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**INDIA'S FOREIGN TRADE, POLICY AND TRENDS WITH REFERENCE TO TEXTILE
INDUSTRY**

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ABSTRACT

India's trade policy is largely isolated from its negotiations of bilateral, regional and multilateral trade agreements. Recent studies indicate that while India has immense trading potential with its neighbouring countries in many sectors and products, most of those products are not included in the list of 'focused markets' and 'focused products' of its Trade Policy. Foreign trade in India comprises of all imports and exports to and from India. The Ministry of Commerce and Industry at the level of Central Government has responsibility to manage such operations. India's share of the global textile industry is predictable to grow from 4% to 7% by 2011-12 and the share of apparel in the export basket is anticipated to increase from 48% to 60%. India has a large fiber base, and ranks as the world's third-leading producer of cotton, accounting for 15 percent of the world's cotton crop. The Indian textile industry contributes significantly to India's export earnings. The worldwide trade of textiles and clothing has enhanced up the GDP of India to a huge scope as this sector has brought in a huge amount of revenue in the country. The Indian Textile Industry has a huge presence in the economic life of the country. Apart from providing one of the essential necessities of life i.e. cloth, the textile industry contributes on 14% to the country's industrial output and about 17% to export income. After agriculture this industry provides employment to greatest number of people in India employing 35 million people.

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INTRODUCTION

The Indian textile and apparel industry is diversified and has the capacity to provide a wide variety of textiles to meet different market needs. It has access to a large pool of skilled labor as well as trained and skilled technical and managerial personnel. Nevertheless, India's textile and apparel industry faces several structural problems. Foremost, the slow pace of modernization, particularly in the weaving, dyeing and finishing, and apparel sectors, have hampered the growth and competitiveness of the industry. Other structural problems include a restricted fabric base,

dependence on cotton, limited product mix, low productivity, multiple and discriminatory tax policies, and high infrastructure costs. Import restraints and market access barriers have fostered industry inefficiency and limited growth

India's share of the global textile industry is predictable to grow from 4% to 7% by 2011-12 and the share of apparel in the export basket is anticipated to increase from 48% to 60%. India has a large fiber base, and ranks as the world's third-leading producer of cotton, accounting for 15 percent of the world's cotton crop. India produces an extensive variety of cotton, providing operational flexibility for domestic textile producers. In the manmade fiber sector, India is the world's fifth-largest producer of polyester fibers and filament yarns and the third-largest producer of cellulosic fibers and filament yarns. India is the world's second-largest textile manufacturer (after China), and is diversified and capable of producing a wide variety of textiles. The spinning segment is moderately modernized and competitive, accounting for about 20 percent of world cotton yarn exports. India's textile industry depends profoundly on domestically produced cotton. Almost two-thirds of domestic cotton production is rain fed, which results in wide weather-related fluctuations in cotton production. Moreover, the contamination level of Indian cotton is among the highest in the world. The significance of the textile industry is due to its contribution in the industrial production, employment, and also earns foreign exchange by way of exports. Though, India is recognized for textile goods from ancient times, but the modern industry emerged in India in the early nineteenth century when the first textile mill was established at fort Gloster near Calcutta in 1818. The textile sector in India is one of the largest in the world. The Indian textile industry can be divided into three segments: 1) Cotton Textiles 2) Synthetic Textiles 3) Other like Wool, Jute, Silk, etc.

Indian Textile industry is a second largest industry after agriculture in terms of economic contribution and employment generation. Today, the India has great confidence to invite outsider for the investment as well for employment also. Textile industry is a oldest industry in India having huge cultural heritage with extensive range of textile stuffs, method and type that reproduce the various set of people and customs across the country. The Industry includes a widespread range of section, from hand woven, unorganized segment on and goes towards capital intensive technological segment. India is a number one jute producer in the world and second chief producer of silk and cotton worldwide.

