (ZLD) at large extent. The units in the cluster have limited knowledge about compliance management certification and its importance in export business (SIDBI-2014).

Yarn, fabric, dyes, trims, and accessories etc. constitute a significant portion of the cost factor of the exporter. Availability of these factors is a not an issue, rather a frequent price fluctuation of same is a measure concern to control the cost of production. Except for cotton knitwear, the units in the cluster lack diversification in terms of producing garments of different fibre composition. This is limiting the scope to target different market segments. Fashion garments are used to have a high price realization, but in Tirupur, the major focus is on basic garments, where price realization is low.

In terms of design, the industries face a serious challenge, since the majority of the units still depend on the designs given by the buyers. The developed countries of EU, USA, and others in the west are outsourcing their apparel needs to those countries which have their own design capabilities since it is cheaper. In terms of the foreign trade agreement, India does not have free Foreign Trade Agreement with EU countries, whereas our competitor Bangladesh enjoys the same with EU. This makes Indian garments costlier than Bangladesh. India's bank interest rates are higher compared to China and Bangladesh. For example, Bangladesh has an interest rate of around 7 - 8 percent, but the Indian textile industries are paying 13 - 14 per cent. Poor infrastructure is another issue, which needs substantial capital for development. Though there have been a joint initiatives of Government and industry to develop the infrastructure, they seem to be inadequate for the export oriented industry. The government has permitted 100% FDI into the infrastructure, despite that, the inflows are poor due to political and regulatory reasons.

The factors discussed above have made Tirupur's cost of production higher than of competing countries and also make the product less competitive in terms of time, variety, and quantity in the global marketplace.

Literature Review:

Creating competitive advantages requires determination of the factors that may put the firm in a better position. M. Porter (1990) devised a diamond model of competitiveness, where he was opined, four inter-linked broad attributes of the proximate environment of a firm have the greatest influence on its ability to innovate, upgrade and put the firm in competitive position. These attributes are (1) factor condition, (2) demand condition, (3) related and supporting industries, (4) firm strategy, structure, and rivalry. In the same vein, the role of Government was also an indirect determinant or attribute for the competitive advantageous condition. Porter (1991) defines competitive advantages as the capability of a company or industry to make the products that provide more value to the customer than the competing products, such as by offering lower prices or providing quality services or other benefits that justify

higher prices. The strongest competitive advantage is a strategy that cannot be imitated by other companies.

D. Cruz, (1992) asserts that the firm level competitiveness can be defined as the ability of the firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities. C. Daniele et.al. (2011) consider that at the firm level, competitiveness can be understood in two different perspectives: one is driver responsible for driving the competitiveness of a firm's performance, and the other is firm's competitive performance as an outcome. The drivers are available or accessible resources (labor, raw material, technology, finance, knowledge, etc.), infrastructure facilities, access to the market, managerial practices, dynamic capabilities, supplier and related industries, the presence of rivalry and Government. The outcome may be expressed in terms of the firm's superior performance such as an increase in sales revenue, profit, market share, etc. JMOP (2003) pointed out that, measures of the competitiveness at the firm level include firm's profitability, firm's exports, and market share. Henricsson and Ericsson (2005) suggest that a firm's competitiveness can be defined through profitability, productivity, time predictability, cost predictability, clients' satisfaction, wage level, work conditions, labour attractiveness, business ethics and environmental consciousness. Competitiveness, as explained by Porter (1990), can be defined at three levels: firm, industry, and nation. Measures of the competitiveness at the firm level include firm's profitability, firm's exports, and market share. From the above, it is understood that firm's profitability is a common measure of firm competitiveness.

