ANALYSIS OF FINANCIAL PERFORMANCE OF CLUSTERS IN VIRUDHUNAGAR DISTRICT

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Abstract
The study has been designed to measure the financial performance of clusters in virudhunagar district through financial rations and trend analysis for the study period. The selected cluster has been evaluated from four dimensions: Profitability, Liquidity, Credit Risk, and Efficiency. The trend analysis has been undertaken to identify whether these grouping of clusters are moving forward and how effectively these clusters are coping up with the overall growth of other players in the industry. Moreover, the sample has been taken from members of CFC determine whether there exists any relationship between a cluster's years of operation and its financial performance.

Key Words: Financial Performance, Financial Ratios, Clusters.

1.1. Introduction
Since the early 1990’s, industrial cluster analyses have proliferated as an alternative economic development (ED) strategy. The Cluster Meta-Study by van der Linde and Porter both associated with the Harvard Business School, collected information on 833 clusters from as many as 49 countries until 2002 for various target industries at different geographic scales. Akundi (2003) in a survey of state cluster initiatives has identified that as many as 40 states in the U.S. have engaged to a greater or lesser extent in industrial cluster analyses to promote economic development. But despite the increasing popularity of industrial cluster theory for economic development policy analyses there probably have never been more chaos, diffusion, and misinterpretation among ED practitioners and academicians alike on proper cluster definitions, appropriate cluster identification methodologies, and their translation into cluster-based economic development policies. In other words, there exists no single conceptual and analytical framework that, when correctly applied, will help identifying regional industrial clusters. On one hand it appears that the conceptual framework of cluster analysis is usually well understood. Given that all concepts of cluster definitions - the underlying principles for cluster formations - can be explained by a rich body of literature that took off with Marshall’s original idea of specialized industrial location (1890), one would expect consistency in cluster theory, cluster identification, and cluster-based economic development policies. But the contrary becomes quickly apparent when reading through relevant industrial cluster literature. Overall, there appears to be little evidence in the literature on how the conceptual framework and its cluster definition(s) are translated appropriately into a methodological approach which in return allows an identification of industrial clusters useful for shaping economic development policies.

“Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate”

Cluster means the formation of group India is one of the world’s most populous nations, and in recent years has attracted widespread attention for its rapidly growing economy. In addition to national clusters such as IT and Business Services, India boasts an evolving auto cluster. India produces more than 10 million vehicles annually, raking it in the top seven automobile producing nations. Nearly every major OEM has set up operations in India, and thousands of local firms have sprouted up to serve the industry.

1.2. Clusters in Developed Economies
Porter and other authors have highlighted the contributions of clusters to the competitive advantage of developed nations. Literature on the ‘Third Italy’ - the regions of Umbria, Marche, Emila Romagna, Friuli-Venezia-Giulia, Veneto, Trentino-Alto Adige and Tuscany in North and Central Italy - provides ample evidence of the advantages
of clustering. The industrial districts of the Third Italy are typical examples of geographically concentrated SMEs providing similar products: the leather cluster of Arzignano, the knitwear cluster of Prato, the tile-making cluster of Sassuolo, the chair manufacturing cluster of Manzano, and so on. These clusters did well during the international recessions of the 1970s and 1980s, when large integrated firms producing similar products were finding it difficult to respond to fast changing consumer patterns and increasing demand for customized goods. In 1996, 199 industrial clusters of Italy provided 42.5 per cent of the country’s manufacturing employment.

While not always clusters in the sense used here, intense local linkages have contributed to economic success in many other countries. In Sweden, local networks in the transport, forest products and metals industries account for over 50 per cent of total exports. Tuttlingen (surgical instruments), Munich (automobiles) and Frankfurt (chemicals) are some of the best known clusters in Germany. Wall Street epitomizes networking in America’s financial sector, Los Angeles dominates its entertainment industry and Silicon Valley is the heart of the world’s best known concentration of information technology firms. Dalton is home to 174 carpet mills accounting for 85% of USA’s carpet output, and almost half of the world’s carpet output.

1.3. Detail of Major Clusters
Under cluster model, firms are co-located in a special geographical area and produce and sell a range of related or complementary products and thus face common challenges and opportunities. Few groups from the specific domain intend to join with likeminded firms to launch joint development projects with mutual co-operation for very co-existence.

