Determinants Affecting Indian Textile Exports: A Review

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Abstract
Textile and apparel industries are vibrant parts of the world economy. Indian Textile industry plays a crucial role in the economic development of the nation. It occupies an important place in the Indian economy in terms of industrial production, employment and exports. The present study aims at combining and comparing the researches conducted in the area of determinants affecting the export performance of Indian textile industry. The review highlights that most of the studies have been carried out on establishing the relationship between GDP, exchange rate, labour, capital (FDI) and technology with export performance of textile industry. Most of the researchers found a positive relationship between the above said variables and textile exports.
Keywords: Textile Industry, Exchange Rate, Gross Domestic Product (GDP).

Introduction

Textile and apparel industries are vibrant parts of the world economy. China, India, Pakistan and Vietnam which are competing with each other are the traditional giants in the production of textile and apparels. **Indian Textile industry plays a crucial role in the economic development of the nation. It occupies an important place in the Indian economy in terms of industrial production, employment and exports. It accounts for 14 per cent of industrial production, 4 per cent of GDP, Employs 45 million people (2nd largest after agriculture) and 13 per cent share in total exports basket.** Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota stood discontinued. India is the third largest producer of cotton, second largest producer of silk, the largest producer of jute and the fifth largest producer of man-made fibres and yarn.

Textile Garments and Apparel is one of the major exports of India. Garment exports accounted for about 9 per cent of total Indian exports during 1981–82. The share almost doubled to 17 per cent by 1994–95.These exports has been growing at an annual compound rate of 22 per cent throughout the 1980s. The average annual rate of growth of garment exports for the period of 1985–86 to 1989–90, has been as high as 32 per cent. Nearly 33 per cent of the domestic production of Hosiery and Garments by small scale industrial units was exported during 1987–88.

Indian Textile Industry is one of the leading textile industries in the world. Though it was unorganized industry before 1991 but the scenario started changing after the liberalization of Indian economy since 1991 (Corporate Catalyst India, 2014).Textile industry is a very diverse industry, with its products being used by virtually everybody. Textile sector is one of the leading sub-sectors and one of the oldest in the world. Textile industry is referred to as "Traditional Industry" and also considered as leg of economy of the industry (Narula 2011).

The clothing industry is labour-intensive and it provides employment to those with simple skills, including women. Some of the countries, such as Bangladesh, Sri Lanka, Vietnam and Mauritius, have experienced high output growth in this sector (Chakrabarty, 2014). High/low growth in textile export is affected by number of determinants. The determinants including Gross Domestic Product (GDP), real exchange rate, per capita GDP and population growth rate of the importers all have a significant impact. The devaluation of the Indian Rupee would boost textile exports due to the fact that the buyers would enjoy cheaper textile products (Chan, E.M.H., K.F. Au and M.K. Sarkar, 2008).

Textile Exports of India accounted to 4693.1 US $ million in 1991-92 and reached to 31476.2 US $ million in 2013-14. Cotton was the highest exported commodity and its exports doubled in five years i.e. from 4,612.28 US $ million in 2009-10 to 9,926.42 US $ million in 2013-14. Exports of Articles of Apparel and Clothing Accessories (Not Knitted or Crocheted) were ranked second after cotton. It accounted to 8,343.35 US $ million with percentage share of 2.65 per cent in India's total exports.

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Oskoee (1991) examines the long run relationship between trade balance and real effective exchange rate. The study confirms that trade balance and real effective exchange rate were cointegrated. Further analysis showed that in the long-run devaluation improves the trade balance of most Less Developed Countries (LDCs).

Ramaswamy, K.V. and Gary Gereffi (2000) examine the challenges of India's apparel exports in the global market. The study confirms that India's share of world apparel exports has not risen since 1994. The immediate cause is apparently the slowdown in the import growth of India's major markets, namely, United States and the EU. The policy reforms of the 1990s have not substantially impacted the apparel sector as it is still subject to entry restriction (licensing for large-scale plants).

Verma (2000) finds that Indian textile and clothing industry is affected with several shortcomings, in no small measure due to the uneven government policy in the post-1947 India. But now it must change. It must change if it is not be blown away by the global market forces, both in the international market as well as by imports in the domestic territory.

Hashim (2004) attempts to examine cost and productivity factors for the three main textile industries, namely, the cotton yarn, man-made textiles and readymade garments by using a panel data analysis for selected states over 1989-97 period. The study concludes that the mill sector, which produces almost the entire cotton yarn, requires level playing field at par with handloom and powerloom sectors. There is also a need to encourage large-scale production, particularly in man-made and garment sectors. Disbursement of credit, cheaper raw materials, higher availability of electricity at reasonable rates, promoting better capacity utilization, flexible labour laws, easy entryexit norms for the firms are some of the basic policy measures which would help the Indian textile and garment industry become more cost effective.

