Abstract
The textiles and clothing industry occupies a very important place in the Indian economy in terms of its share in employment, value added and export earnings. But the industry is dominated by small, fragmented and non-integrated units with the exception of spinning sector. The spinning segments production is dominated by large units and has been able to undergo significant modernization at a rapid rate. In recent years, a trend towards consolidation and integration with the value chain upstream along with modernization in segments like garments has been witnessed. The ginning, weaving and processing sectors, on the other hand, lags behind as regards modernization. Within the weaving sector, increasing dominance of the powerloom sector is being witnessed over the years. The garments sector is undergoing significant expansion and modernization process in recent years and this opportunity has been created through de-reservation. De-reservation of garment sector, introduction of TUFS, lowering of customs duties and MFA phase out are the major policy changes responsible for bringing these changes in the environment. The recent global slowdown has however impacted the prospects of this sector also.

Objectives of the Study
1. To study the policy framework of the Textile & Garments Industry.
2. To study the related Labour Laws.
3. To study the international trade agreements related to Textile & Garments exports
4. To examine the policy implications on the industry.
5. To understand, if any adjustment is required in the import-export policy to ensure export-led development of the industry.

Hypothesis of the Study: India is in a position to increase its market share in textile & garment export to major export destinations in post-LTA (long-term agreement) scenario.

Methodology: The study has been carried out in two phases; first was exploratory research method; and the second was constructive method.

Limitations of the study: The study will not give any detail of the Leather garments.

Keywords: Textile & Clothing industry, MFA quota system, Policy framework, Trade agreements.

Introduction
In the post-independence period until the mid-1980s, India followed for the most part an inward looking/ import substitution policy, using a variety of regulatory mechanisms to orient the textile and clothing sector in a particular way. A strict industrial licensing regime required firms to seek government permission for establishing any new operation or the expansion of existing ones. In addition, several sectors such as garments, knitting etc., were kept restricted for small-scale enterprises, and strict labour laws proved a disincentive for expansion. The exemption and evasion of duties hindered the modernization process. The escalating duties at value added stage due to introduction of MODVAT & exemption for small scale sector at intermediate stage was a cause of major discouragement for investment in garment sector till 2000. The New Textile Policy relaxed several licensing requirements, raised the maximum limits on allowable investment and reduced import controls. Businesses were also encouraged to modernize their technological base through disbursement of cheaper lines of credit. Technology Upgradation Fund Scheme (TUFS) and technology modernization on cotton & spread of BT cotton are important developments.

Major Schemes
Technology Upgradation Fund Scheme (TUFS), Textile Workers’ Rehabilitation Fund Scheme (TWRFS), Scheme for Integrated Textiles Parks (SITP), Technology Mission on Cotton (TMC), Schemes for Development of Handlooms, Schemes For Development of Handicrafts, Schemes For Development of Sericulture, Development of Mega Clusters for Handloom, Handicraft & Powerloom, Wool, Powerloom, Jute Technology Mission, HRD Scheme, Technical Textiles etc.

The phase-out of the export-quota system from the beginning of 2005 has raised the competitiveness issue of the Indian RMG industry as a top priority topic.

Policy Implications
- Indian textiles and clothing industry is at the crossroads looking at the severity of the slowdown in the world economy. This has more severely affected the export oriented units than those dependent on domestic demand. This has forced major business restructuring in the form of changes in the product-mix, efficiency enhancements, cost-cutting exercises across the spectrum of value chain of the industry to whether the situation. In these circumstances institutional policy support is required to withstand the looming global crisis. The restructuring at the unit level would be effective, if high value added quality chain is ensured. The role of government in these circumstances is inadequate in ensuring the flow of investment in crucial areas for the growth of the sector. The coordination among units is
not strong; in order to develop unhindered growth of supply chain in value added products.

- Poor Dyeing/Processing: The quality of fabric produced in India is much lower than international standards. This is much due to poor quality of dying and processing of fiber, yarn and fabric. This affects our export competitiveness of fabrics and apparels products both in terms of quality and price. The production of fabrics in India is still much protected. Cotton and blended fabrics invite 10% of customs duty. To make the market of yarn and fabrics competitive and to improve the quality of final products, there is need for reductions in the customs duty. This would help the availability of good quality fabrics to the garment producers at reasonable rate.