They are all complementing each other and would like to specialize their activities and operations with the support of cluster partners in order to overcome common problems, achieve collective efficiency and penetrate markets beyond their individual reach. Virudhunagar District witnesses the presence of more than 23 Rural Industrial Cultures, Artisan clusters to Modern industrial clusters. Most of the RI and Artisan clusters are in extinct stage whereas, the modern emerged MSE clusters are vibrant. They are all induced cluster appeared in and around Virudhunagar in the past 2 to 3 decades. The status of the MSE clusters are exhibited below.

1.4. Present Status of the Cluster
3 safety match clusters situated in Vridhunagar, Sattur and srivilliputtr have been supported under MSE-CDp scheme of GoI and sGoTN. They are all successfully functioning. RM bank was created within the cluster. The SPV of 3 clusters have imported RM from upcoutnires and necessary tie-up arrangements have y been established with CPCL for procurements of Grade II wax. Common Brand created by them. Efforts are taken to plant white matti plant in order to meet the soft wood requirements of the safety match industry.

2.1. Review of Literature
(Carlsson, Jacobsson, Holmén, & Rickne, 2002) Networks of agents interacting in specific economic/industrial areas under particular institutional infrastructures. Innovation has been identified as a key driver for entrepreneurial activity and economic development (Orsenigo, 2006). In turn, entrepreneurial activity is critical for industrial cluster development (Braunerhjelm & Feldman, 2006).

Powell, Kelly Porter, & Bunker, 2005 . Agglomeration forces keep innovative activities localized through networks of relationships among agents (Orsenigo, 2006). Networks are considered as a specific form of organization of innovative activities, substituting the traditional model based on research and development, and joint and contingent effects of geography and network connections are recognized as crucial to the innovative capacity of high-tech clusters.

Malerba and Orsenigo (2002) According to the author examined knowledge transfer and innovation in the pharmaceutical industry and biotechnology industries due to their specific institutional development dynamics.

Alavi and Leidner (2001) argue that recent interest in organizational knowledge and knowledge management is
motivated by (a) the shift to the information age with rapid advancement in information technology and (b) a shift in organizational theory and praxis to consider knowledge as the primary source of economic growth manifested in new thinking and practice (e.g. benchmarking, knowledge audits, best practice transfer, and employee development. "The emergent patterns of literature and research as well as practice in the field imply the central role of knowledge as the essence of the firm" (Alavi & Leidner, 2001).

(Scott, 1988; Rogers & Larsen, 1984; Saxenian, 2005). The generalizability of this model is limited. Much of the interest in social capital as a productive asset, particularly within the field of spatial planning, arises from the fact that the social network model has been viewed as largely applicable to particular observations of spatial industrial clustering in Northern Italy, California and Massachusetts.

Porter, (2003) clusters are the dynamic effects created by interaction of industry and place His theory on successful local cluster development in a global economy depends on four main factors: (1) context for firm strategy and rivalry inside the cluster, e.g., competition and collaboration put pressure on productivity; (2) demand conditions, e.g., level of sophistication and demand of consumers; (3) related and supporting industries, e.g., the supporting suppliers and ancillary industry; and (4) factor conditions, e.g., availability of infrastructure, skills and capital (Porter, 2000). Factor conditions support the development of the cluster. Thus, in Porter's model the interaction between these factors or the competition and consumer pressure leads to pressure on productivity and hence to innovation, in which both location and place are potentially important. Although Porter's model has been influential in the operational aspects of (mature) clusters, it is weak in terms of SME clustering processes.

3.1 Research Methodology

3.1.1. Objective of the Study

1. Study the present status and position of the clusters in Virudhunagar District.
2. To know the financial position of the clusters in virudhunagar District

3.1.2. Area of Study

The area of study chosen for this research is Virudhunagar District. Traditionally Virudhunagar District is one of the most industrialized place of Tamilnadu, The term 'virudu' means 'Award' in Tamil. Virudhunagar exports all kinds of oil to Dubai and Srilanka and also exports Cotton, chilli, spices, cardamom to USA and Singapore. Virudhunagar is a famous business centre without markets. The Business people of Virudhunagar play an important role in price fixation of consumer products. Hence there is a popular saying, "virudunagar produces nothing but controls everything".

