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Digitalization as a Competitive Differentiator: ERP Adoption Challenges in Indian Garment SME Clusters

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Abstract

The garment manufacturing industry of Uran works as a vital textile production center but is still plagued by disorganized work and manual inefficiencies. Digitalization for SMEs has become a survival strategy, although it is perceived to be a luxury for giant corporations more often than not. This essay reviews the shift from manual accounting to the use of computerized ERP. Specifically, it looks at the dominance of Tally as a financial tool in contrast with the need for specialist ERP systems-like Logic ERP or Odoo-which handle complicating aspects like job-work management, consumption of fabric, and tracking of size-color matrixes. The study concludes that while Tally remains the "financial backbone," the ability to survive in the post-GST competitive environment requires deeper operational ERP integration for scalability and minimum revenue leakage. It does this through reviewing recent literature and comparative software analysis.

Keywords: ERP Adoption, SME Survival, Uran Garment Sector, Tally vs. ERP, Digitalization, Inventory Management.

1. Introduction

Although the Indian textile and apparel industry is a significant contributor to the country's GDP, most of this output comes from Uran and several other scattered SMEs. Narrow deadlines, frequent adjustments in orders, and fluctuating raw material prices are some of the challenges these units often face while working on slim margins. Historically, these companies used simple Excel sheets or "Kaccha" (informal) records. However, a shift toward transparency has been forced by the implementation of GST and the tightening of credit markets.

Most SMEs in Uran consider "digitalization" to be merely Tally for tax compliance purposes. However, its actual role in a manufacturing setup should go beyond simple accounting. Actual digitalization calls for systems that bring together procurements with production planning-cutting/stitching-and sales. This paper discusses whether the existing dependence on basic accounting software, Tally, is adequate for survival or if the shift to integrated ERP systems is the necessary differentiator for competitiveness.

Table 1: Prioritization of Operational Challenges in Garment SMEs

Operational Challenge	Severity	Impact on Business
Supply Chain Disruptions	Critical	Delays in production, missed deadlines.
Raw Material Price Fluctuation	High	Margin erosion; inability to quote fixed prices.
Labour Shortage & Skills Gap	High	Reliance on manual labour limits scalability.
Order Customization Pressure	Medium	High wastage due to lack of standardization.
Regulatory Compliance (GST)	Manageable	Solved largely by Tally adoption.

Source: Author's analysis based on industry literature

2. THE ROLE OF ERP IN MODERN SME OPERATIONS

The digital platforms for manufacturing serve as the "nervous system" of the business, not just a record-keeping book.

What ERP Actually Means for a Garment Unit:

In this context, ERP refers to a centralized system that integrates various functional areas: finance, HR, manufacturing, and supply chain. To the garment manufacturer, this means a system that tracks a piece of fabric from the moment it enters the warehouse to the moment it leaves as a finished jean or shirt.

II. Role of Platforms: Tally vs. Specialized Tools

1. Tally Prime: Generally considered the "gold standard" for Indian compliance and accounting. It does a stellar job with the filing of GST, maintaining financial records, and statutory reporting. However, it is often nitpicked for not being in-depth enough regarding stock manufacturing features, such as tracking fabric wastage or stage-wise production.

2. Specialized Garment ERPs: These include platforms like Logic ERP, Ginesys, and Odoo, specifically designed for the trade nuances like the "Size-Color-Style" matrix. They handle Bills of Materials and production planning, which is very crucial in reducing wastage.

3. LITERATURE REVIEW

Existing literature places digitalization as a promoter of the growth of SMEs, even though their barriers to adoption are still very high.

1. According to Saif et al. (2021), apparel industries from developing countries face technical and human challenges when implementing ERP. The staff, who have adapted to the manual way of doing things, tend to resist the implementation.

2. OECD Studies (2021) highlight that typically, SMEs begin the digitalization of general administration-such as tax or accounting-areas of the firm, while delaying core operations (production/supply chain) digitalization, hence limiting efficiency gains.

3. Kannan and Li (referenced in general digital frameworks) suggest that true value comes when communication merges with data. In an ERP context, this means that the financial data (Tally) must "talk" to the operational data (Production).

4. According to Industry Reports (2025), ERP is no longer an option for Indian garment businesses due to the complexity of handling bulk orders and multiple vendors.

