RMG Trading Scenario in India and Other Major Countries-Comparative Performance & Issues

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Abstract

The article studies the ready-made garments (RMG) export performance of India and its competitors in respect of the major import destinations. India is in a position to increase its market share in ready-to-wear garment export to USA after the removal of Quotas. The impact of abolishing of quota system and economic crisis on exports of ready to wear garments to its major markets in post quota regime has been examined. The detailed analysis of recession hit markets brings out the winners and strugglers in the market. This research paper makes a critical appraisal of the prevailing issues affecting the RMG export import trend.

Approach of the Study: The study has been carried on in two phases, the first phase was exploratory research and the second phase was primary research.

Limitation: The research is carried out on the exports of ready-to-wear garments only. The study will not give any detail of the fabric exports from India. The research is based on a questionnaire survey of ready-to-wear garment exporters in New Delhi, India.

Keywords: Readymade garments export & import, Textile & clothing industry, Global economic crisis, MFA quota system

1. Introduction

Indian T&C industry plays an extremely significant role especially in terms of share in value added, foreign exchange earnings, and employment is becoming increasingly globalized and there is fierce competition to cut cost, especially after the elimination of quotas in January 2005.It created an increasing trend towards outsourcing of apparel production to low-cost countries like China, India, Pakistan, Bangladesh, Vietnam and Sri Lank, and India faces stiff competition with these countries. China has been emerging as the real winner in the garment export market. Indian industry is still struggling by capacity constraints. Presently, around 45% of the total textile exports in India accounts for ready-made garments. The T&C industry is expected to touch US $ 115 billion by the end of Eleventh Five Year Plan and has potential to employ 45 million people by the end of 2012. However, due to economic slowdown the exports have dramatically declined, hence questioning recovery to loss and disturbing the growth prospects. The apparel industry has entered the crucial stage which will determine the commitment of the industry to stay and grow in the open trade environment. Thus, some comments have been made on current proposals of Indian Government for apparel industry.

1.1 Industry Perspective

The Multi-Fibre Arrangement (MFA) of 1974, which restricted the exports of textiles and garments by imposing quotas, was removed on 1st January' 2005. This arrangement enabled the USA, European Union and Canada to control the imports of textile and clothing from manufacturing countries like India, China, Bangladesh, Sri Lanka and others. The restriction meant that a quota was imposed on the exporting country that limited its share of total exports in textile and clothing to developed nations (Landes, MacDonald, Singh and Vollrath, 2005).

1.2 Impacts of the End of MFA Quotas

The elimination of MFA quotas is re-orienting world production and trade of fibre, yarn, fabric, and clothing in fundamental ways:

i. The output related to textiles and clothing will increase among the developing countries including India, Pakistan, and China due to the removal of quotas.

ii. Many producers with higher cost will continue to receive tariff protection. While others will also continue to profit from either geographic proximity or preferential trade arrangements with U.S. and EU markets.

iii. The prices of textiles and clothing will reduce in the United States and EU, thus giving benefit to ultimate consumer. (Landes, MacDonald, Singh & Vollrath, 2005)

2. Export Market and Recession Impact

2.1 India's RMG Exports- A Comparative Performance in Major Markets

IN 2008, Garment industry accounts for 43% of India's total T&C export earnings with exports worth US $ 9.7 billion. USA is the second largest export market for Indian garments, accounting for 28% of India's total garment export value. EU27 is the major export market for Indian garments accounting for 47% of the export value. UK is the key export destination in EU27 accounting for 12.3% of India's total garment export value. Japan accounts for only 1% of India's total garment export value.

At present 7.4% of CAGR for the domestic market is due to the rising incomes and growing preference for readymade garments (RMG) vis-à-vis tailored garments and the outperformance of urban RMG market. The demand for apparel export have been adversely affected in USA and EU markets, are now expected to grow at a CAGR of 46% in 2010. However, India faces stiff competition from cost competitive countries like China, Bangladesh and Vietnam.

