

## Export Performance and competitiveness of Indian Textile Industry



### Management

**KEYWORDS :** Export performance, Export competitiveness, Revealed Comparative Advantage

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### ABSTRACT

*This paper examines the Export competitiveness and Export performance of Indian textile with respect to rest of the world. The study focuses on Export performance and competitiveness of Indian textile industry during the period of 2009-2011. Export competitiveness is calculated with the help of Revealed Comparative Advantage (RCA) of ten different commodities of Textiles like- silk, cotton etc. and results shows that some commodities are more competitive compared to other commodities. The commodities which are more competitive in the international market are cotton, vegetable textile fibres, Manmade filaments, Manmade staple fibres and carpets and other textiles floor coverings. The commodities that are performing fairly well in international market are Manmade filament with the highest value of RCA for the year 2009 & 2010 and Manmade stable fibres for the year 2011.*

### Introduction

India has traditionally been a front-runner in the textile sector globally. It is also one of the largest contributing sectors of India's exports worldwide. 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.

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 T&C exports of US\$19.15 billion recording an 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. Exports of Textiles & Clothing grew from USD 21.22 billion in 2008-09 to USD 22.41 billion in 2009-10 and reached USD 27.47 billion in 2010-11. In the financial year 2011-12 (Projected) exports of textiles and clothing, has grown by 20.05% over the financial year 2010-11 to touch USD 33.31 billion. The Foreign Trade Policy 2009-14 aims to double India's export in goods and services by 2014.

### Objectives: – the objectives of the study are as follows:

1. To examine the competitiveness of Indian Textile Industry for the period 2009-2011.
2. To analyse the export performance of Indian Textile Industry for the period 2009-2011.

### Review of Literature

Export performance includes the countries condition of competitiveness and the geographical and sectoral structures of world trade. The use constant market share (CMS) analysis to measure the variations in the market share shows that the geographical structure of exports is significant in influencing, export performances (Paula Fonto and creso 2010). Mukherjee Shameek and Mukherjee Shahana (2012) found that the performance of India's exports and the various economic factors have contributed to the growth of exports, the paper also provides an overview of the export performance of three important commodities, namely, gems and jewellery ,cotton and electronics goods and highlights key policy changes which could impact local production as well as international demand for these exports. The results show that the overall performance of the India manufacturing sector has widespread implication for various aspects of the economy, employment, being one of the main areas of gain. Samar Verma (2002) revealed in that export competitiveness leads to greater export share in world market. The relation of competitiveness with the productivity, 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 producer and image of country/company and brand equity. There is great potential of Indian Textile and Garment industry for global performance as the demand side factors of

Indian clothing and textile exports of the identified products in US and supply side factors of Indian clothing and textile exports in EU Markets are vital. The Indian government can trust the entrepreneur for making the Indian Textile and Garment industry globally competitive. Paul.S and Mote.V.C (2012) draw a conclusion that India should improve the level of export in global market to raise the level of competitiveness of Indian products and there are different prices quoted by the Indian manufacturers and their competitors for identical products. The study found that the improvement in the wage productivity relationship could have reduced the fixed cost of Indian mills and therefore their needs for realising a higher contribution.

### Methodology

The researchers analysed export competitiveness and Export performance of ten commodities of Indian Textile industry of HS Code 51-60 for the period of 3 years using Revealed Comparative Advantage (RCA) index given by Balassa. The export performance is found on the basis of growth rate of exports and share of the given commodity in country and global market.

### Data Analysis

In this study, the researcher plans to use Balassa's (1965) Index to measure competitiveness and Export performance of Indian Textile industry. Balassa's index of relative export performance by country and commodity, defined as a country's share of world export of a commodity divided by its share of total world exports. The index for country i commodity j is calculated as follows:

$$RCA = x_{ij}/x_i/x_{aj}/x_a$$

Where,

$x_{ij}$  = export of product j from country i

$x_i$  =total exports from country i

$x_{aj}$  total export of product j from the reference area (e.g. the world)

$x_a$  =Total exports from reference area

### Results and Discussion

The index of Revealed Comparative Advantage (RCA) is a measure of export performance that shows comparison of commodities of a country's market share compared with the average percentage of exports of the country in total world exports. The index of RCA has a very simple interpretation .If it takes a value greater than unity, the country has a revealed comparative advantage in that product.

**Table.1 Determinants of Export performance of Indian Textile Industry**

Product code	Product Label	Export value in 2010(US \$ Thousand)	Growth of exports in value(2010)	Export as a share of Total Export (%) (2010)	Relative Trade Balance(2010)
50	Silk	335200	-3	0.15	6.9
51	Wool, animal hair, horsehair yarn and fabric thereof	142284	13	0.06	-32.2
52	Cotton	6889797	18	3.13	91.4
53	Vegetable textile fibres nes, paper yarn, woven fabric	348752	22	0.16	44.5
54	Manmade filaments	2183860	22	0.99	63.4
55	Manmade staple fibres	1621840	14	0.74	69.2
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	239144	26	0.11	38.7
57	Carpets and other textile floor coverings	1330346	2	0.6	92.5
58	Special woven or tufted fabric, lace, tapestry etc	239943	9	0.11	47.6
59	Impregnated, coated or laminated textile fabric	146129	18	0.07	-53.1
60	Knitted or crocheted fabric	143794	19	0.07	-14.4

Source- International trade centre

**Table 2. Export Competitiveness of Indian Textile industry**

HS Code	Product description	RCA index (2009)	RCA index(2010)	RCA index (2011)
'50	Silk	0.44	0.39	0.21
'51	Wool, animal hair, horsehair yarn and fabric thereof	0.75	0.76	0.79
'52	Cotton	18.84	33.32	31.68
'53	Vegetable textile fibres, paper yarn, woven fabric	1.12	2.06	1.76
'54	Manmade filaments	45.49	40.22	37.07
'55	Manmade staple fibres	30.36	33.88	39.28
'56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	0.33	0.39	0.36
'57	Carpets and other textile floor coverings	2.49	2.68	1.81
'58	Special woven or tufted fabric, lace, tapestry etc	0.78	0.80	0.61
'59	Impregnated, coated or laminated textile fabric	0.35	0.44	0.36
'60	Knitted or crocheted fabric	0.34	0.37	0.49

As indicated in Table 2, Five commodities out of total Ten commodities of Indian Textile industry enjoys  $RCA > 1$ , it means they are more competitive in the world market as compared with the rest of the six commodities. The commodities which are enjoying more comparative advantage are- Manmade filament, Manmade staple fibres, cotton and vegetable textile fibers, paper yarn woven fibers and the commodities whose  $RCA < 1$  are as follows-Wool, Wadding felt, Carpets, special woven or tufted fabric, Impregnated, coated and Knitted fabric.

### Conclusion

Some commodities of Indian textile Industry has performed better in world markets as calculated by the Revealed Comparative Advantage. Commodities like- cotton, vegetable textile fibres, Manmade filaments, Manmade staple fibres and carpets and other textiles floor coverings. The value of RCA is greater than unity means these commodities are more competitive in world market as compared with the other commodities with RCA less than unity.

Furthermore Indian 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.

Finally it can be concluded that still there is scope for Indian textile products in the world market and Exports are increasing from US\$ 3.5 billion in 2004-05 to USD 27.47 billion in 2010-11.

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