CHALLENGES AND OPPORTUNITIES OF APPAREL EXPORTS SME CLUSTER IN OKHLA: A CASE STUDY

Santosh Tarai*; Prof. (Dr.) Bhabesh Sen**

*Assistant Professor,
NIFT,
Bhubaneswar, India.
**Professor,
Utkal University,
India.

ABSTRACT

Okhla apparel export cluster, one of the significant contributors of Indian apparel export, always remains a major focus of researchers, industrialists and experts in private and government sectors. Our study aims to know the prospects and problems of SME clusters across the globe through an in-depth literature review, provides a SWOT analysis for Okhla cluster and later focuses on an empirical survey to understand the perceived threats of exports in the backdrop of present global economic crises. The survey reveals that strong international competition, volatility of exchange rate, instability of market and stiff competition have been perceived as major threats to the industry for exports.

INTRODUCTION

IMPORTANCE OF SMES & CLUSTERS IN MODERN ECONOMY

Small and medium enterprises (SMEs) are playing an increasingly important role in the process of export-led industrialisation in the developing world. The World economy has been a witness to India’s growth in last five years. Among the leading developing economies, India has emerged as one of the most flourishing economy with stable growth and a few setbacks due to the recent economic crisis. The continuous movement of growth and positive report of the Indian economy makes it attractive and creates an attractive place for the foreign investment due to good favourable economic climate, political governance & stability. India is seen favoured
destination as a huge consumer market, availability of resources of apparels and textiles sourcing attract big foreign retailers, buyers, marketers and investors to capture the potential market even if sourcing opportunities visible around the globe.

In India, Small and Medium Scale Industries (SSI) or Small and Medium Enterprises (SMEs) have been a priority sectors for Government of India since Independence in 1947. These sectors constitute an important segment of the Indian economy in terms of their contribution to the country’s industrial production, exports, employment and creation of an entrepreneurial base. During the Liberalization of 1991, the New Industrial Policy was framed under which special emphasis was given to the growth and development of Micro, Small and Medium Enterprises. This meant that young entrepreneurs and SME sector could start any business of their choice with any amount of capital and scale without acquiring any license or permission. Thus, the bottleneck of the structure and the hindering factors associated to the growth of SME was removed and the smoothness of trade operation was prevailed ahead.

SSI sector has also been contributing substantially to India’s GDP where it contributed 5.82% in 2003-04 at 1999-2000 prices (SSI Annual Report, 2006-07). In the year 2003-04(Exhibit-1) SSI sector contributed about 40% of total industrial output and over 34% to country’s exports(SSI Annual Report,2005-06). It also provided employment to nearly 29 million people around the country. The New Economic Policy led to exemplary development of SSI sector, with growth rate of SSI sector exceeding overall growth of industrial sector. In 2005-06 the industrial growth rate was constant at 8.10 as compared to 8.40% in 2004-05, whereas SSI showed a growth rate of 12.32% in 2005-06 as compared to 10.88% in 2004-05. Further, SSIs’ have performed tremendously in exports since 1991-92 with a rise in exports from INR 138,830 million in 1991-92 to INR 1,244,170 million in 2004-05 showing a humongous increase of 800% within 14 years (SSI Annual Report, 2006-07). Thus, SSI or SMEs sector is playing potential role in improving the Indian economy by increasing exports, generating employment, raising standard of living, poverty eradication, promoting education, etc.

EXHIBIT-1

PROFILE OF SME SECTOR IN INDIA

Source: Annual Report 2005-06, Ministry of SSI, Govt. of India
TABLE-1: THE COMPARATIVE AVERAGE GROWTH OF SME & INDUSTRIAL SECTOR