- Government has reduced the rate of duty drawback on number of textile items with effect from September 1, 2008. For instance, duty drawback rates for knitted shirts/blouses of cotton have been reduced from 11% to 8%. For made ups of manmade fibres it has been reduced from 10.4% to 9.5%. Similar reductions have been made on other items. This would adversely affect the exports in view of the fact that the input cost for industry has substantially gone up as a result of higher input prices and also because of cut-throat competition from neighbouring countries like Bangladesh, China, Sri Lanka, etc. On the contrary, China has increased the duty drawback rates looking at the tense external market. Hence, these drawback rates should be increased and at least restored to their previous levels. After multi fibre agreement phase out, non-tariff barriers (NTBs) are the major trade barriers faced by export oriented units. In textile products child labour use is always suspected. Besides, other labour standards like safety and health standard are always a concern to an exporting unit. Some other NTBs faced by exporters are labelling of shipment, security parameters, complicated requirements of rules of origin and documentary clearance requirements. Some of these requirements can be fulfilled by putting bearing costs by respective units. But, still there is need for the government to do some hard bargaining with developed countries on the issue of NTBs by allying with other developing countries.

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### Anomalies in Taxes and Duties

- **VAT and CST are not adjustable**: If a manufacturer while purchase in raw-materials has paid VAT and while selling collects CST, he cannot avail a credit.

#### Stringent Labour Laws

India ranks highest on ‘Difficulty of Firing index’ and high on the ‘Rigidity of Employment index’ (as shown in Table-1) among the competing countries on account of stringent labour laws. This indicates the high rigidity in labour laws in the country.

#### The Trade Agreements Leading to Market Access for Readymade Garments

LTA underwent several renewals and was subsequently replaced by the Multi Fiber Agreement (MFA) in 1974. MFA has governed international trade in textiles and clothing since 1974. The MFA enabled developed nations, mainly the USA, European Union and Canada to restrict imports from developing countries through a system of quotas. The Agreement on Textiles and Clothing (ATC) to abolish MFA quotas marked a significant turnaround in the
global textile trade. The ATC mandated progressive phase out of import quotas established under MFA, and the integration of textiles and clothing into the multilateral trading system before January 2005. The World Trade Organisation (WTO) stands for an orderly growth of trade. It envisages that the measures of growth should be uniform for all countries and not skewed in favour of certain or group of countries. An obvious way is reduction of tariff walls and removal of non-tariff barriers. Unfortunately, the developed countries especially the USA and EU, which are the founder members of WTO have been breaching the very fundamentals of WTO in an attempt to promote the trade of their own products and acting as global policemen.

Safeguard Clause in WTO
The constitution of WTO also enshrined a clause to safeguard domestic industries of members from an unprecedented surge in imports of products from any one country to another, at prices which are either below the cost of production or at prices below that in the domestic market of the exporting country, which are such as to hurt the domestic industry of the importing country.

Preferential Trade Agreement
The General System of Preferences (GSP) is an agreed exception to the MFN principle under which the Donor Country grants preferential duty on goods originating in beneficiary country which is lower than the normal MFN duty. Each donor country is free to decide the level of concessions, the choice of goods and the rules of origin in respect of GSP. Consequently, most GSP schemes are different from each other in terms of the goods covered, the level of duty concession, the procedure to be used and the rules of origin that apply.

The EU GSP scheme extends duty benefit to the developing countries and provides special incentives to promote core labour and environmental standards. The textile sector in India is not eligible for EU GSP benefits while the same benefits are extended to China, Indonesia, Malaysia, Sri Lanka and Thailand. However, the apparel sector in India benefits from EU GSP scheme. But the concessions of duty free access granted to Pakistan recently on account of drug policy would increase the unhealthy competition and push the prices down in apparel sector.

The expansion of regional trade arrangements like NAFTA, growing preferential arrangements with targeted regions and countries under Arrangements like Trade Development Act 2000 of the USA, EU's enlargement programme to include Central & Eastern Europe & Mediterranean rim countries etc., would act as insurmountable barriers to global free trade resulting in adverse effect on Indian exports.