Nordas, H.K. (2004) examines the Global Textile and Clothing Industry post the Agreement on Textiles and Clothing. The objective of this paper is to assess the likely impact of liberalization, taking into account recent technological and managerial developments in the sector, and focusing on recent developments in supply chain management in the clothing and textiles sectors. The study confirms that China and India could capture 29 per cent and 9 per cent respectively of the EU markets and 50 per cent and 15 per cent respectively of the U.S market.

*Chan, E.M.H., K.F. Au and M.K. Sarkar (2008) studies the a***ntecedents to India's textile exports from 1985–2005. The study confirms that** High/low growth in textile export is affected by number of determinants. The determinants including Gross Domestic Product (GDP), real exchange rate, per capita GDP and population growth rate of the importers all have a significant impact. Positive GDP growth rate in India and higher national income of the importers tend to import more in textiles products. The devaluation of the Indian Rupee would boost textile exports due to the fact that the buyers would enjoy cheaper textile products

Kaur (2009) studies the competitiveness of India's manufactured exports. The study concludes that Exchange Rate and Real Effective Exchange Rates were significant variables in explaining export competitiveness of most of sections of manufactured exports. Within Manufactured exports, there is scope for future work in Textile products like Textiles Yarn, Men's Outerwear.

*Bhavani, T.A. and Suresh D. Tendulkar (2010) examine d*eterminants of firm-level export performance of Indian textile garments and apparel industry. The study concludes that the government should provide an enabling environment to induce these changes, which are possible in the short run while providing the firms with appropriate incentives to improve their long run competitive advantage in the world markets.

Kar, Mausmi (2010) investigates the Multi Fibre Agreement (MFA) and textile industry in South Asia. The study suggests that during the ten year transition of MFA phase-out countries such as China, Bangladesh, India and Pakistan that were traditionally the more efficient exporters of textile merchandise. Some Asian countries that enjoyed the protection of bilateral import quotas but were not necessarily the efficient producers have suffered in the aftermath of MFA withdrawal.

Abraham and Sasikumar (2011) confirm that the export performance of the Indian firms in Textile and clothing was by exploiting the labour factor to gain access to the international market. On the other hand, capital and technology based factors did not have any effect on the export performance of Indian firms in the international market.

Tandon & Reddy (2013 studies the emerging trends in textile industry in India. The study confirms that Textiles industry and its Labour relations are undergoing profound changes. The retail market has opened and the producers' control over the product market has increased. Improved schemes of credit and skill development for workers have the potential to increase the contribution of textiles in the GDP. The Government and the industry needs to collaborate and establish a plan of action that addresses key issues and identifies and removes barriers to growth and sourcing strategies

Wang (2013) studies that the determinants of textile and apparel export performance in Asian countries. The study confirms that labour costs influenced textile and apparel export performance in different ways among Asian developing countries. Higher labour costs are usually accompanied with poorer export performance. Future research can test the impact of other determinants on textile and apparel export performance.

Yoganandan.G and Jaganathan A.T (2013) studies factors affecting the export performance of textile industry in Developing Countries. **The study aimed at reviewing researches conducted in the area of determinants of and factors affecting the export performance of textile industry. The study confirms that the mo**st of the studies have been carried out on establishing the relationship between GDP, exchange rate, labour, capital (FDI) and technology with export performance of textile industry. Most of the researchers found a positive relationship between the above said variables and textile exports. It is suggested that future researches can be done by taking in to account other variables like capital productivity and legal environment factors

Chakrabarty (2014) concludes that India is still highly competitive globally in the Textile sector. China is the dominant leader in this sector but China is facing problems of cost of labour. So, India can benefit from an early development of the skilled labour markets.

Conclusion

From the above literature, it is quite clear that the reforms of 1991 have done an outstanding job towards accelerating the exports. India needs to focus on enhancing the share of its export in the world market. India has the great opportunity of being geographically and culturally close to Bangladesh, Sri Lanka, Nepal, and Pakistan. So trade with these countries can be expanded. The study confirms that labour costs influenced textile and apparel export performance in different ways among Asian developing countries. Higher labour costs are usually accompanied with poorer export performance. **The determinants including Gross Domestic Product (GDP), real exchange rate, per capita GDP and population growth rate of the importers all have a significant impact. The devaluation of the Indian Rupee would boost textile exports due to the fact that the buyers would enjoy cheaper textile products.** *The study also reveals* **that** the non-tariff barriers by developed countries during 1996-97 led to a decline in the demand for Indian exportables. Supply-side factors, (such as, procedural delays, poor infrastructure) are extremely important for maintaining a high export growth in a sustained way. Future research is encouraged to investigate effective strategies to improve textile and apparel export performance, based on the understanding of determinants of export performance.

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