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (Million nos.)</th>
<th>Production (Billion Rs. at current prices)</th>
<th>Employment (Million nos.)</th>
<th>Exports (Billion Rs. at current prices)</th>
<th>Comparative growth (%)</th>
<th>Industrial Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>8.62</td>
<td>1684.1</td>
<td>20.6</td>
<td>392.70</td>
<td>11.29</td>
<td>6.0</td>
</tr>
<tr>
<td>1997-98</td>
<td>8.97</td>
<td>1891.8</td>
<td>21.3</td>
<td>444.42</td>
<td>9.19</td>
<td>6.7</td>
</tr>
<tr>
<td>1998-99</td>
<td>9.34</td>
<td>2129.01</td>
<td>22.1</td>
<td>489.79</td>
<td>7.84</td>
<td>4.1</td>
</tr>
<tr>
<td>1999-00</td>
<td>9.72</td>
<td>2342.5</td>
<td>22.91</td>
<td>542.00</td>
<td>7.09</td>
<td>6.7</td>
</tr>
<tr>
<td>2000-01</td>
<td>10.1</td>
<td>2612.89</td>
<td>23.9</td>
<td>697.97</td>
<td>8.04</td>
<td>5</td>
</tr>
<tr>
<td>2001-02</td>
<td>10.5</td>
<td>2822.7</td>
<td>24.9</td>
<td>712.44</td>
<td>6.06</td>
<td>2.7</td>
</tr>
<tr>
<td>2002-03</td>
<td>10.95</td>
<td>3119.93</td>
<td>26.01</td>
<td>860.13</td>
<td>7.68</td>
<td>5.7</td>
</tr>
<tr>
<td>2003-04</td>
<td>11.39</td>
<td>3577.33</td>
<td>27.13</td>
<td>1244.16</td>
<td>8.59</td>
<td>6.9</td>
</tr>
<tr>
<td>2004-05</td>
<td>11.59</td>
<td>4182.63</td>
<td>28.29</td>
<td>N.A.</td>
<td>9.96</td>
<td>8.4</td>
</tr>
<tr>
<td>2005-06</td>
<td>12.34</td>
<td>4762.01</td>
<td>24.99</td>
<td>N.A.</td>
<td>10.4</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Source: Annual Report 2005-06, Ministry of SSI, Govt. of India

EXHIBIT-2

Source: Ministry of Commerce data, Yr. 2002-03
SIGNIFICANT OF SMES IN INDIAN APPAREL INDUSTRY

In India, the SMEs has occupied a larger share in economy, when it comes to apparel industry, 85% of Indian apparel export to world is contributed by the SME sector alone (AEPC, 2009). With over 50% of industrial output through 95% industrial units, SMEs form the backbone of the Indian economy. In a competitive and emerging economic order, SMEs are witnessed as the leading edge in the form of innovation, creativity, design and exploring new global markets. In a stiff competition under the free trade regime, the government of India is committed to protect SMEs sectors by advising International big players or brand to procure at least 30 percentages of raw materials or products from the firms as per the rules of WTO. It is suggested that the SMEs sector would become more vibrant, create huge positive impact on the economy.

The garment industry all over the world is at the threshold for far-reaching institutional changes. Over the past three to four decades, trade dynamics, especially price and quantitative restrictions have come to play a major role in the patterns of the sector’s development. The phasing out of quota regime has brought about important implications. It has awakened both opportunities and threat, especially for the low income economies seeking to industrialize through promotion of the garment sector. The major internationally buyers and retailers are concentrating on their core business, which is selling to the end consumer. Due to recent economic crisis in globe, many retailers are approaching to “lean retailing”, or cutting down inventory to the minimum. Reducing stocks requires fast and on-time delivery from the manufacturer. Shipments become smaller but more frequent, with point-of-sale data transmitted directly to the manufacturer, who gets alerted when to produce and ship garments. More and more clothing manufacturers are becoming service providers to retailers. With lean retailing and the evolution of electronic solutions, retailers are giving up more responsibilities, which manufacturers who want to remain competitive have to take up. The Exhibit-3 indicates that the manufacture exporters will be prepared to serve the complete solution to the requirement to the importers.