In fact data relating to imports of textiles and clothing into USA shows that the share of imports from countries covered by preferential trade arrangements have increased from 19.5% in 1994 to 31.7% in the year 2000.

Rules of Origin
Rules of Origin are unilaterally altered by the developed countries to the detriment of developing exporting countries. Unilateral changes in Rules of Origin by USA have affected the trade of textiles and clothing badly. As part of its legislation implementing the results of Uruguay Round, the US substantially altered its rules for determining the origin of textiles and clothing products. The modified rules, put into effect from July 1996, resulted in major changes disadvantageous to developing countries. Since the process of harmonization of Rules of Origin of various countries is being undertaken in the Committee on Rules of Origin, no member country should be allowed to make any further changes in their Rules of Origin till the harmonization process is completed.

There have been several measures taken by World Trade Organization (WTO) to uplift and strengthen this sector. In 1995, WTO rehabilitated its MFA strategy and implemented Agreement on Textiles and Clothing (ATC), specifying that the WTO member nations will get rid of quotas on textiles.

The Genesis of Agreement on Textile & Clothing
Alarmed at the flood of imports of garments into EU and USA from Asian suppliers, both the countries sought to restrict imports of certain garments from Asian countries for a specific period during which the industry of these two countries desired to restructure itself to meet international competition.

After some hard bargaining on both sides concerning the period as well as incremental quantities during the period, it was finally agreed to limit the same to a 10-year period with growth factors in between the period and a gradual release of specified items in the course of period from the rigours of controls. This culminated in the signing of Agreement for Textiles & Clothing (ATC) which ended on 31st December 2004. Since supply from importing under ATC was artificially controlled, the end of ATC saw a surge in imports into both EU and USA from the supplying countries so as to reflect the full potential of the supplying countries.

Lowering of Tariff and Free Trade Area derail Generalised System of Preference
Effectiveness of the scheme is however adversely affected to a large extent, due to:

i. reduction of MFN Tariffs; thus effectively lowering the margin of preference; and

ii. International agreements ratified by WTO, resulting abolition of tariff.

Zero-for-Zero Tariff offered to India
Looking to opportunities in the vast Indian market, both EU and USA have offered India zero –for zero tariffs. Since labour costs in both USA & EU are higher than in India and since freight/insurance costs will add further to the landed value in India for their garments, the possibility of EU/USA garments swamping India or competing unfairly with our domestic industry is remote. The only possibility is that garments manufactured by East European countries of EU or by Turkey (an Associate of EU), could possibly compete with our domestic industry. Although operating costs in East Europe or Turkey may be low, freight to India and insurance costs will neutralize whatever advantage (if
they may have. The gain accruing to India by agreeing to a zero-zero tariff would be commendable.

The trade agreements are not that much beneficial to Indian T&C industry as compared to competing countries. Indian exporters do not have duty free access to the key global market.

Table 1: India’s Trade Agreement with Major Export Markets

<table>
<thead>
<tr>
<th>Global Market</th>
<th>Trade Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>MFN duties applied on majority of T&amp;C products: Although India is currently a beneficiary of the US GSP, textile produced with cotton, wool, manmade fibre, and other vegetable fibre are prohibited from receiving GSP treatment.</td>
</tr>
<tr>
<td>EU27</td>
<td>Reduced duties applied on T&amp;C products: India and the EU commenced talks on Agreement in 2006. FTA not only aims to but also non-tariff barriers to trade.</td>
</tr>
<tr>
<td>Japan</td>
<td>Reduced tariffs for the textile products: Under Japan’s GSP, India qualifies for reduced tariffs for T&amp;C products.</td>
</tr>
</tbody>
</table>

Trade Agreements: skewed Ideology of US and EU27

USA has signed Free Trade Agreements with neighbouring Canada and Mexico as also with Caribbean Basin counties and sub-Saharan Africa in the garb of improving the economy of these countries. The agreement makes it mandatory for the supplying countries to use American yarn or American fabric for conversion into garments prior to exporting to USA in order that such garments may enter USA import duty free; alternatively, of course, they can use local yarn or local fabric, but cannot import the same from third countries in which case the garments thus manufactured will lose the benefit of free import duty in USA. Worse still is the fact that all countries in Africa are not included. Some of the major countries like South Africa are excluded.