Table 1 Growth in Production

S.No	Production - Sector wise	Growth by during February 2014	April 2013 - February 2014
1,	Man-made fibres	10%	4%
2.	Man-made filament yarn	6%	NA
3.	Cotton Yarn	10%	10%
4.	Non-cotton yarn	6%	8%
5.	Cloth - Mill Sector	9%	6%
6.	Cloth - Power loom	2%	NA
7.	Cloth - Hosiery	9%	NA
8.	Total Cloth production	4%	3%

Source: IBEF: 2014

NA = Not Available

Role of Textile Industry in India GDP

The worldwide trade of textiles and clothing has enhanced up the GDP of India to a huge scope as this sector has brought in a huge amount of revenue in the country. In the past one year, there has been a massive increase in the textile industry of India. The industry size has extended

from USD 37 billion in 2004-05 to USD 49 billion in 2006-07. During this era, the local market witnessed a expansion of USD 7 billion, that is, from USD 23 billion to USD 30 billion. The export market improved from USD 14 billion to USD 19 billion in the same period. The textile industry is one of the important sectors in the Indian economy as it contributes approximately 14 percent to the total industrial production. The textile industry in India is claimed to be the major revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides shortest employment to around 35 million people, which has made it one of the most beneficial industrial sectors in the country.

The role of textile industry in Indian economy

The textile industry of India gives great contribution to the GDP. This industry is providing second largest employment after agriculture sector. And thus, development of this industry directly affect to the Indian Economy. The export of textile of India is targeted to touch US\$ 185 billion by the year 2024-25. The exports of textiles has been up to USD 41.67 billion in 2014-15 that is by 3%. In INR 2.55 lac crores in against Rs. 2.48 lac crores in the previous year. The growth in specific area was considerable as such handicrafts, carpets and readymade garments 17%, 15%, 12% respectively. The share of Indian textile across the world is 5%

The Role of the Textile Industry in Indian Foreign Trade

During the 1950s, Indian exports of cotton fabrics stagnated in the wider context of stagnation in India's exports. During this period, jute manufactures, tea and cotton fabrics were major exports and they occupied more than 50% of total exports, but their exports were not supported by the government. Conversely, in the case of cotton fabrics, export control was imposed in order to reserve supplies for domestic consumption.

Textile Exports

The Indian textile industry contributes significantly to India's export earnings. The export basket consists of wide variety of items containing cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and range of garments. India's textile products, with handlooms and handicrafts, are exported to more than hundred countries. However, USA, EU Member States, Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc are the major importers of our textile goods. Throughout the year 2005-06, the share of textiles exports with handicrafts, jute, and coir in India's total exports was 16.63%. India's textiles exports have registered well-built growth in the post quota period. Textiles exports grew from US\$ 14.03 billion in 2004-05 to US\$ 17.08 billion in 2005-06, soundtrack a growth of 21.8 per cent.

The object of this paper is to make clear the relationship between structural change of the textile industry and export performance of cotton fabrics and ready-made garments and impact of the foreign trade policies on development of the textile industry.

Purpose of Study

The study analyzes India's textile and apparel industry, its structural problems, market access barriers, and measures taken by the GOI to enhance the industry's competitiveness in the post-Multifiber Arrangement (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.

Data and Scope

The Commission staff conducted a review of industry and trade journals; conducted interviews in India with key industry leaders, trade association executives, industry analysts, and government officials and collected information from Indian business newspapers via the Internet. Most of the industry statistics were obtained from the GOI's Office of the Textile Commissioner,

Ministry of Textiles, and The Indian Cotton Mills' Federation. The study covers the three competing sectors that make up the Indian textile industry—the composite mill, powerloom, and handloom sectors—and the apparel industry. The scope of the study includes cotton, manmade fiber, wool, and silk textiles and apparel. Also covered are the independent processing houses that carry out post-weaving and knitting operations such as dyeing, printing, and finishing fabrics. Data on India's apparel industry are limited; the statistics provided in this study pertain primarily to the organized sector, consisting mostly of large apparel firms.

Trade in Nineties

During the decade 1990-2000, textile trade grew at a cagr of 4%, after having grown at a rapid 15% annually during the quinquennium of 1985-90. The growth rate turned negative in 1998 and in 1999 following the East Asian crisis, but resumed to a robust growth of 7% in 2000. Clothing trade grew at a faster rate compared to textile, and clocked 6% annual average rate during the ten years from 1990-2000. It is noticeable, that, on an average, clothing trade grew at least as rapidly as textile trade in all years since 1980. It is therefore not surprising that the share of clothing trade in total textile and clothing trade has been rising and now stands at 56%, higher than 50% in 1990.