SIDBI study (2009) reveals that India stands about 50 percent of global standards manufacturing efficiency where as Bangladesh maintains 70-80 percent of world manufacturing productivity. Even if on duty draw back structure on cotton garments, India is relatively less favoured in governmental scheme in a competitive market. A table shows a comparative benefits on duty draw back structure where India’s exporters get less benefits as compared to competitor economies is exhibited below;

| TABLE 2: DUTY DRAW BACK STRUCTURE ON COTTON GARMENTS (PERCENTAGES) |
|-----------------|-----------------|-----------------|-----------------|
| India           | China           | Vietnam         | Bangladesh      |
| 8               | 17              | 15              | 14              |

It shows that Indian exporters are facing challenges when it comes to pricing factors. Thus, the government has to look into the issues of exporters at the international perspective.
LITERATURE REVIEW

Thus, SSI or SMEs sector is playing potential role in improving the Indian economy by increasing exports, generating employment, raising standard of living, poverty eradication, promoting education, etc. Badrinath and Kirpal, (1997) emphasised on public procurement policies that might assist SMEs in becoming competitive and export oriented. Public procurement disciplines can help to develop needed business and production skills in SMEs in order to make them more competitive. Zina Teng(2012): discussed on Chinese garment foreign trade small & medium size enterprises (SMEs) are severely affected during recent economic crisis. The paper has developed a strategy for SMEs to relive from the world economy crisis. The abroad direct distribution alliance strategy model has framed and feasible solution developed to safeguard the SMEs sector and capture the opportunity in the world trade business. Imbs and Wacziarg, (2003) had suggested that if the countries are export oriented, wish to move upper ladder, it could be possible only changing their product portfolio of exports. Such changes were noticed in case of fast moving developing countries and their market share in the global trade.

Balasuriya (1992) studied in regard to the development of SMEs, their role in economy specifically in exports, challenges and problems they are facing. Voerman, Wedel and Zwart (1998), had gone through on the same research seeing SMEs as the importance to the economy development and identified exports problems. While other studies by Majumder (2004), Kacker (2005), Saleh and Ndubisi (2006) and Tambunnan (2006) investigated the problems and challenges for SME’s development.. Muranda (2003), Hi Lin Hoon and Stoain (2007) provided support the concept of export oriented SMEs and highlighted that there was positive relationship between Exports and SME’s growth.
Tulus Tambunan (2005) discussed in the article that SMEs in Indonesia are very important for employment creation and are important sources of economic growth and foreign currencies. The paper reviewed government policies on SMEs which have not been very successful through the clustering approach. The paper argued that one or more critical factors for successful SME cluster development were either not existing or not addressed correctly. Thus, neglecting cluster linkage to markets is one main reason for the failure. Prerequisite for successful cluster development is the cluster’s potential to let to access the growing markets whether domestic or abroad.

Keshab Das & K.J. Joseph (2010) discussed in the paper that due to vast in size and diverse of SME sector, India's industrialisation owes much to the technological dynamism of enterprises, various institutional interventions have been made so far to promote innovation.

Ganeshan Wignaraja (2012) discussed in his article that ASEAN economies are home to a large small and medium enterprises (SME) sector which is seen as the backbone of national economic development through job creation, exports, and poverty reduction. The paper addresses issues on international trade, industrial organization, and technology. As the firm seems to be the notion of heterogeneity in international trade, there is need of building networks and participation production networks. The paper argued some important issues like how much firms engage in production networks, what factors influence them to participate in production networks and what policy implications is made in favour of SME firms. The paper cited example that economies like Malaysia and Thailand, which are more established in production networks, have higher SME export shares than other ASEAN economies. Econometric exercise, the author accomplished, suggests that size, foreign ownership, educated workers, experienced CEOs, technological capabilities, and access to commercial bank credit all positively affect the probability of SME participation in production networks. A trust deficit seems to hamper the requisite intra-firm cooperation, is needed for effective SME participation in production networks.

Dr. Aremu, Mukaila Ayanda & Dr. (Mrs.) Adeyemi, Sidikat Laraba (2011) points out in the article that there is lack of critical role in the manufacturing and value chains and Capacity building and Strategy and most of the government interventions failed to create a much needed transformation due to poor coordination and monitoring and policy inconsistencies.