The USA is in full knowledge of the fact that the beneficiary countries in Africa do not have local textile industry worth the name, and, at the same time, labour costs in USA are higher than in the beneficiary African countries. Thus, basically, the object of the Agreement is to promote the off take of American yarn/fabric, take advantage of low labour cost and import the finished garments at a low price for the American consumer.

Taking a cue from the USA, Western Europe developed a European union (E U) of 15 members -countries. Some of these countries had low labour costs while others had labour costs comparable to USA. This enlarged area was acceptable since it was a contiguous area, and despite the difference in labour costs, could render economies of scale to bring down costs. However, later this was expanded to 25 countries and later to 27 countries by including countries in East Europe which had become republic, independent of USSR with which they were previously merged. These countries accepted democratic system of government after becoming republics, and abandoned the centrally-administered system of government. Labour wages in these countries were far less than in West Europe.

These countries were to convert the cut garment part (in West Europe) to full garments and export them to West Europe free of import duty. What needs to be noted here is that this facility was not extended to entire East Europe. Countries in East Europe which continued to follow the centralized system of administration were left out in the agreement, as though it was a reward for those countries in East Europe which had given up the centralized system. The agreements are briefly discussed in Table no. 2, 3 & 4.

Table 2: Trade Agreement with US

<table>
<thead>
<tr>
<th>Country</th>
<th>Description of Agreement</th>
<th>Impact</th>
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<tbody>
<tr>
<td>India</td>
<td>Generalized System of Preferences</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
<tr>
<td>China</td>
<td>Generalized System of Preferences</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Generalized System of Preferences - Least Developed Beneficiary Developing Country (LDBDC)</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Generalized System of Preferences Plus-</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
<tr>
<td>Turkey</td>
<td>Generalized System of Preferences</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Generalized System of Preferences</td>
<td>Does not extend to most textile and apparel products</td>
</tr>
</tbody>
</table>

Source: IMaCS analysis, 2009

Table 3: Trade Agreements with EU27

<table>
<thead>
<tr>
<th>Country</th>
<th>Description of Agreement</th>
<th>Current Tariff structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Generalized System of Preferences</td>
<td>Reduced Tariffs</td>
</tr>
<tr>
<td>China</td>
<td>Generalized System of Preferences</td>
<td>Reduced Tariffs</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Generalized System of Preferences - Everything but Arms Initiatives</td>
<td>Zero Tariff</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Generalized System of Preferences Plus- Special Incentive Arrangement for Sustainable Development and Good</td>
<td>Zero Tariff</td>
</tr>
</tbody>
</table>
Governance

<table>
<thead>
<tr>
<th>Country</th>
<th>Description of Agreement</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>Preferential Trade access due to membership in European Customs Union</td>
<td>Zero Tariff</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Generalized System of Preferences</td>
<td>Reduced Tariffs</td>
</tr>
</tbody>
</table>

Source: IMaCS analysis, 2009

### Table 4: Trade Agreements with Japan

<table>
<thead>
<tr>
<th>Country</th>
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</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>China</td>
<td>Generalized System of Preferences</td>
<td>Reduced Tariffs</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Generalized System of Preferences - Least Developed Country</td>
<td>Zero Tariff</td>
</tr>
<tr>
<td>Sri Lanka</td>
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<td>Reduced Tariffs</td>
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<tr>
<td>Vietnam¹</td>
<td>Generalized System of Preferences</td>
<td>Reduced Tariffs</td>
</tr>
</tbody>
</table>

Source: IMaCS analysis report, 2009

### Export Promotion Measures by the Government

The Government is seized of the submissions of the industry and trade associations regarding potential loss of employment in the textiles and clothing industry consequential to declining sales in domestic and international markets. Some of the steps taken by the Government to support the textiles and garments industry include the following:

#### 2011-12 Budget Measures

i. Rs 30 billion funding to NABARD to provide support to financially unviable handloom weavers with huge debt burdens.

ii. Optional tax levy at 10% made mandatory on branded garments and made ups.

iii. Surcharge on domestic companies reduced to 5% from 7.5%.

iv. Basic customs duty on nylon yarn and nylon fibre reduced from 10% to 7.5%.

v. Lower rate of central excise duty increased from 4% to 5%.

vi. Rate of Minimum Alternative Tax (MAT) proposed to be increased from 18% to 18.5% of book profits.

