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EVALUATION OF THE MOST POTENTIAL MARKETS FOR INDIAN GARMENTS

KEY WORDS:

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ABSTRACT

Clothes are an epitome of a culture. People in different parts of the world have their own styles of dressing which symbolize their culture and status. Textile and clothing (T&C) is important in economic and social terms, in the short-run by providing incomes, jobs, especially for women, and foreign currency receipts and in the long-run by providing countries the opportunity for sustained economic development.

Introduction

Textiles and clothing plays a major role in the development and industrialization process of countries and their integration into the world economy. The textile industry provides the single source of growth in rapidly developing economies. Indian sub-continent is the second largest manufacturer of garments. Textile industry in India contributes 4% to GDP and 17% to export revenues. Indian garment industry is pegged with nearly 13% growth per annum[1]. The textile industry of Tamil Nadu has its significant presence in the national and state economy. It is the forerunner in industrial development. Availability of raw materials, low cost skilled labor and growing domestic market are found to be the strength of Indian garment industry.

Statement of the Problem

India's textile sector not only employed millions of people directly but also gave the country the lion's share in global trade. However, things have changed in recent years. India's apparel industry is in tatters. New jobs aren't being created because exports are not growing. The apparel exports from Bangladesh surpassed India in the year 2003 and Vietnam left India behind in 2011[2]. Since then, both these countries have cut into India's pie as a preferred manufacturer of clothing, while India's exports have languished. India has low competitive position with regards to level of technology, automation and brand image in textile garment sector which made the researcher to choose such a topic for project.

Objectives of the Study

- To analyze the export performance of Indian garment industry.
- To study the effectiveness of government policies and various export promotion schemes in boosting garment exports.
- To evaluate the most potential export markets for Indian garment industry.

Limitations of Study

- The study was confined to Erode and Tirupur districts therefore the findings of this study were not extended to other areas.
- Time and cost are the factors limiting the study to a sample of 36 respondents.
- The data collected for the study are qualitative, being subject to personal bias of the respondents.

Analysis and Interpretation

Table 1Trend Analysis for Indian RMG's Exports and its Share in Total T&C Exports

FINANCIAL YEAR	RMG EXPORTS (in USD Millions)	RMG's SHARE IN TOTAL T&C EXPORT FROM INIDA (in Percentage)
210-2011	11217	41
2011-2012	13737	40
2012-2013	12962	39
2013-2014	15001	40
2014-2015	16847	45
2015-2016	16990	46
2016-2017	17479	48
2017-2018	19058	48
2018-2019	18902	49
2019-2020	18646	49

Export Promotion Schemes

Foreign Trade Policy 2015-20 and other schemes provide promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Some of the export promotion schemes are,

- Merchandise Exports from India Scheme (MEIS)
- Advance Authorization Scheme
- Duty Free Import Authorization (DFIA) Scheme
- EPCG scheme
- Market Access Initiative (MAI)
- Marketing Development Assistance (MDA)
- Towns of Export Excellence
- Focus Market Scheme
- Status Holder Scheme

Percentage Analysis

Table 2

Procurement Method	Respondents	Percentage
Depending on export order	23	63.9
Periodically	10	27.8
Based on fashion forecast	3	8.3
Method of Payment	**Respondents**	**Percentage**
Letter of Credit	24	72.2
Non Letter of credit	12	27.8
Reasons for Selling through Middleman	**Respondents**	**Percentage**
To reach consumers easily	2	10.5
To cater the needs of vast market	4	21.1
To ensure recovery of sales proceeds	2	10.5
To facilitate marketing operation	10	52.6
Financial safety	1	5.3
Method of Securing order	**Respondents**	**Percentage**
Contacts established From the past records	22	64.7
Walk in orders	4	11.8
Contacts established From the past records & Walk in orders	8	23.5
Rebate given for delayed shipment of goods	**Respondents**	**Percentage**
Less than 5%	12	70.6
5-10%	2	11.8
More than 15%	2	11.8
Other	1	5.9
Reasons for not getting export orders throughout the year	**Respondents**	**Percentage**
Market fluctuation	2	11
Seasonal Business	12	66
Market Fluctuation & Seasonal Business	2	11

Market Fluctuation, Seasonal Business & Competition	2	11
Incentives Availed	**Respondents**	**Percentage**
Duty Drawback	18	50
Advance/ Duty entitlement scheme	2	5.6
EPCG Scheme	2	5.6
Duty Drawback & EPCG	10	27.8
Advance/ Duty entitlement scheme & Duty drawback	4	11.1
Expectations of Exporters	**Respondents**	**Percentage**
Flexibility	6	16.7
Communication	2	5.6
Consistency of orders	12	33.3
Communication &Consistency of orders	2	5.6
Communication, Consistency of orders & Dependability	2	5.6
Flexibility & Consistency of orders	8	22.2
Flexibility & Dependability	2	5.6
Communication & dependability	2	5.6
Traits expected by Importers	**Respondents**	**Percentage**
Quality Consciousness	8	22.2
Time Management	8	22.2
Quality Consciousness, Time Management & Relationship management	4	11.1
Quality Consciousness & Time Management	10	27.8
Quality Consciousness &Proactiveness	4	11.1
Relationship management & Proactiveness	2	5.6
Problems involved in employing Third Party Logistics	**Respondents**	**Percentage**
Difficulty in Loading or unloading (A)	7	19.4
Delay in transit(B)	16	44.4
Difficulty in tracking (C)	6	16.7
Other (D)	1	2.8
Difficulty in Loading or unloading & Delay in transit (E)	2	5.6
Difficulty in Loading or unloading, Delay in transit & Difficulty in tracking (F)	2	5.6
Delay in transit & Difficulty in tracking (G)	2	5.6