Shantanu Biswas, et al (2007) investigated on Bellary apparel cluster with objective to know whether sharing and collaboration among the firms within the cluster exist and its benefits. The result revealed that there was not existence of collaboration among the firms due to deficiency of infrastructure, gap of awareness and lack of understanding the importance of formal collaboration. The paper suggested that government intervention, policy framework and motivation among the firms are required in order to be efficiency and competitive. The paper suggested that ICT adoption is required in the cluster where they could be cost effective in business processes and integrate their activities through connecting the market to a large extent.

Yong Cao et al (2011) addressed contingency strategies which include niche market strategy, strategic networking and e-commerce as driving hindrance factors for Chinese SMEs to be fully competitive and internalisation of business in the export marketing. Jumaat bin Mahajaret et al.
investigated the best strategy adopted by Malaysian exporting firms, which enhanced company performance. The study revealed that product quality is the most prerequisite for successful exporting SMEs. The top three dimensions of business strategies used by SMEs exporters has established good impression on their export performances were innovative differentiation, product differentiation, and marketing differentiation.

Alejandra López Salazar et al (2012) examined financial decisions and business strategies implemented by Mexican organizations, as well as their relationship to competitiveness. The study found that taking the example of Mexican SME firms that the financial decision made by the firms does not reflect on competitiveness spirit and lack of business expansion. Results revealed that most micro and small enterprises make funding decisions and apply an intensive strategy (development of products and market); their ability to survive in the market is low and sales are at the medium level, implying that Mexican companies lack a high degree of competitiveness, which hampers their development and expansion at all levels. The study suggested that companies that efficiently manage their short-term assets and liabilities are more competitive (company’s success in staying on the market as a variable of competitiveness). The study suggests that SME firms in future design decision making model in such way irrespective any industry that impact organizations’ performance.

Jung Ha-Brookshirea and Yuri Lee (2010) assessed firm capabilities as critical resources used by Korean apparel firms to achieve sustainable competitive advantages using Rangone’s resource-based approach to small- and medium-sized enterprises’ (SMEs) strategy analysis (Rangone, A., 1999). It also compared the similarities and differences in firm capabilities between large firms and SMEs in the Korean apparel industry. Content analysis of Web-based communication data and multivariate analysis showed that a total of 15 firm capabilities emerged under the three SME capability categories: innovation, production and market management capabilities. In addition, compared to large firms, SMEs seemed to lack the capabilities to emphasise integrity/honesty, to offer quick response, and to receive government awards. The findings suggested that the firms in other countries whose apparel industries are currently undergoing a similar phase in the life cycle by allowing these firms to invest the firms in branding, quality and specialisation. The study findings suggested that this may be learning other countries government supporting agencies provide relevant and necessary support for SMEs.

IMPORTANCE OF CLUSTER APPROACH

In the context economy geography in the era of globalisation is paradox, the world has become global village through changes of technology and competition, has diminished the traditional role of geography. Yet, clusters remain as a main feature of a majority of national, regional and state level of economy, not only in the economically developing countries but also in the first world nations. Clusters give an insight about the role of location in strengthening competitive advantage. A cluster-oriented approach by the way of networking of the SMEs and related stakeholders is the right strategy to synergize their efforts and resources for sustainable development of the industry. Cluster development therefore entails reducing isolation of SMEs by strengthening the linkages among all the actors of cluster, successfully meet the challenges and exploit opportunities, without adversely affecting fair competition and presence autonomous governance mechanism among them to achieve the same. In fact, SMEs concentrated in apparel
and textiles will have to adopt this approach if they want to survive in the face of competition and changed scenario of liberalization and opening up of the economies for international trade. These clusters are participating in international trade networks to bring down the transaction costs of international trade. SME exports have increased throughout the crisis years due to their relatively limited reliance on imported components compared to larger companies. In short, most SMEs do not necessarily export their products directly but through trade networks. Intermediaries link the SME to international markets and they provide a range of bundled services that include pre-financing of production, market access, technology and skills upgrading, advice on designs, advice on patent rights, etc (Sandip Vij,2005). SME exports from Indonesia are participating in international trade networks in which buyers play an important role in deciding designs, prices, technologies, and timing of production. Such SME are involved in so-called buyer–driven commodity chains.