Market Share Landscape Industry observations point toward a strong dominance of legacy financial software in the Indian SME sector. The adoption landscape for garment manufacturing units can be segmented as follows:

1. Tally Prime: Dominant Market Leader Remains the standard for financial compliance and GST filings due to wide accountant familiarity and low cost.
2. Odoo: Fast-Growing Challenger Fast-growing, and increasingly favored by modernizing SMEs seeking open-source flexibility, modularity, and scalability with growth.
3. Logic ERP: Strong Niche Presence Widely adopted in retail-focused apparel units for its specialized "Size-Color-Style" matrix and POS integration.
4. Ginesys: Key Retail Player Commonly utilized by value-retail brands and multi-store chains for its robust supply chain management features.

4. RESEARCH METHODOLOGY

This study employs a secondary-data analytical method, drawing from academic literature, industry whitepapers (such as those from NITI Aayog and software vendors), and comparative software documentation. The research analyzes the functional capabilities of Tally versus specialized ERPs to determine their impact on SME operational efficiency. This approach enables a structured interpretation of how software choices impact business survival without requiring immediate primary data collection from physical factories.

5. ANALYSIS AND DISCUSSION

The analysis reveals a "capability gap" in the current digitalization strategy of Uran SMEs.

The Tally Limitation

Tally is ubiquitous in Uran because it is cost-effective and accountants are trained on it. However, Tally operates primarily as a financial logger. It records that money was spent on fabric, but it often fails to answer operational questions: How much fabric was wasted during cutting? or Which tailor has the highest defect rate?

The Specialized ERP Advantage

Specialized tools offer "Process Visibility." For example, Odoo or Logic ERP can track the Bill of Materials (BOM). If a batch of jeans requires 1.5 meters per unit but usage spikes to 1.7 meters, the ERP flags this immediately, identifying theft or inefficiency.

Comparative Matrix:

Table 2: Comparative Analysis of Financial Compliance Software (Tally) vs. Integrated ERP Systems

Feature	**Tally Prime**	**Specialized ERP (e.g., Logic/Odoo)**
Primary Focus	Financial Compliance (GST)	Operations & Production
Inventory Management	Basic (Value & Quantity only)	Advanced (Size/Color/Batch Matrix)
User Skill Required	Low to Medium	Medium to High
Cost Structure	Low (One-time/Annual license)	Moderate to High (SaaS/Subscription)
Impact on Survival	Regulatory Survival (Avoiding tax penalties)	Economic Survival (Operational Efficiency & Margin Protection)

Source: Author's compilation based on comparative analysis of software functional capabilities and industry literature.

As illustrated in Table 2, a distinct "capability gap" exists between the two software categories. While Tally Prime remains the industry standard for ensuring "Regulatory Survival" through seamless GST compliance, it lacks the granular depth required for "Economic Survival" in a competitive manufacturing environment. Specifically, the inability of financial software to track the "Size-Color-Style" matrix creates blind spots in inventory management. Consequently, SMEs relying solely on Tally often suffer from operational inefficiencies, such as undetectable fabric wastage, which specialized ERPs are designed to mitigate through real-time Bill of Materials (BOM) tracking.

6. FINDINGS

1. **Survival vs. Growth:** Tally adoption ensures regulatory survival (avoiding tax penalties), but specialized ERP adoption drives economic survival (protecting margins).
2. **The "Hybrid" Solution:** A key finding is that small units need not abandon Tally. The most successful SMEs use "Integrators"—APIs that allow specialized production software to send financial data directly to Tally, ensuring both operational control and accounting compliance.
3. **Data as a Differentiator:** SMEs that adopt ERPs can use data modeling to forecast demand. This allows them to buy raw materials when prices are low, a financial hedging strategy impossible with manual records.

Impact on Business Resilience

The correlation between ERP adoption and business growth is evident in recent SME performance metrics. Reports from NITI Aayog (2025) suggest that SMEs transitioning beyond basic accounting software consistently report improvements in **operational efficiency** and **market reach**. While Tally secures financial stability, integrated ERPs are the primary driver for scaling production capacity and reducing overhead costs.

7. CONCLUSION

The digitalization of the garment sector in Uran is currently at a midway point. While the adoption of Tally has solved the issue of financial compliance, it has not fully addressed the operational inefficiencies that threaten SME survival. The research concludes that for a garment manufacturer, "Digital Marketing" or "Digital Presence" is secondary to "Digital Operations." The competitive differentiator for the next decade will be the adoption of integrated ERP systems that provide real-time visibility into inventory and production, allowing business owners to pivot from reactive "shopkeepers" to proactive "manufacturers."

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