Industry Associations at Tirupur, a Glance:

There are several associations exists at Tirupur. These associations are engaged with various jobs starting from export promotion to setting up of the effluent treatment plant. Some of the prominent associations' role depicted in the Table (2)

Table (2) Role of Industrial Associations at Tirupur

Sr no.	Name of the Industrial Association	Nature of support to Industries
1	Tirupur Exporters Association (TEA)	Promoting exports and brands, facilitating quality management system, development of physical infrastructures and managerial cadre workforce, setting up of Container Depot, apparel Park industrial complex & trade fair center, training and skill upgradation, development of E-Readiness Centre and India Knit Fair Complex, etc..
2	South India Hosiery Manufacturer Association (SIHMA)	Focused on the domestic market, skill upgradation training center to impart skill based training to the workers, merchandisers and quality controller, arbitrary council, exploration of a new market, subcontracting exchange etc.
3	Dyers' Association of Tirupur (DAT)	Associated with the dyeing units, works in coordination with the Government Agencies to control the pollution and related issues, setting up of common effluent treatment plant and individual effluent plant, Creating awareness about the usage of the hazardous chemicals.
4	The Knit Cloth Manufacturers Association (KNITCMA)	Associated with the development of value-added innovative textile products and creating awareness about the product diversification.
5	Tirupur Export Knit Printer Association (TEKPA)	Associated with printing units, skill-based training for the worker. Creating awareness about usage of hazardous chemicals, protection of the environment.
6	Tirupur Bleachers' Association (TBA)	Working in coordination with Pollution Control Board (PCB) Tirupur to control and arrest the pollution issues.
7	Tirupur Thozill PathukappuKuzhu (TTPK)	Restart of closed dyeing units, setting up of effluent treatment plant with zero liquid discharge (ZLD), regulatory, finance and technical guidance, etc..

Source: Small Industries Development Bank of India (SIDBI-2014)

The Table (2) indicates, an industry association at Tirupur plays a holistic constructive role towards the development of the apparel industries.

Several studies in the past reported, the growth of an industrial cluster is due to the presence of the certain advantageous condition. These conditions may exist naturally or created by the individual firm or industry to remain competitive in a global market. Among the factors responsible for the industrial competitiveness, the role of industrial association plays a vital role towards the development and growth of the industries through the mobilization of the various resources and information among the members and the local Governments. They influence the industry's norms and practices, provide benchmarks and stipulate best practices, and suggest strategic responses to the industry's threats and opportunities.

The present study focuses on the role of the industry associations in forming, spreading and legitimizing the adoption of the specific actions and strategies within the apparel industries located at Tirupur. Though there are various Industry Associations exist at Tirupur, the study mainly focuses on the role of Tirupur Exporters Association (TEA) towards the development, growth, and competitiveness of the manufacturer and exporter.

Objectives:

- To study and find the role of different Industrial Associations operating at Tirupur
- To examine the role of Tirupur Exporters Association towards the growth and competitiveness of the apparel manufacturer and exporter.

Research Methodology:

The present study is a descriptive study intended to find the influential factors under the various service offered by the Tirupur Exporters Association (TEA) towards the competitiveness and success of apparel manufacturer and exporters operating in Tirupur. Apparel manufacturer cum exporters registered with the Tirupur Exporter Association is considered as the population of the study. Out of total 941 registered exporters, 223 exporters are chosen as the samples using a simple random sampling method. Primary data are collected through the personal interview after administering a well-structured questionnaire to the firm's top management officials such as proprietor or head of the organization. The secondary data are collected from the past research papers, leading journals, books, conference proceedings, etc. Questionnaires are designed to know the demographic profiles of apparel manufacturer and exporter, their relative performance in past three years and influence of various services offered by the industrial association. Increase in the profit and increase the sales revenue are considered as an indicator of the firm performance and relatively measured through a 5- point Likert Scale (1- worst, 2-worse, 3- no change, 4-better, 5-best). Influence of different services offered by the industrial association was of measured through a 5- point Likert Scale (1- strongly disagree, 2- disagree, 3-neutral, 4- agree, 5- strongly agree).

ANOVA- test and multiple regression analysis tools are applied to validate the significance of the model and to assess the influence of variables on the firm performance in terms of "increase in the profit". Preliminary analyses were made to ensure that there was no violation of the assumptions of linearity and multicollinearity.