Choe, Kyeong Ae etc (2011) investigated research on City Cluster Economic Development (CCED) in South Asia with reference RMG clusters such as Dhaka (Bangladesh), Delhi (India) and Colombo (Sri Lanka). This paper adopted new techniques for analyzing the competitiveness of clusters, with help of modification of the Porter Diamond Model. The study measures 39 attributes of competitiveness affecting the performance and development of three RMG industry clusters. The paper revealed four forces are driving industrial competitiveness, potential entrants, buyers, suppliers and industry competitors.

OKHLA APPAREL CLUSTER AND ITS SIGNIFICANCE

In global textile and apparel trade, it is observed that apparel business in global market is holding the significant share which is equal to eight times (8) of textile contribution. (Intracen, 2005) This is mainly SMEs produces apparels not textiles. Thus, it reminds to Indian apparel industries which is dominated by SMEs but their contribution to global business still negligible as compared others. Hence, this research tries to focus on certain perceived factors which obstacle the export growth of this sector. Our study focuses one of the most vibrant apparel clusters (Okhla) in India, which contributes 16% of Indian apparel export (AEPC,2009), to understand its problems and prospects in general and the factors which affect their growth in particular in the backdrop of post WTO business environment.

Okhla apparel export cluster being a significant contributor of Indian apparel export, (16% contribution of overall apparel export) always remains a major focus of researchers, industrialists and experts in private and government sectors (Choe, Kyeong Ae, 2011). In early 1970s, Okhla had started its journey as a growing business on RMG (Ready Made Garment) centre and today the cluster has around 250 manufacturing units. In this cluster, 175 number of medium size manufacture exporters of units dominated, followed by 63 small units and 12 units large players. The supporting players in the Okhla cluster such as fabricators / jobbers are around 400 hundred (excluding family level operations), who are involved mainly in stitching and accessory fixing. Similarly, there are around 250 machine embroidery units who provide the value addition for the exportable garments and in addition to this, there are thousands family level hand embroidery operations located in nearby areas. The cluster has annual turnover of around Rs. 800 crores with annual production of 3.20 crores pieces. The main production of this cluster is ladies wear. 100% Cotton woven fabric is the most popular fibre. Due to rising trend in the market, the
manufacturers are using blended fabric primarily polyester or cotton. The cluster emphasize more on specialisation in manufacturing of fashionable high end woven ladies wear, mainly ladies blouses/ tops, skirts, dresses etc. Also, several units are also making shorts/pants, baba suit, skirt, frock, top etc for children and shirts and trousers for men. It employs 1 lakh people directly and indirectly as well. The RMG cluster is very dependent on export for its development. The cluster accounts for 16% of total apparel exports from India. There are about 50 large export houses situated in Okhla that are responsible for most of the clusters exports. With the presence of international brands, exports go primarily to the European Union countries, Canada and the United States. Exports are mainly focused on clothing and discount chain markets, and not high-priced garments.

This cluster is export driven. Eighty five percentages (85%) of the sales (Rs. 680 crores) of the total turnover (Rs. 800 crs) of the cluster is directed towards export market (AEPC, 2009). The main market of this cluster is EU followed by USA; both the countries are consuming more than 90% of Okhla’s export. In Okhla cluster, the buying houses play a crucial role in getting the orders and sourcing the products. The average profitability in the cluster is around 15%. Firms are cautious about the future growth of the cluster with more than 50% of the firms is planning to expand their capacities in near future.

