Export Potential Of Readymade Garments From India To U.S.A.: A Study

Dr. Kalpana Agarwal
Asst.Prof in Management Faculty, India
&
Siddharth Jain

ABSTRACT:-
Readymade Garments are mass-produced finished textile products of the garment industry. The garment industry is one of the oldest and largest export industries, and it exemplifies the growth in global manufacturing. Most nations produce for the international textile market, making this among the most global of all industries. Readymade garment is a part of the textile industry and it accounts for about half of India’s textile exports. India is becoming the most preferred destination for out sourcing readymade garments for the international market. India, the ultimate destination for all garments importers the world over. India is today recognized as one of the best sourcing destinations for garments, textiles, accessories and finish goods. India’s garments exports are rising, primarily because the country is eating into the shares of China and Bangladesh. Exports from India are being driven by demand from major textile importing regions such as the US and Euro zone. The textiles and garments industry contributes 16.63% of India’s export earnings; around 45% of this comes from garment exports alone. The future potential of the readymade garment market lies in companies trying to change consumer perception and help them to make a transition from readymade cloths’ to ready-to-wear clothing. This study was an attempt to examine the future trend of readymade garments exports from India to US. The study concludes that while there is little doubt regarding the immense potential that the Indian industry-specialy garment sector- has, several policy reforms are needed urgently in order to unlock this latent capability though a rising trend has been observed.

INTRODUCTION
India’s Competitiveness - Competitiveness is about productivity, which in turn is a function of factors related to cost of products, as well as those related to non-price factors such as delivery schedules, reliability of producers, and such intangible factors like image of the country/company and brand equity. Together, they define the competitive sinews of a product to compete under conditions of free market. For the purpose of this study, industry has been defined as a group of firms manufacturing products that directly or indirectly competes with each other. It is implied that no nation can be competitive in manufacturing all goods and services. Hence, industry competitiveness of an entire nation is not quite meaningful. Instead, since it is the firms who compete in international markets, the entire framework of competitiveness would revolve around the study of the firm.

A. Introduction to Readymade Garments:
Readymade Garments are mass-produced finished textile products of the clothing industry. They are made from many different fabrics and yarns. Their characteristics depend on the fibers used in their manufacture. Ready-made Garments are divided into the following types:

Outer Clothing:
Work wear and Uniform, Sportswear (e.g. suits, pants, dresses, ladies suits, blouses, blazers, jackets, cardigans, pullovers, coats, sports jacket, skirts, shirts, ties, jeans, shorts, T-shirts, polo shirts, sports shirts, tracksuits, bathing shorts, bathing suits, etc

Under clothing:
Jersey Goods, Lingerie (e.g underpants, undershirts, briefs, socks, stockings etc)

<table>
<thead>
<tr>
<th>Category</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Wear</td>
<td>Suits, Trousers, Shirts, Jackets Blazers</td>
</tr>
<tr>
<td>Casual Wear</td>
<td>Shirts, Trousers, Jeans, T-Shirts</td>
</tr>
</tbody>
</table>
Indian Economy & Milestone (Overview):
Average Growth Rate of Indian Economy has been growing by 11.7 percent in the current Year. India is one of the Seventh Largest and one of the second major popular countries in the world. It aims at deregulating the country and it stimulates foreign investment has moved India into rapidly changing nation. India’s textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India’s exports worldwide. The report of the Working Group constituted by the Planning Commission on boosting India’s manufacturing exports during 12th Five Year Plan (2012-17), envisages India’s exports of Textiles and Clothing at USD 64.41 billion by the end of March, 2017. The textiles industry accounts for 14% of industrial production, which is 4% of GDP; employs 45 million people and accounts for nearly 11% share of the country’s total exports basket.

Indian RMG Industry (An Overview):
India is one of the Second World’s largest producers of Textiles and Garments after China and Third World’s largest Producer of Cotton. In India, Garments is one of the oldest Manufacturing sectors and fulfills a vital role in Indian Economy. One of the major Foreign exchange earner after Agriculture with a largest employment of 47 MN. In recent times, Industry has witnessed growth in past decade due to this scenario has changed. There are ample Opportunities for Indian Garment Manufacture. Readymade Garments is approx. 49% of Textile Exports. It covers man-made fibers, Readymade Garments and other Textile material. During 2011-12, Readymade Garments Export was US$ 6 billion and in the Year 2012-13, Readymade Garments Exports were US$5.45 billion India is one of the world’s largest Apparel Exporters. India had a huge amount of Domestic cotton supply, and Cotton Items.