India's major RMG export destinations are USA, UK, Germany, France, UAE, Italy, Netherlands, Spain, Canada and Saudi Arabia. In 2008, USA, Germany, and France collectively accounted for 50% of India's RMG exports.

In 2007, India's RMG exports to world increased by 3.02% i.e. from US $ 8948.44 Million (in 2006) to US $ 9218.84 Million (in 2007). Due to prevailing economic crisis, in 2007, India's RMG exports to USA accounted for US $ 2815.24Mn, which was a decline of 4.15% as compared to previous year.

The slowdown in garment exports from India started in the mid-2008 when retail orders from advanced economies in North America and Europe began to feel the pinch of the most devastating economic meltdown worldwide causing a widespread of unemployment and altering consumer spending behaviour. Exports of readymade garments from India tumbled 6.59 per cent in September over the same period last year as a direct consequence of global economic slowdown. {According to the Apparel Export Promotion Council (AEPC)}

In April 2008, apparel exports jumped to 878.32 million dollars (Rs 3,515 crore), up 26.82 per cent in dollar terms (20.42 per cent in rupee terms) from 692.53 million dollars (Rs 2,919 crore) in the same period last year.

Chasing away consistent decline, Indian RMG exports grew by 5% in January 2009 over the last same year. On month to month basis, as compared to US $ 871 Million in December 2008, there was an increase of 11% at US $ 972 Million. During 2008-09, RMG exports was little over US $ 2714 Million, which amounts around 25% of India's total garment exports to world and 3.34% of USA's total garments imports from the world.

India's exports of RMG to EU (largest market next to USA) increased 12.23% i.e. from US $ 4535.33 Million in January 2008 to US $ 5089.79 Million in January 2009. RMG exports were expected to cross US $ 15 Billion (Rs 650 Billion) by 2009-10 at CAGR OF 18-20% (According to Cris Infac.)

During April-January 2009-10 garments exports stood at US $ 7.91 Billion as compared US $ 8.81 Billion in the same period previous fiscal. India's garments exports declined by 2.64% i.e. US $ 10.64 Billion in 2009-10 from US $ 10.9 Billion in previous financial year. (According to AEPC)

India's exports are less than 50% whereas China constitutes around 65% of total textile exports. India constitutes meagre 3% of the total global apparel market estimated at US $ 295 Billion, whereas China accounts for 30% share. Competitive pricing, reduction in bank rates and a depreciating rupee have helped garment exporters survive the recession and compete with cost-competitive countries like Bangladesh, Pakistan, Sri Lanka etc.

India witnesses positive growth in apparel exports to the USA. The positive tempo for the Indian exporters to the US with both values and volumes increasing continues with stable growth of 6.70% in value and 5.43% in quantities during Jan-August of 2010. It is indeed good news for exporters working in US market. Most of the exporters have reported noticeable increase in enquiries from both regular buyers and some new buyers who are looking orders at shifting orders from China. The question of how much order is going to shift from China is a matter of debate and many buyers feel that despite the rising cost in the country there is no real replacement of China.

China remains the preferred sourcing destination for most buyers and the country saw gains in both value and volume terms of 19.67% and 24.84%, respectively. Unit prices of Chinese products are however on the downslide with UVR (unit value ratio) of $2.67, in the review period last year the UVR was $2.78. But this is in line trend in UVR.

In fact, even though there are many orders in the offering, the prices being offered are very challenging and the FOBs that buyers are negotiating on are very tight. This is also reflected in the average UVR of garments imported by the US, which are down from the last year i.e. 2009. While it was $ 3.02 in the same period last year, the UVR in the period Jan-August'2010 stood at $2.88.