SUPPLY CHAIN OF OKHLA CLUSTER

The Okhla garment industry consists of various categories working together and supporting each other for the purpose of making the cluster successful in the market. The categories are explained in the following ways- manufacturer exporters of readymade garments consist of 260 units who directly export to various countries in the globe. Secondly the buying houses or marketing agents consists of around 50 units who procure direct export orders from buyers and distribute the orders in the cluster for manufacturing, ensure the quality aspects and executes timely delivery of shipments of products. Thirdly, fabricators/jobbers consist of around 400 units working as fabricators in and around the cluster that gets materials from large exporters and provide their services in the form of stitching the garments. Fourthly, around 250 machine embroidery units, in and around the cluster, provide the service of machine embroidery on cloth. Fifth, category processing industry units for cloth/fabric and most of the dying etc is done outside in Delhi due to pollution control. The last category consists of suppliers of machines, tools, machinery repairers, manufacturers and suppliers of packaging materials and other inputs provide services of the requirement manufacture producer/ exporters to the cluster. The structure flow chart of Okhla cluster is exhibited for better understanding of working units of the cluster.
The Okhla RMG cluster produces mainly ladies wear, kids wear (largely girls) and men’s wear, which are meant for exports (in exhibit-5). The cluster contributes to 85% of the total production for exports. Embroidery is done on almost all women and children’s wear and dominated by girls’ products range. This cluster is specialised mainly manufacturing of fashionable ladies wear, especially ladies blouses, tops, skirts, dresses etc. Several other units are also making shorts/pants, baba suit, skirt, frock, top etc for children and shirts and trousers for men.
EXHIBIT 5: MAJOR PRODUCT PROFILE OF OKHLA CLUSTER

GLOBAL PRESENCE

The Okhla apparel cluster has established a reputation in overseas markets. It is one of the largest sources for different types of readymade garments and furnishing items available in the world, because of their quality and attractive designs along with value added work. The mode of distribution of apparel exports are exported through various marketing channels countries like EU, USA, Germany, France, Italy, Benelux, Denmark, United Kingdom, Ireland, Greece, Spain, Portugal, Sweden, Finland, Austria, EU Countries, Canada etc.

EXHIBIT 6: DISTRIBUTION OF EXPORTS FROM OKHLA CLUSTER IN MAJOR COUNTRIES
In Okhla RMG, around 85% of the products are sold in the international market and rest 15% sales are made for domestic market.

**OKHLA INDUSTRY’S CHALLENGING FACTORS WITH MAJOR COMPETITORS**

The Okhla RMG cluster’s challenging factors are analysed on the basis factors which are underlined in the table (3) where the neighbouring countries are considered more beneficial due to the following facts. Hence, the cluster needs to analyse their policies, business strategies and target markets. It is important for the cluster to look into their competitors’ advantages, analyse the core issues where they lead and strategise their own problems by converting them into a positive direction.

**TABLE-3: MAJOR COMPETITORS OF OKHLA CLUSTER**

<table>
<thead>
<tr>
<th>Bangladesh</th>
<th>China</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheaper Labour cost</td>
<td>Higher labour productivity</td>
<td>Cheaper labour cost</td>
</tr>
<tr>
<td>Higher government incentives</td>
<td>Cheap &amp; availability of raw material</td>
<td>Service &amp; delivery is better</td>
</tr>
<tr>
<td>Duty advantage to EU</td>
<td>Service &amp; deliver is better</td>
<td>Duty advantage</td>
</tr>
<tr>
<td>Easy availability of less expensive raw material</td>
<td>Higher govt. Incentives</td>
<td>source raw material at competitive price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Superior infrastructure &amp; technology</td>
</tr>
</tbody>
</table>

