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Title of the Thesis: Export Performance and Potential of Indian Ready to Wear Garments to U.S.A In Post-LTA Scenario

Abstract

The textile and ready-to-wear garment industry in India is the highest contributor of foreign exchange earnings. The importance can be judged from the fact that it contributes 4% of India's GDP, more than 14% of the industrial output, accounts for nearly 12% share of the country's total exports basket and 17 percent to the country's export earnings. It also provides employment to about 35 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

Major business constraints faced by the Textile & Garment industry:

Current issues are arising because of the economic slowdown resulting in decline of demand in the global markets and secondly the liquidity crisis. Other issues which are affecting the long term growth of the industry are as follows:

- i. There has been on an average one year backlog in the disbursement of interest compensation resulting in compounding of the current working capital problems of the industry. Thus, Delay in disbursement of TUFS (Technology Upgradation Fund scheme) assistance has been a deterrent, though TUFS has supported modernization and expansion in T&C industry.
- ii. Hike in cotton prices, resulting in a significant increase in the cost of various textile products.
- iii. Anomaly in excise duty and import duty structure of manmade fibres/filaments is adversely affecting the domestic consumption.
- iv. As compared to China, Bangladesh, Vietnam, and Sri Lanka, Indian T&C products lacks by cost competitiveness.
- v. High working capital has been observed causing India less competitive.
- vi. Poor market diversification concept.
- vii. There is a lack of skilled labour availability.
- viii. Indian T&C industry is highly dependent on US and EU markets.
- ix. Transaction costs including documentary procedures are troublesome to the exporters.
- x. India, amongst the key competing countries, rank highest on the 'Difficulty of Firing index' and also ranks high on "Rigidity of Employment index" on account of stringent labour laws.
- xi. Lack of focused approach by the policy makers.
- xii. Lack of power as the most severe business constraint to the majority of the domestic manufacturers ranked, thus severely interrupted the smooth flow of chain.

The Indian ready-to-wear garment export sector has maintained a pattern of steady growth over the years. The major reasons for the escalating exports in the industry are as:

1. Rising Labour - Cost in Developed markets: as per the studies, it has been found that many of the developed markets found it difficult to maintain their garment manufacturing operations due to rising labour costs. In fact many of these nations found it more economical and cost-effective to import their requirements of clothing from the developing countries where there was relative abundance of labour whose were also far lower.
2. Indian industry is vastly shifting towards technology upgradation to face the competition.
3. Indian fabrics created considerable impact on foreign buyers particularly the Western designers by virtue of their rich colours and design variations.
4. There had been a gradual swing towards natural fibers & blends thereof as opposed to synthetics (nylons etc.). Cotton apparel derived a definite advantage from such swings in consumer preferences and Indian exporters also availed of opportunities thrown open.
5. The Indian readymade garment sector being small in size and decentralized is extremely flexible and in an ideal to cater to small orders.
6. India has been fairly regular participant in several of the specialized clothing exhibitions abroad.
7. The relative ease and volume of international travel in the recent years have also bridged the North-South divide and brought prospective seller and buyer's closer together
8. Apparel exporters now, with an intent to lessen their dependency on conventional US and European markets, are looking at newer markets like Japan, West Asia, Africa and Australia, and thus exploring new market opportunities.
9. In the early nineties and immediately thereafter the rising labour costs in some of the competing countries like Hong Kong, Taiwan and South Korea made exports of certain labour intensive goods like clothing made unattractive for its exports. Some of these countries had also shifted emphasis to technology intensive industries like electronics and automobiles and the accompanying spurt in their economy and exports had resulted in a sharp appreciation of their currencies. . Indian exports of clothing therefore become relatively more competitive.
10. Due to attracting huge foreign capital in India, the inflow of the foreign currency (Dollars and Euros) will reduce the price competitiveness not only to the industry but of the country as whole.
11. Cheap availability of raw material, Restrictive labour laws and low labour cost are the major factors for low cost of production.
12. The industry has potential to grow substantially and achieve targets of its vision because of the significance presence in all the fiber lines and a strong domestic textile presence across the entire value chain.
13. The Indian manufacturers and suppliers are improving design skills, which include different fabrics according to different markets. Indian fashion industry and fashion designers are marking their name at international platform.
14. India has a strong base in design. More and more Indian designers are getting acceptance in the international market and India has emerged as a strong player in fashion ware segment. This has to be maintained as to be sustained and win the race.
15. The industry is anticipated to generate new jobs in various sectors until 2010, with the doubling of GDP & increase in exports.
16. India has a high potential in terms of high volume of production, superior quality and lower cost of production to emerge as a BPO centre for textiles and apparels.

From the above it's clear that the Indian T&C industry is a mix of issues and prospects.