MILESTONES:
i) Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textile exports quota stood discontinued.
ii) India’s Textiles & Clothing (T&C) exports registered a robust growth of 25% in 2005-06, recording a growth of US$ 3.5 billion over 2004-05 in value terms thereby reaching a level of US$ 17.52 billion and the growth continued in 2006-07 with TEXTILE AND CLOTHING exports of US$19.15 billion recording a increase of 9.28% over the previous year and reached USD 22.15 billion in 2007-08 denoting an increase of 15.7% but declined by over 5% in 2008-09.
iii) During the year 2012-13, Readymade Garments account for almost 39% of the total textiles exports. Apparel and cotton textiles products together contribute nearly 74% of the total textiles exports.
iv) India’s textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU, account for about two-thirds of India’s textiles exports. The other major export destinations are China, U.A.E., Sri Lanka, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, Pakistan, Brazil, Hong-Kong, Canada and Egypt etc.

REVIEW OF LITERATURE
Major studies conducted by various researchers are as discussed below:
**Bagchi (1997)** critically examined the removal of quota between 1995-2005 in four phases is not as beneficial as it is projected by developed world. The first two phases are composed of goods which are not of high importance and already almost free. These two phases are not of high importance. The other two phases are of high importance. Chandra (1998) in his article wrote on challenges ahead of Indian textile and clothing industry in post quota regime. It put special emphasis on production capabilities and efficiencies as most essential elements to fight global competition. It suggests various
strategic decisions Indian textile manufacturers have to make to survive the competitiveness in post quota regime.

Simpson and Shetty (2001) did a vast study on India’s textile industry. The purpose of study is to analyze India’s textile and apparel industry, its structural problems, market access barriers, and measurements taken by government of India to enhance the industry’s competitiveness in the post – Multifibre Agreement (MFA) era. The study also assesses India’s textile and apparel market potential and trade and investment opportunities for U.S. firms as India steps into a more free and transparent trade regime. For the purpose of study exploratory study is done in which in-depth interviews are done with various government officials in Textile Export Promotion Council, Ministry of textile, Cotton Council of India, Apparel Export Promotion Council (AEPC), Federation of Karnataka Chamber of Commerce and Industry, Handloom Export Promotion Council, Madras Chamber of Commerce and Industry, The South India Textile and Research Association, and almost all top executives of India’s large textile mills.

Verma (2002) did a comprehensive study with objective to evaluate the export competitiveness of Indian textile and clothing sector. Because Indian textile and clothing sector is predominantly cotton based, the study is focused on cotton textile and clothing and look at the entire value chain from fiber to garment and retail distribution. The study covers the products in Indian export basket which have shown a promising growth in value. The study concludes that Indian exports to US and EU are export competitive as a whole. Sector wise analysis of export performance of Indian textile and clothing sectors to US and EU reveal that so far apparel or clothing and made-up is concerned; quota is the major constraint in the growth, while it is not true in case of yarn exports. Indian textile and clothing sector has tremendous potential and only a portion of which is explored till now and this shortcoming is due to policy constraints.

Meenakshi (2003) did a comprehensive study on the opportunities that would be provided by WTO to Indian Textile industry. This paper gives a lot of emphasis on new capacity installation to take the benefits to the fullest extent. India has to be a true gainer in competition to other nations. Since India’s own consumption per capita is also on the rise with the rise of income and consumption habits, the profit margins available to Indian textile and clothing producers will be more. But in export market, the prices will be given by international factors and profits will be under pressure. So the exporters might have to go for strategy of partial exports and partial domestic sale.

Vivek (2004) in his article had said that JC Penny a leading retail chain of US looks India for sourcing its garments in woven and hosiery. He is of opinion that India will be fulfilling its major need of Hosiery and woven garments in cotton while China will be good for synthetic fabrics and its garments.

