



# RESEARCH METHODOLOGY

**CHAPTER NO. 1**

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## **1.1 INTRODUCTION**

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16.63 percent to the country's export earnings. It provides direct employment to over 35 million people, which includes a substantial number of scheduled castes, scheduled tribes, and women. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized power looms/ hosiery and knitting sectors form the largest section of the textiles sector. The close linkage of the Industry to agriculture and the ancient culture and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to different market segments, both within and outside the country.

The major sub-sectors that comprise the textiles sector include the organized Cotton/ Man-Made Fibre Textiles Mill Industry, the Man-made Fibre/ Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

## **TEXTILES EXPORTS**

Textiles exports contribute substantially to country's export earnings. The export basket comprises cotton yarn and fabrics, manmade yarn and fabrics, wool and silk fabrics, made-ups and variety of garments. The textiles products, including handlooms and handicrafts, are exported to more than hundred countries. During 2005-06, the share of textiles exports, including handicrafts, jute, and coir, in country's total exports was 16.63%.

The textiles exports, as per Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata, have registered strong growth in the post quota period, increasing from US\$ 14.03 billion in 2004-05 to US\$ 17.08 billion in 2005-06, recording a growth of 21.76%. The European Union is the single largest market for India's textiles products, accounting for 35% of India's total textile exports, followed by USA which accounts for nearly 27%. Other important countries are the UAE, Saudi Arabia, Canada, Bangladesh, China, Turkey and Japan.

## **THE GOVERNMENT INITIATED SCHEMES**

### **A) Technology Upgradation Fund Scheme (Tufs):**

The Technology Upgradation Fund Scheme, was launched on April 1, 1999, with the objective of making funds available to the domestic textiles industry to upgrade the technology of existing units, and also to set up new units with state-of-the-art technology in order to enhance its viability and competitiveness in the domestic and international markets. The scheme, which was to last upto March 31, 2004, was extended till March 31, 2007. In the Xth five year plan (2002-07), Rs.1,270 crores was earmarked for the scheme. The Government

have decided to continue the scheme in the XIth five year plan, and Rs.911.00 crores had been earmarked for the scheme during 2007-08.

**B) Technology Mission On Cotton (Tmc):**

The Technology Mission on Cotton was launched on February 19, 2000, for a period of five years to give a focused impetus to cotton research and development. Subsequently, it was extended for three more years and will continue till the end of Xth five year plan (March 31, 2007). The Mission comprises 4 Mini Missions with the specific objectives of (I) Research, (II) Dissemination of Technology to Farmers, (III) Improvement in Market Infrastructure and (IV) Modernization of the Ginning and Pressing sector.

**c) Scheme For Integrated Textile Park (Sitp):**

The Scheme for Integrated Textile Park was launched in 2005 to provide the industry with world class infrastructure facilities for setting up their textile units. This scheme is based on Public Private Partnership model and envisages engaging of a professional agency for project execution. The scheme envisages creation of 25 Parks by 2007-08. The allocation for the Scheme for Integrated Textiles Parks (SITP) has been increased from Rs. 189.00 crores in 2006-07 to Rs. 425.00 crores in 2007-08.

Apart from above the government have undertaken several other infrastructural projects such as India Exposition Mark, Greater Noida, Apparel International Mart, Indian Textile Plaza and for human resource development National Institute of Fashion Technology(NIFT), Sardar Vallabhai Patel Institute of Textile Management(SVPITM) and Apparel Training and Design Centres(ATDCs) were set up.

The Indian textile industry is in a much stronger position now than it was in the past. There is a sense of optimism in the industry and textile sector has now dawned a 'sunrise' sector feeling. The developments taking place in the textile sector have created plenty of opportunities and favorable environment for emerging textile enterprises like Swadeshi Dyeing and Bleaching Mills Pvt. Ltd., Ichalkaranji. In the light of these developments in textile sector, a sound financial management of textile units is the prerequisite to cope up with the situation and reap the opportunities.

An attempt has made in the present study to focus on a financial management of Swadeshi Dyeing & Bleaching Mills Private Limited. The said company is established to carry on the business of processing dyeing, printing, bleaching, sizing, mercerizing and the like colouring, finishing, engraving, embossing, of all kinds of cloth mainly of cotton silk, artificial and/or natural fibre, terrene, nylon, wool flax hemp, jute and all other fabrics, yarns, linen, satin, satinette, velvet. Swadeshi Dyeing & Bleaching Mills Private Limited is situated in Ichalkaranji, popularly known as the "Manchester of Maharashtra" and surrounded by other textile mills. Hence the findings are useful not only for the Swadeshi Dyeing & Bleaching Mills Private Limited but also for other textile units of same nature and hopefully for the development of Ichalkaranji city.

## **1.2 STATEMENT OF PROBLEM:**

The present study is titled as "A Study of Financial Management Of Swadeshi Dyeing And Bleaching Mills Private Limited, Ichalkaranji". The study is basically of diagnostic nature to measure the various facts of financial management viz. liquidity, profitability, cost

effectiveness etc. An attempt has also been made to measure the changes in the financial position.

### **1.3 OBJECTIVES OF THE STUDY:**

The objectives of the proposed study are as follows:

- 1) To examine profile of the Swadeshi Dyeing And Bleaching Mills Private Limited, Ichalkaranji with speciall emphasis on financial management.
- 2) To collect the financial data of Swadeshi Dyeing And Bleaching Mills Private Limited, Ichalkaranji mainly from annual reports and other relevant records of the said organization.
- 3) To make an analytical study of the sources of funds and revenues of Swadeshi Dyeing And Bleaching Mills Private Limited, Ichalkaranji during 2000-01 to 2004-05.
- 4) To analyze and study the uses of funds and expenditure pattern of Swadeshi Dyeing And Bleaching Mills Private Limited, Ichalkaranji during 2000-01 to 2004-05.
- 5) To undertake ratio analysis in order to measure and evaluate the various aspects of financial management such as liquidity, profitability, solvency.
- 6) To present the suitable of fund flow statement of sources and uses of funds. The results so revealed are to be further interpreted to show the implications of fund flow on financial position and changes therein.

### **1.4 SCOPE OF THE STUDY:**

The scope of the present study is confined to financial management practices in Swadeshi Dyeing And Bleaching Mills Private

Limited, Ichalkaranji. An emphasis is given for the assessment of financial strength and weakness by applying tools such as Accounting Ratio Analysis and Fund Flow Statement. The period covered in the study is of five years i.e. 2000-01 to 2004-05.

### **1.5 METHODOLOGY:**

For the present study, titled as “A Study of Financial Management of Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji” case study is adopted. Case study method is a study of life situation of the social unit. This method is very popular because it consists of careful and complete observations and qualitative analysis of a social unit. The unit may be a person, a family or an organization. In the present study, Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji has selected as a unit of the study, the data is taken from primary and secondary sources. The attempted is made to collect primary data through the discussions with the financial manager of the mill where as the secondary data is mainly collected from the published materials viz.: annual reports, hand books, periodicals and office records of the mill. Secondary data has also collected from various web sites.

### **1.6. LIMITATIONS OF THE STUDY:**

The study is undertaken as a part of the partial fulfillment of the degree of Master of Philosophy in Commerce and Management. Due to limited resources at the disposal of the researcher, the limitations of the present study are as under:

- This is a case study and the study is limited to one textile mill viz. Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji.



- The data used for the study is mainly secondary data. Of course, the allied first-hand information is also used to develop the text of concerned chapters.
- Funds Flow Statement and Ratio Analysis are used the only tools used for financial analysis of Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji.
- The period of the study is limited to five years from 2000-01 to 2004-5.