3.1.3. Collection of Data

Personal Interviews and a written questionnaire are used in the collection of data for this study. These two data collection methods are now discussed further. Personal interviews are used in the preliminary research phase allowing the researcher to lead informal conversations. Personal interviews are also more convenient for the respondents as the interviews could be conducted when and where the respondents wanted.

A structured questionnaire was used in the collection of data during the research process to know the Development of Cluster and subsequently to understand the level of financial performance of cluster (CFC) of Virudhunagar District. This questionnaire was given to whole number of members those who are in CFC. The questionnaire was designed using the variables generated from the reviews of literature.

3.1.4 Data Analysis

After the data collection, the collected data were analyzed by the package named as Statistical Packages for Social Sciences (SPSS 16).

3.5 Sampling Frame: The sampling frame for this study has been members of CFC in virudhunagar district. The whole population has been selected for the study. Convenience sampling technique has been employed; totally 72 questionnaires were mailed to the respondents. The post card reminder has been sent only to the non-respondents.
The data was collected between the months of March 2014 and April 2014. All respondents were returned, yielding a response rate of 100%.

3.6. Scope of the Study
The scope of the study is to ascertaining the present condition of handmade sector. In essence the study aims at obtaining a comparative analysis of safety match cluster with regard to the working, effectiveness and dynamics of the cluster. It is also meant to identify the factors impeding the smooth functioning and growth of the cluster. The main core of this approach is to identify the right tools and techniques and to apply these inputs to achieve quicker development in the handmade safety match manufacturing sector. These will help many ways to improve their capacities and capabilities to fight against the competitions emerging from the mechanized sector.

3.7. Limitations of the Study
The present study suffers some limitations like cross-section data of a particular period of time and it is confined to the CFC members in Virudhunagar district alone which might not be truly representative of the whole population of the state. So, before generalization, there is a need to conduct an in-depth study covering a broader area of investigation. In spite of all these limitations, the findings may be helpful to ascertain development and financial strength of CFC for enhancing performance of the members of the selected units in particular and of all other firms coming under the gamut of Cluster industry in general.

3.8. Results
The following are the outcome of the analysis
1. The overall demographic profile and development of cluster and usage of CFC members were determined using the frequency analysis in Statistical Package for Social Sciences SPSS (version 16.0). Majority of the respondents (76.1%) of the respondents falls in the age-group of greater than 45 years, 90.1% of the respondents are male and only 9.9% are female. The majority (33.8%) of respondents has secondary level of education, 26.8% are graduates, 23.9% have higher secondary education, 4.2% are post graduates and illiterates, professionals and technical people are less than 2.0%.
2. In respect of community, the maximum respondents (77.5%) belong to backward category and others are less than 12.5%. Entrepreneurial entry in the market, 66.2% are existing entrepreneurs and 33.8% are new entrants. Generation of the respondents, most (67.6%) of the respondents are first generation entrepreneurs, (25.4%) are second generation entrepreneurs and only 7% are third generation entrepreneurs.
3. In case of entrepreneurial entry in the market, 66.2% are existing entrepreneurs and 33.8% are new entrants. In terms of respondents’ experience, it was found that 93.06% of the respondents have more than 5 years of experience, 4.2% are fresher and 2.2% of the respondents have experience between 3-5 years.
4. From the financial aspects analysis the majority (94.4%) of the respondents has their own proprietorship firms and only 5.6% have partnership firms. Out of which 84.5% have registered with MSME and filed Entrepreneurship Memorandum EM-part II. And 15.5% have not registered their firms with MSME. Majority (67.6%) of the stakeholders availed funds from the bank and 31% use their own fund for setting up the business and only 1.4% availed the fund from the state funding agencies.
5. Analysis of performance and financial index has been revealed that 67.6% of the firms level of economic were scale has been improved and 32.4% of the firms had shown no improvement. 43.7% of the respondents showed good improvement in their brand building activities, 29.6% had shown slight improvement and 26.8% of the respondents had shown no change in their brand building activities.

Conclusion
The cluster formation system has under gone a drastic change since past few years. The new generation private sector industry has best used the technology, utilize the manpower in an effective manner. They are professionally managed. These have made them to attract more customers and made them to grower faster and stronger. Further, the clusters to develop and grow, such policies should be combined with a good business environment.
References