Chugan (2005) in his study emphasized on the role of HR in this booming sector. To maintain its edge over its competitors India has to bring in high productivity per employee. India’s productivity is far below than China and Pakistan which are the major competitors. With high productivity, another area is innovativeness to bring in new products and process, where HR plays the prominent role.

Adhikari (2006) did study for UNDP regional centre Colombo. It was expected that the effect of quota elimination would not be same for all the countries. It has shown mixed results so far. Moreover countries that have lost out the most had seen their exports decline earlier which mean that their dismal performance merely be ascribed to the quota phase out. Several countries that had been expected to loose out in the post quota world not only managed to hold on to their past gains but also achieved significant growth in their export earnings. This is mainly because of the re-imposition of quota on Textile and clothing exports from China not only by developed countries but also by some developing countries, which were making use of temporary safeguards measures as agreed to by China during the process of its accession to WTO. Most analysts predicted that the situation will not remain same after the phasing out of safeguard. At the same time the entry of Vietnam into the WTO from 11th January 2007, which enables the county to compete in global textile and clothing market without any quantitative restrictions on textile and clothing exports, means that the competitive pressure is likely to be intense for the small and marginal players. Therefore the real adjustment challenges began after December 2008.
Chaudhry (2006) did a very comprehensive study on the productivity of Indian Textile sector and various related sectors. Very technical formulas were used to analyze the competitiveness of Indian Textile Industry.

Texprocil (2007) The researcher did a comparative study of Indian textile industry with other nations like China, Bangladesh, Vietnam, Egypt and Pakistan and elaborated the competitiveness of Indian textile and various sectors in Textiles. The research paper concluded that if India has to keep maintaining its edge in hosiery and garment sector, it has to keep in control various measures like raw material, methodology, labor wages, power cost and utilities that need to be kept in check to keep the cost lower. It also puts lots of emphasis on the areas where India is losing its edge and has to keep a close monitoring on it to remain competitive. It concluded that Vietnam and Egypt were coming up fast and can prove to be tough competitor in near future due to high productivity and low steam cost.

Shen (2008) examined major changes in China’s textile and clothing industries, studies their reactions to quota elimination, and explored the current status of China’s textile and clothing industry. Fourteen in-depth interviews were conducted at the end of 2005 and beginning of 2006 in China. The study examined following:

Overall status of China’s Textile and Clothing Industries, advantages and disadvantages of different textile and clothing manufacturers in China, Main challenges and problems faced by China’s textile and clothing companies, corresponding strategies for the textile and clothing manufacturing companies in China to address new challenges.

Bedi (2009) in his article covered various sector of Indian textile industry. This covered all aspects of textile industry, performance and hindrances and growth.

Venkatachalam and Palanivelu (2010) This study was done on marketing strategies adopted by garment exporters in Tirupur. Authors have highlighted the problems of garment industries and proposed solution to overcome these problems.

Rationale Of The Study
The study was undertaken to evaluate the export competitiveness of Indian textile and clothing sectors. Because Indian textile and clothing sector is predominantly cotton based, this study would focus mainly on the cotton textile and apparel. With the above objective in mind, this study has first identified the products in Indian export basket which have shown a promising growth in value and have a considerable weight in the Indian export basket on the basis of recent performance of Indian exports of textile and clothing sectors in the United States.

OBJECTIVES:
- To analyse the fashion trends in United States to boost up opportunities for Indian textile.
- To Study the Export Potential of Readymade Garments from India.
- To Study about the export performance of Readymade Garments Products in India for the year (2008-09 to 2012-13) and find out the future export performance of Readymade Garments Products in India for the year (2013-14 to 2017-18).

RESEARCH METHODOLOGY:
In this desk Research the use of Internet has a major role to play. The most of the Research has been conducted through the data available on the various website. However many Websites are outdated but data and Figures available with the sites of Government Organization help me Overcoming the Limitation.

The Study:
In this study explore the Export Potential of Indian Readymade Garments.

The Sample:
For the study secondary data of Export of Readymade Garments to be used for the year 2008-2013.

The Tools:
1. Data Collection
For the study secondary data was used of Export of Readymade Garments from India.
2. Tool and Techniques for Data Analysis
Trend Analysis has been used to analyse the Secondary data collected for the present Trend analysis is based on the idea that what has happened in the past gives trend an idea of what will happen in the Future.