Results and Discussion:

Opinion of Respondents on Industry Performance:

Table (3): Performances of firms in last three years i.e. 2011-12, 2012-13, and 2013-14

	Worst (1)	Worse (2)	No change (3)	Better (4)	Best (5)	Mean	Std. Deviation
Sales revenue rise	0.4 %	1.3 %	39.9 %	49.8 %	8.5 %	3.6457	.67455
Increase in Profit	00 %	6.7 %	52.9 %	37.7 %	2.7 %	3.3632	.64925

The Table (3) indicates the mean value of performance in terms of the rise in sales revenue and increase in profit are 3.65 and 3.37 respectively. This means that the performances of the firms are good in last 3- years. As per the Textile Excellence Magazine (April-2016), in the last five years, exports from Tirupur have grown at CAGR of around 15 percent, even as the overall garment exports from the country have increased at a CAGR of less than 9- percent

Table (4): Satisfaction level of Industry on the Role of Industrial Association:

	5	4	3	2	1	Total agree %	Total disa- gree %
	Strongly agree	Agree	Neither agree nor disagree	Dis agree	strongly disagree		
Facilitating the Market knowledge and promotion	33.3	55.9	9.5	0.9	0.5	89.2	1.4
Facilitating the Manpower training	26.0	57.4	14.3	2.2	--	83.4	2.2
Facilitating the industry friendly policy	8.1	45.3	44.4	2.2	--	53.4	2.2
Facilitating to address the pollution issues	18.8	29.1	51.1	.9	--	48.0	.9
Assistance for the quality & compliance certification	22.9	42.2	34.5	.4	--	65.0	.4
A one stop sup- port service for the industries	4.9	41.3	53.4	.4	--	46.2	.4

The Table (4) results shows the respondents' opinion on industrial association's role towards the competitiveness of the manufacturer and exporter

- 89.2 % respondents agree, 1.4 respondents disagree and 9.5% respondents neutral in facilitating market knowledge and promotion is a competitive factor (CF)
- 83.4 % respondents agree, 2.2 respondents disagree and 14.3% respondents neutral in facilitating the manpower training is a CF
- 53.4 % respondents agree, 2.2 respondents disagree and 44.4% respondents neutral in facilitating industry-friendly policy is a CF
- 48.0 % respondents agree, 0.9 respondents disagree and 51.1% respondents neutral in facilitating to address the pollution issues is a CF
- 65.0 % respondents agree, 0. 4 respondents disagree 34.5% respondents neutral in Assistance for the quality & compliance certification is a CF
- 46.2 % respondents agree, 0.4 respondents disagree and 53.4% respondents neutral in "a one-stop support service for the industries" is a CF.

Role of Industrial Association and its Influence on the Industry Performance:

The results are depicted in Table (5)

Table (5): Role of Industrial Association and its Influence on the Industry Performance.

Mo del		Unstandar- dized Coefficients		Standardi- zed Coefficie nts	t	Sig.
		B	Std. Error			
1	(Constant)	1.576	0.215		7.330	0.000
	Facilitating the Market knowledge and promotion	0.081	0.056	0.099	1.450	0.149
	Facilitating the manpower training	0.163	0.069	0.176	2.351	0.020
	Facilitating the industry friendly policy	0.014	0.071	0.014	0.194	0.847
	Facilitating to address the pollution issues	-0.227	0.055	-0.283	-4.156	0.000
	Assisting in the quality and compliance certification	0.192	0.064	0.225	3.024	0.003
	An one stop support services for the industries	0.266	0.076	0.245	3.478	0.001

Anova: Significant value. < 0.05; Model R sq.=29%, co-linearity
diagns: All VIF values <4

Table (5), the model significant value (p-value) is less than 0.05. This indicates "Role of Industry Association" has a significant relationship with the performance of the firm as "increase in profit". For individual sub-variables, the "p" value (< 0.05) in case of "facilitating the manpower training", "facilitating to address the pollution issues", "facilitating to have a quality & compliance certification" and "a one-stop solution for the industries" indicates that all these have a significant relationship with the firm / industry competitiveness and performance. Whereas the "p" value (> 0.05) in case of facilitating the market knowledge and promotion and facilitating the industry-friendly policy indicates an insignificant relationship with the firm performance.