Trends in India's Foreign Trade in textile industry

During the period 2013-14, the value of Textiles exports was estimated at US \$ 30,379.55 million compared with US \$26,362.39 million in 2012-13, recording a positive growth of 15.24 per cent. The export of Natural Silk Textiles, Wool and Woolen manufactures and Jute manufactures registered negative growth of 8.95 per cent, 7.15 per cent and 3per cent respectively. However, Readymade Garments, Cotton yarn/Fabrics/Made-ups etc., Manmade Textiles & Made Ups etc, Coir and coir manufactures registered a positive growth of 15.53 per cent, 18.11 per cent, 12.85 per cent and 16.89 per cent respectively.

All India Index of Industrial Production (IIP) registered an increase of 10.1% during the first quarter of 2006-07 (April-June) as against the corresponding period of last year, the index of production for the textiles group of industries showed a surge. There was a significant increase in respect of Textiles products (9.5%) and Wool, Silk & Manmade fibre textiles (7.3%). The Cotton textiles also showed an increase of 2.4%. However, Jute & other vegetable fibre textiles declined by 0.9%. Spun yarn production has increased by 1.5%. Cloth production was more by 7.0%. The Hosiery sector recorded the highest growth (9.6%) followed by Powerloom (7.5 %). While the All India Wholesale Price Index rose by 4.6%, the textile group registered marginal increase of 0.1%. Exports started picking up momentum and increased by 20.54%. Significant increase was recorded in RMG (20.65%), Cotton Textiles (31.08%), Man-made Textiles (17.99%) and Wool & woollens (16.75%). However, exports of Jute Goods (-3.84%) is yet to make an upward trend. There was a surge in imports (13.36%), accounted by RMG (36.29%), Made-ups (40.11%), and Semi-raw material (21.45%). Under TUFs, during April-June'2006-07 the overall increase was recorded in terms of total number of applications sanctioned (243.23%), the amounts sanctioned (103.42%) and disbursed (117.68%).The performance in respect of the powerloom sector has also increased in terms of total amount sanctioned (558.02%) and disbursed (1121.05%) . The share of textile sector in FDI was 0.06% (in terms of amount) during this period as against 0.26% in the corresponding period last year. The share in the number of Letters of Intent (LOI) / Direct Industrial Licenses (DIL) was 50% and the share in investment was 94.7%.

Handicrafts and Carpets: Exports of Handicrafts increased to US \$ 277.13 million during 2013-14 from US \$ 203.76 million in 2012-13 registering a positive growth of 36.01 per cent. Export of carpets increased to US \$ 1037.11 million from US \$ 988.14 million during the same period last year registering a growth of 4.96 per cent.

Cotton Textiles India: The Foreign Trade Policy

Some of the Salient Features / Highlights of the Textile Industry in general and Handlooms in particular are.

- I. Government has decided to develop a trademark for Handloom on lines similar to 'Woolmark' and 'Silkmark'. This will enable handloom products to develop a niche market with the distinct identity.
- II. All Export Promotion Council shall open a separate Cell to involve and encourage youth and women entrepreneurs in export effort.
- III. Minister of Commerce and Industry invited Suggestions on a proposal to change the names of Export Promotion Councils to 'Trade Promotion Council.
- IV. All actions by Income Tax authority on DEPB benefits have been stopped by Prime Minister with immediate effect. The matter is to be decided at economic advisory council headed by Prime Minister in the next 30 days.

Foreign Trade Policy

With a view of continuously increasing our percentage share of global trade and expanding employment opportunities, certain special focus initiatives have been identified/continued for Market Diversification, Technological Up-gradation, support to status holders, Handlooms, Handicraft, manufacturing Industries, Green products, Exports of products from North-East, Sports Goods and Toys sectors. To usher in the next phase of export growth, India needs to move up in the value chain of export goods. A number of initiatives have been taken in this Policy (2009-2014) to focus on technological up-gradation.

The measures included in the Foreign Trade Policy as

- (i) duty neutralization schemes to provide refund of indirect taxes and levies;
- (ii) export promotion of capital goods;
- (iii) enhanced market access through market and product diversification; and
- (iv) bringing down transaction costs.

The Council Textile Machinery Manufacturers' Association of India (TMMA) reviewed the status of domestic production of textile machinery vis-à-vis the domestic demand; concerns regarding level of technology in indigenously produced loom vis-à-vis imported equipment, price difference between indigenous machinery and imported second hand machinery and the measures needed to be taken for the benefit of the domestic shuttle-less loom manufacturers.