#### Critical Comments on Present Proposals of Indian Government for Textile & Garment Industry

i. Expenditure and fiscal discipline has been maintained, but there is a need to provide a short-term or long-term roadmap for the growth of labour-intensive apparel industry.

ii. Union Budget 2010-11 provides nothing for the textiles exporters for their sustenance and development.

iii. The funds allocation needs to be increased under the Technology Upgradation Fund (TUF) scheme.

iv. The Budget statement which proposed to extend the interest subvention of 2 per cent for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises; need to be extended to the textiles sector too, which used to be the case earlier.

v. Skill development scheme: the proposals in Budget 2010-11 included launch of an extensive skill-development programme in the textile and garment sector, and a one-time grant of Rs 200 crore to the Government of Tamil Nadu for the installation of a zero liquid discharge system at Tirupur, to sustain its textile cluster for knitwear. By incentivizing training through an outcome-based approach the resources of the private sector will also be harnessed. Through these instruments around 30 lakh persons will be trained over 5 years.

vi. Cost competitiveness of the sector need to be addressed by the Government, as the higher prices of petrol and diesel will have an impact on the overall costs.

vii. As the current refund mechanisms are cumbersome, so there is a need of exemption of service tax on export-related services which in the best interest of the Indian exporters.

viii. There is lack of any special provision in the budget proposal for 2011-12 for the garment sector.

ix. The Budget-2011-12 has proposed to convert the optional levy into a unified rate od 10% for the readymade garments and textile made-ups, which were earlier under optional excise duty regime, which would adversely affect the garment sector of the industry.

x. Although, CENVAT credit of inputs and services would be available to the garment factories will now have to register themselves with central excise, increasing the transaction and administrative costs. It would lead also to unnecessary harassment and delays in handling time bound export shipments.

xi. The increase in MAT in Budget-2011-12 definitely needed a review, as the textiles industry is the largest employment provider and one of the largest foreign exchange earner sectors.

xii. 5% excise duty on automatic looms and projectile looms would add an avoidable duty burden and will impact fabric manufacturers, including decentralised power looms.

#### Budget Impact

i. Companies that do not complete their capex related borrowing by the due date of March 31, 2012 will have to incur higher borrowing cost as the interest

¹ Economic Partnership Agreement between Vietnam and Japan is under negotiation which would change this tariff structure.
subvention under the Technology Upgradation Fund (TUF) will expire by that date.

ii. The financial support from NABARD could help the revival of unorganized players in the handloom industry and evade mass unemployment in the sector.

iii. Higher taxes on branded garments and made-ups will eat into the profits of the sector.

iv. The lower surcharge could have a positive impact, albeit nominal, on the profits of the smaller players in the sector.

Company Impact
i. Companies like Raymond, Arvind and Alok Industries that have presence in branded garments, made-ups and textile retailing will be impacted by the higher tax levy.

ii. Most companies in the sector are highly leveraged and may have to cap their capex plans until FY12.

Other Facilitation Measures
i. Re-imbursement of Additional Duty of Excise levied on fuel under the Finance Act would also be admissible in respect of EOU’s.

ii. Re-credit of 4% SAD, in case of payment of duty by incentive scheme scrips such as VKGUY, FPS and FMS, has now been allowed.

iii. Simplification of the provision for getting refund of Terminal Excise Duty/Deemed Export Benefits and now exporters can submit a statement certified by Central Excise Authorities in lieu of individual invoices and a monthly statement confirming duty payment in lieu of ER-1/ER-3.

iv. Krishnapatnam seaport included for the purpose of Export Promotion Schemes.

v. Electronic Message Transfer facility for Advance Authorization and EPCG Scheme established for shipments from EDI ports w.e.f.01-04-2009.

vi. Requirement of hard copy of Shipping Bills dispensed with for Export Obligation discharge.