The regression coefficient (beta = -0.283) value indicates that "addressing the pollution related issue" is a prominent influence on the firm performance and competitiveness than "a one-stop solution for the industries", "facilitating to have a different quality and compliance certification" and "facilitating the manpower training." The negative beta value in case of "addressing the pollution related issues" implies that the pollution issues are negatively influencing the firm and industry performance.

Recently Tirupur Bleachers Association (TBA) and Dyers' Association of Tirupur (DAT) in coordination with the Pollution Control Board are in an effort to sort out the pollution issues and have succeeded up to a certain extent. These associations had taken an active step to address the environmental regulations by installing the Common Effluent Treatment Plants (CETP) and individual effluent treatment plants.

Major Findings:

- Industry performance mean value in terms of increase in sales revenue and increase in profit are 3.65 and 3.37 respectively. This indicates the exporter's performance is moderately good since last 3-years.
- 89.2 % respondents agree in the facilitating market knowledge and promotion is a Competitive Factor (CF)
- 83.4 % respondents agree in the facilitating manpower training is a CF
- 53.4% respondents agree in the facilitating industry-friendly policy is a CF
- 51.1% respondents neutral in the facilitating to address pollution issues is a CF
- 65.0 % respondents agree in the assistance for the quality & compliance certification is a CF
- 53.4% respondents neutral that "a one-stop support service for the industries" is a CF.
- The ANOVA test significant value (p-value) is less than 0.05 indicates "Role of Industry Association" has a significant relationship with the performance of the firm as "increase in profit."
- The regression coefficient (beta = -0.283) value indicates "addressing the pollution related issue" is a more important influencer for the exporter's performance and competitiveness than "a one-stop solution for industries", "facilitating to have a different quality and compliance certification" and "facilitating the manpower training."
- For individual sub-variables, the "p" value (< 0.05) in case of "facilitating the manpower training", "facilitating to address the pollution issues", "facilitating to have a quality & compliance certification" and "a one-stop solution for industries" indicates all these have a significant relationship with the firm / industry competitiveness. Whereas the "p" value (> 0.05) in case of facilitating the market knowledge and promotion and facilitating industry-friendly policy indicates an insignificant relationship with the firm performance.

Suggestions:

The negative beta value in case of the "addressing pollution related issues" implies that the pollution issues are negatively influencing the firm and industry's performance. To have a pollution free effluent, a firm needs to invest heavily in the effluent treatment plant, which ultimately increases the cost of the production and decrease the cost competitiveness of the final product and hence it affect the firm's profitability in short run. It's a challenge for the small-scale enterprise to afford the cost of setting of an effluents treatment plant individually; rather a common effluent plant may be set to resolve the pollution issues to sustain in the business. By doing so, a firm may incur additional investment initially, but same will outweigh the better

business opportunities in the long run. Regarding one-stop services assistance, the majority of the respondents are neutral. This suggests that the industry association's role be further widened in the larger spectrum to grab the emerging opportunities and cope up with the changing business environment for improving the competitiveness of industries. Despite the presence of many industry associations, the industries competitiveness gets affected negatively because of the environmental pollution, which results in closing of the dyeing units. This suggests a close coordination of the various association bodies and their member industries and Government agencies for a common monitoring mechanism to arrest the environmental pollution and common issues to the majority of industries. Approximately 50% respondents are not satisfied with the present policy of the Government. This suggests that the industrial associations all together should urge the government for a conducive industrial policy by taking into accounts of all the stakeholders in the textile value chain starting from the raw material fiber to finished garments.

Conclusion:

The present study focused on the role of the industrial association and its influence on the performance of the apparel manufacturers and exporters operating in Tirupur. It has been found that the Tirupur Exporters Associations' role is significant with the performance of the firms and industries. Industrial associations' role in addressing the pollution related issues and acting as a one-stop solution for the industries are the major influential factor for the firms and industries competitiveness.

Future Scope of Study:

Industry competitiveness gets influenced by several internal and external business environments. The present study has considered the industry association's role towards the firm competitiveness. This competitive assessment study may be further enhanced by considering the other variables such as resources internal and external to the exporter, supplier and supportive industries, demand condition, local Government and dynamic capability of the industries' influence on the industry competitiveness.

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