Among the six countries under review, Sri Lanka, with UVR of $ 3.81 recorded the highest UVR, followed by India with a UVR of $ 3.18, which is marginally up from the same period last year of Euro 3.15. The lowest UVR is of Pakistan at $ 2.10, though it is marginally than the UVR during the same period last year at $2.03. The UVR of Bangladesh, which is seeing good quantities gain during the review period, was $ 2.43, down marginally from $ 2.50, in the same period last year. Vietnam recorded a UVR of $ 3.08 down from $ 3.18.

Most countries shipping to the US were able to register positive gains primarily because the US has increased its imports of apparel goods during 2010 with 11.17% increase in value and 16.47% rise in volumes. From obvious reasons India's growth comes from the fact that apparels in cotton have registered good growth in both value and volume terms. While values were up 10.31%, the volume increased 15.09% in quantities. In absolute terms, the three major products from India in value are T-shirts, trousers, and ladies blouses. Unfortunately all three categories registered decline during the review period, while a downfall of (-) 15.79%, the decline in ladies blouses was however marginal at (-) 0.82%.

There is lot of instability in Bangladesh at the moment as labour unrest continues to disrupt production. However, the same is not reflected in the export figures and the country after seeing negative trends in the first three months of 2010. When both the volume and value of exports have dipped compared to the same period last year, has got back to last gains with 11.34% increase in volumes and rise of 8.33% in value. Experts feel the country is bursting at the seams and the potential for further growth is limited, but upward march continues to surprise industry watchers.

With the global structure of apparel trade undergoing a transformation, a country which is showing a consistent growth both in value and volume is Vietnam. While the value of exports to the US has increased by 13.38%, the volumes have increased by 16.83%. The growth that the country has seen has taken the total exports of the country second to China among the countries under review.

2.2 USA's RMG Imports

Garments are the major import product constituting 76.7% of the total T&C import value and 45% of the total T&C import volume.

The major RMG suppliers to USA are China, Mexico, Vietnam, Indonesia, India, Bangladesh, Honduras, Cambodia, Hong Kong and Thailand. The year2007 alone accounts for 27.27% of the world imports of RMG followed by Germany, UK, Japan, Hong Kong, Italy and Belgium together accounting for more than 75% of imports.

USA, EU, and Japan are major import markets for T&C products accounting for 46% of world textile imports and 76% of world clothing imports in 2007. In US economic growth fell by 0.3% between June and September, 2008.

USA's imports valued US $ 75554 Million with an increase of 2.95%, in 2007, as compared to the previous year. The top suppliers were China and Mexico with a share of 31.725 and 6.1% respectively, while India stood at 5th position with 4.26% share. In the same period, imports from Bangladesh and Pakistan recorded an increase of around 6%, whereas, India saw a decline of 0.65%

In 2008, China and Vietnam topped with a share of 32.029% and 7.299% respectively, whereas India ranked 6th with 4.29% of share in US imports. By the end of the year 2009, USA's import value from China, Vietnam and India were US $22161.37 Million, US $ 4830 Million, and US $ 2922.90 Million. The percentage in 2008-09 of USA imports from China and India were 0.78% & (-).05% respectively. In 2008, India's share in garment import volume remained stagnant and the volume-wise imports from India increased by 2% (y-o-y). During the period 2007-08 and 2008-09there had been a decline in USA's imports of apparel with a percentage of (-) 6.97% & (-) 3.18% respectively.

In 2009, US apparel imports from world declined by 11.8%, also imports from china and Bangladesh witnessed a decline @ 2.81% and 0.42% respectively. During Feb-2009 & Feb-2010, the USA's RMG imports dropped by 0.86% and India's share also declined by 4.94%.

Amongst the countries under consideration, China is the leading supplier of garments to US followed by Vietnam and Bangladesh, and in terms of most competitive prices, Bangladesh tops followed by China.