Major incentives introduced under Foreign Trade Policy (2009 - 2014)

i. Incentive Schemes have been expanded by addition of new products and markets.

ii. 26 new markets have been added under the Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia- Oceania.

iii. The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%.

iv. The incentive available under the Focus Product Scheme (FPS) has been raised from 1.25% to 2%. This covers a large number of products from various sectors have been included for benefits under the FPS. These include Jute and Sisal products, Technical Textiles and vegetable textiles. But, FPS benefits at 2% on apparel export to USA and EU have been discontinued for the exports made after 30.9.2009.

v. Market Linked Focus Product Scheme (MLFPS) has been greatly expanded by inclusion of products classified under as many as 153 ITC (HS) Codes at 4 digit level. This covers textiles made ups, knitted and crocheted fabrics.

vi. MLFPS benefits also extended for export to additional new markets for certain products. These include apparels among others.

vii. Higher allocation for Market Development Assistance (MDA) and Market Access Initiative (MAI) scheme is being provided.

viii. To aid technological Upgradation of export sector, EPCG Scheme at Zero Duty has been introduced for apparels and textiles among others.


x. To simplify claims under FPS, requirement of ‘Handloom Mark’ for availing benefits under FPS has been removed.

Textile Research Associations

i. Ahmadabad Textile Industry Research Association(ATIRA), Ahmadabad

ii. Bombay Textile Research Association(BTRA), Mumbai

iii. South India Textile Research Association(SITRA), Coimbatore

iv. Northern India Textile Research Association(NITRA), Ghaziabad

v. Silk and Art Silk Mills Research Association(SASMIRA), Mumbai

vi. Man-made Textile Research Association(MANTRA), Surat

vii. Indian Jute Industries Research Association(IJIRA), Kolkata

viii. Wool Research Association, Thanne

Export Promotion Councils (Sectoral)

i. Handloom Export Promotion Council, Chennai

ii. Apparel Export Promotion Council, New Delhi

iii. Cotton Textile Export Promotion Council, Mumbai

iv. The Synthetic and Rayon Textiles Export Promotion Council, Mumbai

v. Indian Silk Export Promotion Council, Mumbai

vi. Wool and Woolens Export Promotion Council, New Delhi

vii. Carpet Export Promotion Council, New Delhi

viii. Export Promotion Council for Handicrafts, New Delhi

ix. Powerloom Development & Export Promotion Council

x. Wool Industry Export Promotion Organisation

xi. Jute Manufactures Development Councils

Major business constraints faced by the Textile &Garment industry

i. Majority of the domestic manufacturers ranked ‘lack of power ’as the most severe business constraint.

ii. ‘Shortage of skilled labour’ and ‘working capital issues’ were ranked as the second most severe business constraints by the industry.
iii. ‘High interest rates’ and ‘delay in refund’ were also mentioned as the key business constraints impacting the industry.

iv. Stringent Labour Laws

v. Lack of focused approach from policy makers.

vi. On account of anomaly in tax structure, T&C manufacturers pay duties and taxes that are not refunded.

Conclusion

The mandatory excise duty of 10 percent imposed on branded readymade garments and made-ups would not only have serious adverse impact to these highly labour intensive segments but would also have significant operational problems at the level of implementation.

With this new regime, the garment exporting units in Tamil Nadu and West Bengal will be badly hit. Tamil Nadu, as a whole, provides around one fourth of India’s garment exports. Given the complex value chain, it is requested that garment export industry should be provided with optional excise duty regime as given earlier to protect large number of units.

Though CENVAT credit of inputs and services would be available and exports would continue to be zero rated, the factories have to register themselves with central excise, increasing the net transaction and administrative costs.

This will severely impact industries with higher requirements of outsourced processing and other services like the knitwear industries, embroidered or other value added garments. The increase in excise duty for yarn and fabrics from 4 percent to 5 percent would not have any major impact on the industry.

The reduction of excise duty on 40 specified textile machinery from 10 to 5 percent has been welcomed as well but that the impact of this reduction will be limited, since most of these machines are not manufactured in India. The imposition of 5 percent excise duty on automatic looms and projectile looms would add an avoidable duty burden on the machinery industry which will impact fabric manufacturers, including the decentralized powerlooms.

Government of India corrects its vision and priorities. But, Indian players are confident about their potential but the improper mix of politics and economics and with the impact of on-going economic slowdown creates disaster on the performance of the T&C industry. This requires certain positive steps towards the sustained growth and development.

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