To enhance trade competitiveness and overall growth of India's foreign trade, TMMA had recommended in the Pre-Budget Memorandum for 2014-15 Duty Drawback Rates 1.7% in finishing machines for textiles and other textile machines to increase this to a highest level of 7.2%. Duty Free Import Authorization outright up to 12.50 % duty free import of components of the value of exports of the last preceding year for a company, an extremely simplified self-declaration DFIA procedures.

Government Policy

There as many as 20 control orders/ notifications which are still in force despite the long years of liberalisation and deregulation of the Indian textile and clothing industry⁵⁴. Some of the government policies that have a bearing on global competitiveness of the Indian textile and clothing sectors are briefly outlined below

1. Excise Policy: The excise duties applicable to the textile industry are the Basic Excise Duty (BED), Additional Excise Duty (AED) @ 15% applicable on cotton yarn and on all man-made/ blended yarn and fibre and AED in lieu of sales tax applicable on power processed fabric. However, the duty structure is biased since duty incidence falls disproportionately on different segments of the Indian textile and clothing sectors. Garments and made-ups that contribute 15% of value added share only

13% of excise burden, whereas fibre/yarn segment that contributes 39% of value added contributes 55% of the duty. Grey fabric pays no duty at all.

2. Technology Upgradation Fund (TUF): Under the TUF scheme, manufacturing units are eligible for long and medium term loan from IDBI, SIDBI and IFCI, at interest rates that are 5% lower than the normal lending rates of banks. However, whether specific units are credit worthy for loans or not is to be independently evaluated by the lending institutions.

3. Cotton technology Mission (CTM): India is the third largest producer of raw cotton in the world. But the yield of Indian cotton (approx. 300 kg/ha) is very low compared to world average (553 kg/ha), and dismal with respect to some countries like China (1064 kg/ha) and Turkey (1151 kg/ha). Moreover, ITMF57 surveys have repeatedly concluded that the Indian cottons are among the most contaminated in the world. This reflects the poor storage facilities and methods of handling cotton not only at the picking stage but also during ginning and pressing.

4. Quota Entitlement Policy: The issue relevant for competitive analysis in this policy is the fact of over-categorisation that has been practised through these policies, and the 'export tax' that the Indian textile and clothing exports have been subjected to owing to the quota policy of major importing markets.

Some of the major investments in the Indian textiles industry are as follows:

- Private Equity firm Everstone plans to invest Rs 100 crore (US\$ 16.62 million) for an undisclosed minority stake in the fashion label of designer Ritu Kumar.
- Raymond's 'Complete Man' plans to enter the developed markets in the US, Europe and East Asia. The textile company seeks to expand the network of its Made to Measure (MTM) stores. With plans to invest around Rs 200 crore (US\$ 33.24 million), the company is looking for partners to help it grow its overseas business.
- Arvind Ltd. has picked up the 49 per cent stake held by the Murjani Group in Calvin Klein in India. With this, Arvind and PVH Corp are expected to drive Calvin Klein's business in the country.
- Suraaj Linens, India's leading manufacturer of Home Textiles articles, has launched a new line of modern home textiles that reflect trendsetting patterns, fabrics and styles.
- American apparel-maker, Tommy Hilfiger plans to add 500 stores in India over the next five years as part of their expansion spree. Currently, Tommy Hilfiger operates 58 franchise outlets and over 60 shop-in-shops in other department stores (IBEF Report: 2014).

Indian textile and clothing sectors have a tremendous potential, only a portion of which has been exploited due to policy constraints. And where exploited, Indian entrepreneurs have done the country proud. However, there lies a considerable potential that has not been exploited primarily due to government policy marked by ad hocism, fragmented vision, and political opportunism

Conclusion

The Indian textile industry is a major contributor to the economy with foreign exchange through exports and provides direct and indirect employment. The Government of India has been taking initiatives to invite investments. India has recently signed bilateral trade agreements with several countries. The World Bank's role has been confined to providing better information and analysis than was previously available to India's policymakers. The provisions under the Foreign Trade Policy of the Government of India are focused to support exports of textiles and garments. The maiden budget presented by the new Indian Government promotes new textile clusters. Handloom sector gets additional push and support. The production and exports of textiles are expected to grow in the years ahead.

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