2.3 EU's RMG Imports

EU is the largest importer of T&C accounting for 33.7% of the world textile imports and 45.5% of the world clothing imports by value. Garments account for the largest share of EU's T&C import volume with their share increasing over the years from 36% in 2005 to 43% in 2008 (according to iMaCS study) Since 2002-2007, EU's garments imports increased at a CAGR of 5.3% by volume 4.6% by value.

For Indian T&C industry, EU is the largest export market, accounting for 33% of India's total T&C exports by value in 2007-08. It accounts for 47% of Indian total garment export by value in 2007-08.

In 2007, the EU's total RMG imports were Euro 10733.71 million with an increase of 4.41% from previous year. China, India and Bangladesh were the top suppliers with import value in euro 21877.93 million, euro 3840.98 million, & 4384.80 million respectively.

During Jan-April 2008 EU's RMG imports increased by 1.18% and China, India, Bangladesh were the major suppliers with the share of 19.30%, 4.35%, & 4.16% resp. and imports from Pakistan, Malaysia, Canada and Russia declined significantly among the top supplier countries to EU.

In 2008, Impact of economic slowdown was observed in import value of garments was almost stagnant in the third (Q3) & fourth (Q4) quarter as against an increase of 5% y-o-y and 4% y-o-y resp. in the same period. Also, EU's import of RMG recorded for 109.82 billion euro with an increase of 1.26% from the previous year. Bangladesh, India, Indonesia, and Sri Lankan were the top suppliers. However, share varied to large extent viz. China accounted for the largest share of 22.97% followed by India with a share of 3.55%. In 2008-09, China, Bangladesh and Mexico recorded a highest growth of 36.33%, 8.74%, 9.39% resp. in EU's RMG imports whereas India and Indonesia registered a decline of 0.49% and 4.06% resp.

EU27 witnessed a drastic increase in Volume-wise garment imports on account of growth in imports from EU Intra countries; however, the value-wise imports remain stagnated. In October, 2008, Garment import value witnessed a decline of 0.7% (y-o-y) in October, 3.8% (y-o-y) in November, although in December, 2008 it grew by 7.2% (y-o-y).

China is the major supplier of garments to EU27 followed by Bangladesh and Turkey. In EU27 garment import volume, the share of China increased from 30% in 2005 to 34% in 2007 however; there was a decline by 27.8% in 2008. Turkey's share also declined during 2008 to 4.6% from 7.3% in 2007. Bangladesh also saw a decline from 8.3% in 2007 to 6.4% in 2008. In 2007, India's share in EU27 garment import volume was 4% which declined to 3% in 2008.

Value-wise garment imports from India increased by 3.2% (y-o-y) whereas that from China increased by 14% (y-o-y) in 2008. Also, Imports from Sri Lanka and Vietnam increased by 7% y-o-y and 10% y-o-y respectively, and imports from Turkey declined by 11% y-o-y during 2008 resulting in a drop in its market share to 7% from 8% in 2007. Amongst the countries under consideration, Bangladesh supplies garments at the most competitive prices to EU27 followed by China, India and Turkey.

2.4 UK's RMG Imports

In EU27, UK is the largest market for Indian T&C industry accounting for 7.5% of India's total T&C exports by value in 2007-08 and accounted for 12.3% of India's total garment export value.

Garment imports by UK increased by 4.4% (y-o-y) by volume but import value declined by 8.5% (y-o-y) in 2008. Increase in garment import volume has been on account of surge in EU Intra imports which increased by two times during Q4, 2008 whereas imports from EU Extra countries grew by 1.2% y-o-y. Amongst the countries under consideration, China is the leading supplier of garments to UK followed by Bangladesh and Turkey (acc. to iMaCS report).