RESULT: Trend Analysis

TABLE: 1
Export Potential of Apparel and Clothing Accessories
(Values in US Million $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Trend Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>5048.10</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>4591.09</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>4953.59</td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>5776.76</td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>5554.24</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td></td>
<td>5844.14</td>
</tr>
<tr>
<td>2014-15</td>
<td></td>
<td>6063.93</td>
</tr>
<tr>
<td>2015-16</td>
<td></td>
<td>6283.73</td>
</tr>
<tr>
<td>2016-17</td>
<td></td>
<td>6503.52</td>
</tr>
<tr>
<td>2017-18</td>
<td></td>
<td>6723.32</td>
</tr>
</tbody>
</table>

RESULTS AND DISCUSSION:-
The above mentioned chart shows the apprising trend in Readymade garments product to USA. It can be easily observed that year by year there is a gain in the value. As we can see the actual value in the year 2012-13 is 5554.24 US million dollars which is higher as compared to the year 2008-09 is 5048.10 US million dollar, from the trend analysis it can be further deduced that there is increase in Exports by the Value of 5554.24 US$ million and the projected Exports of the year 2017-18 is 6723.32 US$ million. This shows how promising the future of readymade garments in the sector of Exports. The trade between USA and India plays a very important role in the development of relation between both the countries. On the basis of this 5 Years data, prediction for the growth of the readymade garments sector will depend upon the market scenario of the world trade as well as normal agriculture conditions.

CONCLUSION
Garments and Apparel has always been a part of fashion, garments and textiles has been playing a very important role in export from India over the past years, garments made depends on the climate, culture,
weather and the textiles materials, there are different trends of fashion in different countries at different times. Outfits can be made from different types of textiles to suit different occasions and climate, mostly Indian like using cottons and silk apparels, lately the fashion trend in USA is diverting towards Indian culture and people prefer to wear styled cotton outfits.

This study was an attempt to evaluate export competitiveness of the garment exports from India to U.S. And from the trend analysis promising future of export of readymade garments were found. India is a land of great potential since it is perhaps the only country in the world that is self-sufficient and complete in the cotton value chain. The textile and garment sectors play an extremely significant role in India in terms, specially of share in value added, foreign exchange earnings, and employment. This strong advantage, however, has been frittered away due to fragmented and myopic vision of the government that resulted in policies that ran counter to market signals. The current industry structure is in a significant sense a tribute to the Indian textile and clothing sectors who have managed to perform despite the throttling policy constraints. In the very short span of 65 years of Independence, the readymade garments sector in India has recorded a pronominal growth producing bulk cotton increasing the value year by year. India’s potential emerged as a major production base for the global readymade garments because of huge resources of low cost skilled Professionals. The cost of Bulk Production in India is very less as compared to developed countries’ markets for MFA (ATC) product categories that are important in Indian export basket are competitive in the US.

Here are some recommendations:

1. Rationalise excise duties on synthetic fibre to bring it in line with cotton fibre − Lower customs duty on raw materials used in manufacture of synthetic fibre/yarn This would enable the development of a vibrant synthetic fibre base in India.
2. Allow Foreign Direct Investment (FDI) in garment retailing to enable large, modern retail showrooms to set up shops in India.
3. Reduce the import duty on textile and apparel to infuse competition in the domestic market, which would, inter alia, drive up demand for higher and better clothing. The Indian import tariffs in this industry are among the highest in the world, ranging between 25-40%.
4. Rationalise excise duty structure across the entire value chain from fibre to garment retailing.
5. Building of world class infrastructure− port, inland transportation, power, and communication etc. facilities within the country. Owing to resource constraints, and gestation lag, it may not be possible to develop such structure for the entire country at once.

Implication of the study

This study will provide significant inputs to policy-makers, industry captains as well as academicians towards unleashing the immense potential of the Indian garment industry and enable the industry to realize its rightful place in the global economic space.

REFERENCES:

- [http://commerce.nic.in/](http://commerce.nic.in/)
- [www.indiantextilejournal.com](http://www.indiantextilejournal.com)
- [www.aepcindia.com](http://www.aepcindia.com)
- Index mundi
- [www.febre2fashion.com](http://www.febre2fashion.com)