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Women entrepreneurs and profitability in garment units

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Abstract

Economic feasibility small scale units of stitching/ ready- made garments, undergarments makings and embroidery work undertaken by women entrepreneurs were assessed through Benefit-Cost ratio and Break- Even analysis. Benefit- Cost and Break -Even analysis on variable cost and fixed cost of the units were found to be significant and the investment in the selected units was considered to be economically viable. In all the three types of units were viable. Break-Even analysis also revealed that it is safe to invest the money by having profitable return on these activities. It was also observed that larger the unit better the income generating capacity. It was found that stitching/ readymade garments making units were economically more feasible, having higher Benefit-cost ratio than undergarments making and embroidery work. Further, it was observed that though all the units were viable but the margin of safety was found higher in stitching/readymade garments than undergarments and embroidery units so the protection against risk of downside variation was higher but the profit per unit was more in case of units due to economics of scale.

Keywords: Economic feasibility, economically

Introduction

Development of women is an integral part of socio-economic development of the nation as women comprise nearly half of the population. Participation of women as active partners in development process can not be ensured unless women themselves enter the market economy, with a view of facilitating self-employment among other women Credit is an important input both in the form of term loan and working capital. Since launching of planning in country small scale industrial sector occupies a central place in the economy of India and it has sizable weight in India's index of production, employment generation and foreign exchange earning. At current prices, small scale sector produced goods of worth Rs. 2,09,800 crores and out of which exports stood at 17,785 crores. A large number of women are trained every year by Government and private agencies to undertake self-employment ventures. By the end of Eighth plan, there were approximately 23.84 lacs small scale industries in the country, contributing to 40 percent of the total exports (Nayak's committee report). Unfortunately the adoption of activities is not upto the desired extent. There is need to propagate economically viable small scale industries for women. Hence, keeping this in view the economic feasibility of small scale women oriented garment making industries was assessed.

Methodology

Hisar district of Haryana state was purposively selected for conducting the study Initially a list of existing units were obtained from financial institutions. 5 units each of stitching garments, undergarments and embroidery comprised the sample of 15 units. These units were selected because of maximum number of loan cases in this activity. Economic viability was assessed in terms of Benefit-Cost ratio and Break-Even points.

Economic viability refers to the financial desirability of the project/units for the smooth flow of the project/unit.

Benefit-Cost ratio is the ratio between sum of benefits of the returns(R) and sum of costs (K). If the ratio is greater than 1, the investment in the unit is considered to be economically viable, Break-Even analysis is a tool for studying the relationship between volume, cost revenues and profit.

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Findings

Average cost and return, Benefit–Cost ratio, Break- Even analysis on fixed and variable cost of the units is presented in table 1, 2 and 3. Average cost of production for stitching/ readymade garment making, under garments and embroidery work came to be Rs. 11,243.80, 35,869.40 and 16,299.60 respectively. Average production per month in terms of pieces was 265, 3640 and 498 pieces per month respectively. Accordingly net income per piece of stitching/readymade garment, undergarments and embroidery work was higher in case of larger production of the units as compared to the low and medium production of the units.

The net returns to be per piece of stitching/readymade garment, undergarments and embroidery were found to be Rs. 38.65, 2.45 and 16.78 respectively. The study indicated the large quantity producing units were better managed. The

income generation capacity per rupee of investment of large units was found to be more than low and medium quantity producing units.

Benefit- Cost ratio and Break- Even points and Break- Even analysis on variable and fixed cost of stitching/readymade garments, under garment and embroidery work were found to be significant. Hence, the investment in the selected units was considered to be economically viable. It was also observed that in all three cases i.e. stitching/readymade garment, under garments and embroidery units covered the Break- Even points, thus the units were viable. But the margin of safety was higher in stitching/readymade garment making units than the under garment and embroidery units. So, the protection against risk of downside variation was higher but the profit per industry was more in case of stitching/readymade garments making units due to economics of scale.

Table 1: Average cost and return from stitching garment, undergarment and embroidery work

Particulars	Average Production/ Month		
	Stitching units	undergarments	Embroidery units
Production(pieces)	265	3640	498
Gross return(rs)	21,300	44,800	23,460
Total cost(rs)	11056.20	35,869.40	16299.60
Net return(rs)	10243.80	8,930.60	8360.40
Sale price per piece (rs)	80.37	12.31	47.11
Cost per piece(rs)	41.72	9.85	32.73
Net return piece(rs)	38.65	2.45	16.78
Total fixed cost(rs)	961.94	1,547.72	601.8
Total variable cost(rs)	9161.47	34,690	16,872.13

Table 2: Benefit-cost ratio of stitching garment, undergarment and embroidery Work

Units	Return (R)	Cost (K)	B =R/K
Stitching	21300	11056	1.92
Undergarments	44800	35869	1.24
Embroidery	23460	16300	1.44

Table 3: Break-Even Points of stitching garment, undergarment and embroidery Work

Units	Cost of Production (Rs)	Total Production (Pcs.)	Break –even sale price
Stitching	11056	265	41.72
Undergarments	35869	3640	9.85
Embroidery	16300	498	32.73

Conclusion

The net returns to be per piece of stitching/readymade garment was found to be higher than under garments and embroidery work. The study also indicated that the larger units were better managed, their income generation capacity per rupee of investment was found to be more than low and medium quantity producing units.

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