In 2007, India's share was 5.7% in UK garment import volume, which decreased to 5.5% in 2008, though import volume from India increased by 1.5% y-o-y. In 2008, UK's Garment import volume from China inclined by 14.3% y-o-y resulting in increase in its market share in UK's total garment import volume from 31.6% in 2007 to 34.6% in 2008. During 2008, Garment import volume from Bangladesh increased by 3.6% y-o-y, whereas that from Turkey declined by 22.2% y-o-y resulting in a drop in Turkey's market share in UK total garment import volume from 8.7% in 2007 to 6.5% in 2008. UK's Volume-wise garment imports from Sri Lanka increased by

8.9% (y-o-y).

2.5 Japan's RMG imports

From 2002 to 2007, Japan's Garment imports increased (data 5-year) CAGR of 5.1% by value and 2.7% by volume. In the world, Japan is the third largest garments importer with a share of 6.7% in 2007. China, India and Vietnam are the major suppliers of garment to Japan. Under consideration, the six countries naming China, Vietnam, India, Bangladesh, Sri Lanka and Turkey together accounted for 95% of total garment imports by Japan during 2008.

Japan witnessed an economic slowdown and shown a significant decline of value-wise imports, by 7% (y-o-y) in Q1, 2008 and in Q2, 2008 by 10%, though decline moderated to 3% in Q3 with imports increasing in Q4, 2008. The trend continued in January 2009 with increasing imports of garments by 19.4% y-o-y by volume and 7.5% y-o-y by value.

In 2007-08, India's total T&C export value to Japan accounted for only 1% whereas China accounted for over 70% of Japan's total T&C imports. In total garment imports in 2008, China is the largest exporter of garments to Japan, with a share of 91% (by volume). In 2008, amongst the six countries, Vietnam ranked the second with a share of 2.9% up from 2.5% in 2007; share of Vietnam increased to 3.5% in January 2009. In 2008, India's share in Japan garment import volume was 0.5%, marginally up from 0.4% in 2007 on account of marginal increase by 1.2% (y-o-y) in volume-wise garment imports from India.

2.6 Canada's RMG imports

During 2007, an increase of 11.95% was recorded for the Canada's RMG imports as compared to previous year. The total value of imports in the year 2006, 2007 and 2008 (Jan-June) were US$ 615.22 Million, US$ 6885 Million and US$ 3411.07 Million respectively.

During 2008 (Jan-June) Canada's imports increased by 9.1% as compared to Jan-June'07. For the same period imports from India also increased by 0.35%, also the share in Canada's imports by major countries were China 51%, USA 7%, Bangladesh 7%, India 5%, Mexico 4%, Cambodia 3%, Italy 3%, Vietnam 2% and Indonesia 2%.

The top suppliers to Canada were China, Bangladesh, USA and India which collectively accounted for around 70% of Canada's imports. During 2008 (Jan-June) imports from South Korea witnessed a maximum decline of 26.21% followed by Philippines and Taiwan with 16.73% and 11.21% respectively whereas imports from Vietnam recorded a maximum increase of 35.81% followed by Cambodia and Bangladesh with an increase of 27.36% and 23% respectively.

3. Recession Hit Indian Garments Export Industry- Consequences & Issues

Due to the recessionary conditions still prevailing in the US and Europe, the apparel export industry in general has been adversely affected. Though the US markets are improving slowly but prices remain the same. The raw material prices are increasing whereas selling prices are decreasing. The performance of the industry has been adversely affected due to the high cotton prices, appreciating rupee and high wage cost.

Some exporters are keen to look beyond apparel and explore opportunities in the recession-proof areas of industrial and technical wear due to Hit by a dip in apparel exports in 2009. Although the apparel export market has picked up in the last quarter, exporters do not want to depend solely on apparel for business and trying to explore new avenues. For instance, Gokaldas Exports (country's biggest apparel exporter) sees significant value in manufacturing garments for industrial wear – such as uniform for security agencies, army, the fire services etc. and trying to explore this deeper to maintain the goodwill.

Due to low demand and economic crisis, there was a drop of 20 to 25 per cent in the business of winter apparels from India. Many buyers have filed for bankruptcy and a large number of stores in the United States got closed.