Rank Analysis

Table 3 Rank analysis for Risk associated with garment exports

RANK	6	5	4	3	2	1	TOTAL	MEAN	RANK
FACTOR	**I**	**II**	**III**	**IV**	**V**	**VI**			
Non acceptance of goods	4	4	6	4	6	12	36	2.88	4
	24	20	24	12	12	12	104		
Currency Fluctuations	2	6	0	12	8	8	36	2.83	5
	12	30	0	36	16	8	102		
Payment related problems	2	4	2	10	4	14	36	2.55	6
	12	20	8	30	8	14	92		
Customs formalities	6	6	6	4	10	4	36	3.5	3
	36	30	24	12	20	4	126		
Buyer's country risk	10	12	10	2	0	2	36	4.66	1
	60	60	40	6	0	2	168		
Domestic policies of the government	12	4	12	4	2	2	36	4.38	2
	72	20	48	12	4	2	158		

Table 4 Rank analysis for risk involved in adopting new technology

RANK	4	3	2	1	TOTAL	MEAN	RANK
FACTOR	**I**	**II**	**III**	**IV**			
Inadequate Finance	8	4	8	16	36	2.11	4
	32	12	16	16	76		
Basic infrastructure cost	4	10	18	4	36	2.38	3
	16	30	36	4	86		
Legal Problems	6	14	8	8	36	2.5	2
	24	42	16	8	90		
Import of Capital goods	18	8	2	8	36	3	1
	72	24	4	8	108		

Table 5 Rank analysis for countries with high market potential for Indian garments

RANK	4	3	2	1	TOTAL	MEAN	RANK
FACTOR	**I**	**II**	**III**	**IV**			
Germany	2	4	14	16	36	1.77	4
	8	12	28	16	64		
France	8	10	10	8	36	2.5	3
	32	30	20	8	90		
Russia	14	12	4	6	36	2.94	1
	56	36	8	6	106		
Japan	12	10	8	6	36	2.77	2
	48	30	16	6	100		

Table 6 Rank analysis for country where changes in FTP has to be made in order to boost exports from India

RANK	5	4	3	2	1	TOTAL	MEAN	RANK
FACTOR	**I**	**II**	**III**	**IV**	**V**			
Germany	4	8	2	4	18	36	2.33	5
	20	32	6	8	18	84		
Russia	4	10	8	14	0	36	3.11	2
	20	40	24	28	0	112		
Japan	6	6	10	6	8	36	2.88	3
	30	24	30	12	8	104		
France	2	6	14	10	4	36	2.77	4
	10	24	42	20	4	100		
UAE	20	6	2	2	6	36	3.88	1
	100	24	6	4	6	140		

Findings

- RMG's export from India is expected to have steady growth in the coming years. The trend forecast shows that RMG's share in total export from India will be about 49% in 2020
- Most number of respondents (66.9%) procure raw materials based on their export order
- Majority of the respondents (72.2%) have specified that the payment is made through letter of credit
- Majority of the respondents (52.6%) feel that selling through middle man facilitates marketing operation
- Majority of the exporters (64.7%) are securing orders through contact established from past records
- Majority of the respondents (70.6%) provide less than 5% as rebate for delayed shipment of goods
- Majority of the respondents (66%)specified Seasonal business as a reason for not getting export orders throughout the year
- Most of the exporters (50%) avail duty drawback incentives for garment exports
- Majority of the respondents (22.2%) have specified Quality consciousness and time management are the most expected traits that the importers expect
- Most of the respondents (33.3%) have specified consistency of orders as trait they expect from importers
- Majority of the respondents (44%) mentioned delay in transit as their problem in employing third party logistics
- Most of the respondents opined that Buyer's country risk is a major problem associated with export of garments
- Majority of the respondents have selected Russia and Japan as the countries with high market potential for Indian garments
- Most of the respondents have selected UAE as a country where

changes in FTP have to be made in order to boost exports from India

Suggestions

- Despite significant advantages, Indian garment industry is facing considerable constraints in reaching its fullest potential. India tops in exporting a commodity – the cotton and not a product-the garment. This is where the government needs to concentrate to boost the export of product as a whole.
- Garment shipments to Japan from Bangladesh began after the adoption of "China plus One" policy by Japanese government to reduce over dependence on China for goods like apparel and electronics[3].
- Russia is a market with potential for Vietnamese garment business. The business has received many jacket and jeans orders from Russian companies in the recent years[4].
- Indian apparel industry is expanding its global business boundaries. The Russian economy is doing well compared to Europe and the customers are also fashion conscious. It is the best time for India to diversify into countries like Russia as the duties are standard for all countries
- Exporters also specified that cluster development requires immediate attention from the government as garment industry failed to reap the full benefits of a cluster model due to absence of professionalism and snail pace government systems.

Conclusion

Indian exporters have lost out to other developing and least developed countries like Bangladesh, Vietnam and Pakistan thus they are looking at the government to come up with more incentives in the forthcoming budget.

While China's dominance in textile sector has been on the wane due to rising labor cost, countries like Russia and Japan which were completely dependent on China have left a vacuum. Indian companies can take advantage of this.

Initiatives announced by the government along with the good quality products aided by innovative design process destined to the potential markets will drive the change for the industry.

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