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COST CONTROL AND PROFIT ANALYSIS IN A GARMENTS COMPANY

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ABSTRACT
The garments industry operates in a highly competitive environment where effective cost control and profit analysis are essential for sustainability and growth. This study examines the cost structure and profitability of a garments manufacturing company, focusing on key cost components such as raw materials, labour, and overhead expenses. It evaluates the effectiveness of cost control techniques including budgeting, standard costing, variance analysis, and inventory management in reducing wastage and improving efficiency. The research also analyzes profit performance using financial tools like cost-volume-profit analysis and profitability ratios. Primary data collected from employees and secondary financial data were analyzed using statistical techniques such as percentage analysis, descriptive statistics, chi-square, and ANOVA. The findings indicate that proper cost management significantly enhances profitability, while inefficiencies and lack of awareness negatively impact performance. The study concludes that adopting modern technologies and improving resource utilization can lead to better financial outcomes and long- term business success.
KEYWORDS: *Cost Control, Profit Analysis, Garments Industry, Raw Material Cost, Labour Efficiency, Overhead Cost, Financial Performance, CVP Analysis*

INTRODUCTION
The garments industry is a competitive and dynamic industry, which requires efficient cost control and profit analysis to ensure the sustainability of the industry. Cost control helps in reducing the expenditure on raw materials, labor, and other overheads, whereas profit analysis helps in evaluating the financial position by using various techniques such as ratio analysis and cost-volume-profit analysis. In the garments industry, raw materials and labor form a significant portion of the total expenditure incurred in the production process. Hence, the efficient management of raw materials and labor is essential in the garments industry. This research is based on the analysis of the cost control practices and profit analysis in a garments industry.

REVIEW OF LITERATURE
Horngren, Datar, and Rajan (2015) examined the concept of cost control in manufacturing organizations and emphasized the importance of standard costing and variance analysis in improving operational efficiency. The study focused on cost accounting practices in industrial firms with the objective of controlling deviations between actual and standard costs. The research adopted a conceptual and analytical approach based on secondary data from accounting practices. The findings revealed that proper variance analysis helps management identify inefficiencies and take corrective actions. The study concluded that effective cost control systems are essential for improving profitability and decision-making.

Kaplan and Anderson (2007) analysed the limitations of traditional costing systems and introduced Activity-Based Costing (ABC) as an advanced method for accurate cost allocation. The study aimed to improve overhead cost distribution by identifying cost drivers. A conceptual research design was adopted using case-based analysis of organizations. The findings indicated that ABC provides better cost accuracy and transparency compared to traditional methods. The study concluded that modern costing techniques improve cost control and support strategic decision-making.

Rahman et al. (2014) investigated the impact of lean manufacturing practices on cost reduction in the garments industry. The study focused on production efficiency and waste minimization with the objective of improving cost performance. A quantitative research approach was used with survey data collected from manufacturing firms. Statistical tools such as percentage analysis and correlation were applied. The findings showed that lean techniques significantly reduced production costs and improved operational efficiency. The study concluded that eliminating non- value-added activities enhances profitability.

Joshi and Khanna (2016) examined cost control mechanisms in textile and garments companies, with a focus on fabric utilization. The objective of the study was to analyse the impact of raw material wastage on profit margins. A descriptive research design was used with data collected from textile units. The findings revealed that even a small reduction in fabric wastage leads to a significant increase in profitability. The study concluded that efficient raw material management is a key factor in cost control.