Industrial wear is a $3-billion business in the world and most of it is manufactured in China, Taiwan, Korea and the US. While in India, a few companies cater to the domestic requirements, not many exporters are involved in it in a big way. As there is a necessity for apparel which is driven mainly by fashion, specialty textiles and 'smart' garments (as technical clothing is called) and thus presents a good market opportunity for Indian exporters.

There is a big thrust on technical textiles from the Government. The Union Textile Ministry has launched a national technology mission for technical textiles and provides 5 per cent interest compensation and a 10 per cent upfront capital subsidy for technical textiles. Norms for technical textiles are reasonably well laid-out; faster passing of projects and easier clearance of financial aid. India will take some time to match with China but industry players will concur.

In 2010, Due to weakening of Euros, garment exporters are trying to sew new pricing and currency trading tactics with European customers to tide over the crisis and forced to demand more from European clients, but there has been lot of resistance shown by the clients. It may be easy for the big exporters but not for the small players. The euro weakening had pushed India's European revenues by 10-15 per cent. Things have especially been difficult in Germany, Italy and Spain, although Indian exporters are doing better in rest of Europe, but the overall economic crisis in Europe seems to have affected the exporting community. Whereas, American market has come up strong, although pricing continues to be an issue.

And because of the US economic slowdown, India is now has become more inclined towards Europe for its Textile and Garments exports (especially readymade garments).

The global scenario today is pushing manufacturing cost perpetually upward and no sourcing destination is immune to the changes.

Current issues are arising because of the economic slowdown resulting in decline of demand in the global markets and secondly the liquidity crisis. Other issues which are affecting the long term growth of the industry are as follows:

i. Majority of T&C manufacturers reported to have an order book status of 15 days to a month. (According to iMaCS's survey)

ii. There has been on an average one year backlog in the disbursement of interest compensation resulting in compounding of the current working capital problems of the industry. Thus, Delay in disbursement of TUFS (Technology Upgradation Fund scheme) assistance has been a deterrent, though TUFS has supported modernization and expansion in T&C industry.

iii. Intensifying competition and Increase in raw material cost in light of diminishing demand resulted in increase in working capital requirement for cotton procurement, thus, a hike in cotton prices, resulting in a significant increase in the cost of various textile products.

iv. Unlike China, polyester prices in India are higher than cotton prices, which is one of the reasons for the preference in consumption of cotton.

v. Anomaly in excise duty and import duty structure of manmade fibres/filaments is adversely affecting the domestic consumption. The taxes and duties charged by the State Government and the local bodies are not refunded to the T&C manufacturers and exporters.

vi. As compared to China, Bangladesh, Vietnam, and Sri Lanka, Indian T&C products lacks by cost competitiveness.

vii. High working capital has been observed causing India less competitive.

viii. Poor market diversification concept.

ix. There is a lack of skilled labour availability.

x. Indian T&C industry is highly dependent on US and EU markets.

xi. Transaction costs including documentary procedures are troublesome to the exporters.

xii. India, amongst the key competing countries, rank highest on the 'Difficulty of Firing index' and also ranks high on "Rigidity of Employment index" on account of stringent labour laws.

xiii. Lack of focused approach by the policy makers.

xiv. Lack of power as the most severe business constraint to the majority of the domestic manufacturers ranked, thus severely interrupted the smooth flow of chain.

To rejuvenate and enhance the performance of India's Textile & Clothing Industry, the Union Budget, 2010-2011and Exim Policy have been framed.

3.1 New Foreign Trade Policy (Exim Policy) 2010 - 2011 Highlights

Textiles sector:

1) Duty free import of specified trimmings, embellishment etc shall be available @ 3% on exports of polyester made-ups in line with the facility available to sectors like Textiles & Leather. It will promote export of products such as micro cloth, which has become popular in home textiles.

2) Readymade Garment sector granted enhanced support under MLFPS for a period of further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.