**EXHIBIT-7 SWOT ANALYSIS OF OKHLA APPAREL CLUSTER**

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weakness</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong presence in the international markets</td>
<td>- Traditionally method of production</td>
</tr>
<tr>
<td>- Growing in domestic market</td>
<td>- Low levels of technology development</td>
</tr>
<tr>
<td>- Abundance of customised machines with international standard</td>
<td>- High manufacturing defects and rejection</td>
</tr>
<tr>
<td>- Availability sufficiency Raw materials and allied items</td>
<td>- Problems with quality and productivity</td>
</tr>
<tr>
<td>- Availability of efficiency skilled manpower</td>
<td>- Cost increases in raw materials due to processing outside in Delhi</td>
</tr>
<tr>
<td></td>
<td>- Higher duties on raw materials &amp; less</td>
</tr>
<tr>
<td>Location &amp; capital advantage</td>
<td>incentives</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>-Low innovation capabilities</td>
</tr>
<tr>
<td></td>
<td>--Lack of coordination between technical training institutes</td>
</tr>
<tr>
<td></td>
<td>-No skill upgrading training for the workers</td>
</tr>
<tr>
<td></td>
<td>-lack of market information</td>
</tr>
</tbody>
</table>

### Opportunity

- Globalisation creates tremendous market potential for the competitive firms
- Tariffs and nontariff barriers are depleting
- Enterprises can join hands for international marketing, brand building and participation in trade fairs.
- Creation of technological awareness among the entrepreneurs
- Brighter prospects of a common facilities being established in the cluster.
- Competition is going to make availability of inputs cheaper and sufficient

### Threat

- Losing ground in the international markets
- Pricing pressure
- Stiff Competition with neighbouring countries overseas importers are smart enough to change their sourcing country
- Imports is going to increase in the coming years survival of fittest
- Stringent company norms
- Low level of technological development
- Technology can impose a major threat unless it changes / modernised
- Inputs availability
- Innovation must in business operations
- Training for Skills base of workers to operate latest technology

### METHODOLOGY

### OPERATIONAL DESIGN

The primary survey was conducted in Okhla on the basis of judgemental and convenience approach where the exporters operating their business related to export oriented as well as
domestic market. The exporters were selected based on scale of business in the cluster by using database published by AEPC. The entire information was collated through email method, telephonic approach and direct contacts with the exporters based on SME units.

DATA COLLECTING TOOL & SCALING TECHNIQUE

The questionnaire was framed, designed and administered based on the objectives of the study. In the primary research, structured questionnaire was developed to understand their business nature, perceptual opinions and problems facing while operating their business towards export and domestic market. The primary survey pertaining to the questionnaire was based on purely interval scale data where the respondents was asked to give their opinions on 5 points scales (1 stands for does not pose any problem at all and 5 stands constitute a very major problem to the respondent). For SWOT analysis, all data are collected from secondary sources like books, journals, edited volumes and industry reports.

SAMPLING AND ANALYTICAL DESIGN

The respondents constitute of SME's belonging to Okhla cluster. A total of 25 units were contacted through e-mails and telephonic conversations and they were interfaced with a well designed questionnaire pertaining to the various challenges faced by them in today's business scenario. The analysis is based on Mean/average score of various questions/issues faced by a majority of the SME's.

EMPIRICAL EVIDENCES OF OKHLA CLUSTER: A GRAPHICAL REPRESENTATION

EXHIBIT-8: VARIOUS ISSUES PERCEIVED BY APPAREL EXPORTERS IN OKHLA
CONCLUDING REMARKS

The exhibit (7) indicates that majority SMEs firms operating in Okhla cluster are realising that due to recent economic crisis in USA and EU which affects their profit margins due to severe fluctuations of exchange rate at international level. Also the firms perceive that due to globalisation of business, international competition has become the major concerns for the exporters to compete their counter parts especially Bangladesh, China and Sri Lanka. Stiff competitive price is attributed another major factor for the exporters due to ineffective cost in production impacted by higher labour wages, lack of government export incentives and by processing done outside Delhi. The SMEs firms feel that lack of sufficient information in overseas market is attributed as difficult to them to understand well in advance the need of consumers, their market characteristics. The high cost of capital to finance the operation is perceived as another hurdle for the firms to produce competitive products in international market. It is clearly indicated that in a free trade regime, strong international competition, volatile of exchange rate and instability of market and stiff competition have been perceived as major threat to the industry for exports.

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