Kumar and Krishnaswamy (2019) analysed the role of ERP systems in improving cost management in the garments industry. The study focused on the integration of technology in financial and operational processes with the objective of enhancing cost efficiency. A mixed- method research approach was adopted using survey and case study analysis. The findings indicated that ERP systems provide real-time cost data, reduce errors, and improve decision- making. The study concluded that technological adoption plays a vital role in effective cost control and profitability improvement

OBJECTIVES OF THE STUDY

Primary Objective

- To analyze cost control practices and profit performance in a garments company

Secondary Objectives

- To examine cost structure (materials, labour, overhead)
- To study cost control techniques
- To evaluate profitability using financial tools
- To identify factors affecting cost and profit
- To suggest measures for improving efficiency

RESEARCH METHODOLOGY

- **Nature of Study:** Descriptive and analytical
- **Research Design:** Mixed approach (survey + financial analysis)
- **Data Sources**
    - Primary data: Questionnaire from employees
    - Secondary data: Financial reports and company records
- **Sampling:** 80 respondents selected using sampling techniques
- **Statistical Tools Used**
    - Percentage analysis
    - Mean & Standard deviation
    - Reliability test (Cronbach’s Alpha)
    - Chi-square test
    - One-way ANOVA

This methodology helps in analyzing both employee perception and financial performance.

DATA ANALYSIS

PERCENTAGE ANALYSIS

DEPARTMENT-WISE DISTRIBUTION OF RESPONDENTS

Department	No. of Respondents	Percentage (%)
Production	65	54.2
Quality Control	15	12.5
Procurement	12	10.0
Finance	10	8.3
Management	18	15.0
Total	120	100

Interpretation

The majority of respondents (54.2%) belong to the production department, indicating that cost control practices are mainly influenced by production activities. Other departments contribute smaller proportions, ensuring balanced representation.

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Awareness of Cost Control Practices

Level	Frequency	Percentage
Fully Aware	38	31.7
Partially Aware	56	46.7
Minimally Aware	20	16.7
Not Aware	6	5.0

Interpretation
78.3% of respondents are aware (fully + partially), indicating good awareness. However, 21.7% lack awareness, suggesting need for training programs.

STANDER DEVIATION

Cost Control & Profit Factors

Statement	Mean	SD
Raw material cost control is effective	3.95	0.82
Labour cost control is efficient	3.90	0.79
Overhead allocation is proper	3.85	0.88
Profit analysis helps decision making	4.10	0.75
Cost control improves profitability	4.15	0.70

Interpretation
- Highest mean (4.15) → cost control improves profitability → **strong agreement**
- Lowest mean (3.85) → overhead allocation → needs improvement
- SD values <1 → responses are consistent

CHI-SQUARE
Hypothesis
- H0: There is no significant relationship between department and cost control awareness
- H1: There is a significant relationship exists between department and cost control awareness

Variable	Chi-square	Sig value	Result
Department vs Awareness	9.52	0.023	Rejected

Interpretation
Since **p-value (0.023 < 0.05)**, H0 is rejected.
There is a **significant association between department and awareness of cost control practices**. Production employees show higher awareness compared to others.

ONE-WAY ANALYSIS OF VARIANCE
Hypothesis
- H0: There is no significant difference in opinion based on experience
- H1: There is a significant difference in opinion based on experience

Source	F Value	Sig Value
Experience vs Profit Perception	4.12	0.018

Interpretation
Since **p-value (0.018 < 0.05)**, H0 is rejected.
There is a significant difference in perception of profit analysis based on experience**.** Experienced employees better understand profitability impact

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SUGGESTIONS

- Improve employee awareness through training programs
- Reduce raw material wastage using better inventory control
- Adopt modern technology and automation
- Improve overhead allocation methods
- Use ERP systems for real-time cost tracking
- Strengthen budgeting and cost monitoring
- Enhance labour productivity through incentives
- Conduct regular profit analysis for better decisions

CONCLUSION

The study concludes that effective cost control plays a vital role in improving profitability in the garments industry. Proper management of raw materials, labour, and overhead costs leads to better financial performance. The findings show that while the company demonstrates good cost control practices, improvements are needed in awareness, overhead management, and efficiency. By adopting modern techniques and continuous monitoring, organizations can achieve sustainable growth and maintain competitiveness in the market.

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