3.2 Highlights of the Union Budget, 2010-2011

Some of the highlights/salient features of the proposals with reference to manufacture and exports of textiles & clothing are as follows:-

i. Tax reforms: GST along with the Direct Tax Code (DTC) to be introduced from April, 2011.

ii. TUF Scheme: Allocation of Rs.2400 crores is made under TUF Scheme to facilitate clearing arrears of interest subsidy.

iii. Interest Subvention:

a) Interest subvention of 2% on pre-shipment export credit is extended only for sectors like Handicrafts, Carpets, Handlooms & Small & Medium enterprises

b) Subvention for timely repayment of crop loans rose from 1% to 2% for 2010-2011. Thus the effective rate of interest for such farmers will now be 5% per annum.

iv. Extension for repayment of loan by farmers: Period for repayment of the loan amount by farmers extended by six months i.e. from 31-12-2009 to 30-06-2010.

v. Exports from Tirupur: In order to sustain and give an impetus to exports of hosiery items from Tirupur a onetime grant of Rs.200 crores is provided to Government of Tamil Nadu towards the cost of installation of zero liquid discharge system at Tirupur

vi. Skill Development: To launch an extensive skill development programme in the Textile & Garment sector by leveraging the strength of existing institutions and instruments of the Ministry of Textiles.

vii. Direct & Corporate Taxes

a) Increase in the rate of Minimum Alternative Tax (MAT) from the current rate of 15% to 18% of book profits

b) Hike in the weighted deduction on expenditure incurred on in house R & D from 150% to 200%

c) Reduction in the current surcharge of 10% on domestic companies to 7.5%

viii. Customs duties: Restoration of the Basic Custom Duty of 5% on Crude Petroleum, 7.5% on diesel and petrol and 10% on other refined products.

ix. Central Excise duties:

a) Reduction in rate of Central Excise Duties to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8% to 10%, ad valorem

b) Increase in Central Excise Duty on Petrol and Diesel by Rs.1 per liter.

c) In order to ease the cash flow position for small scale manufacturers hit hard by the economic slowdown, they would be permitted to take full credit of Central Excise duty paid on Capital goods in a single installment in a year of their receipt.

d) Permit to pay Central Excise duty on quarterly basis rather than monthly basis.

e) Reduction in Central Excise Duty on corrugated boxes and cartons from 8% to 4%.

3.3 Comments on Current Proposals of Indian Government for Apparel Industry

x. 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.

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

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

xiii. 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.

xiv. 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 incentivising 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.

xv. 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.

xvi. 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.

xvii. The Union Budget 2010-11 did not fascinate the textiles exporters for their sustenance and development. The Union Budget 2011-12 is expected to be more of exporters' interest.

4. Conclusion

It emerges from the above that Indian textile & garment industry is a mix of issues and prospects and contributes 12% to the total exports and is the second largest employer after the agriculture. By the end of Eleventh Five Year Plan, Ministry of Textile has targeted a growth of 16% per annum for the Indian T&C industry to reach US $ 115 billion. Garments make up around 35% of the country's total export earnings with garments alone contributing over a half of it. Further, the export earnings from the industry are estimated to increase to US $ 55 billion by 2012. India's strength lies in its low cost skilled and unskilled labour, creative skills, variety, value addition, and the flexibility of operations, thus leading to the greater global market access.

The global apparel industry is at a crossroad today with both the retailer and manufacturer looking at new options to stay competitive while meeting evolving needs of fashion on one hand and increasing consumer demand on the other hand. The fact that the industry has passed through a slowdown phase has made the things worse.

Most of the garment exporters or their trade bodies are not expecting any fiscal relief or reform even in the next years financial Budget i.e. for 2011-12, unless the Government of India corrects its vision and priorities-notwithstanding anybody taking over as Minister of Commerce and Industry. 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.This requires certain positive steps towards the sustained growth and development.

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