



## **A STUDY ON DIFFICULTIES FACED BY EXPORTERS IN TEXTILE INDUSTRY**

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### **ABSTRACT**

*This manuscript concentrates on the difficulties faced by exporters in the Indian Textile Industry. Textile Industry is one of the leading industries in the world. Indian Textile Industry has a deluge presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays an important role through its contribution to industrial output, employment generation and the export earnings of the country. It leads about 14% to the industrial production output, 4% to the GDP and 11% to the country's export earnings. The textile sector is the second largest provider of employment after agriculture. The report of Working Group constituted by the Planning Commission on boosting India's manufacturing exports during 12th Five Year Plan (2012-17), ideate India's exports of Textiles and Clothing at USD 64.11 billion by the end of March 2017. Data collected through direct interview method from top level executives of 50 companies across India on random basis. The places covered for primary data are Mumbai, Delhi, Kolkata, Hyderabad, and Bengaluru. Findings and conclusion are made based on the interview data and analysis.*

**KEYWORD:** *Textile Industry, Export, Textile Companies, Ministry of Textile, WTO.*

### **INTRODUCTION**

The Indian Textiles Industry has a deluge presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it leads about 14% to industrial production, 4% to the GDP, and 11% to the country's export earnings. It provides direct employment to over 45 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. Textile and clothing exports account for one-third of the total value of exports from the country. The report of Working Group constituted by the Planning Commission on boosting India's manufacturing exports during 12th Five Year Plan (2012-17), ideate India's exports of Textiles and Clothing at USD 64.11 billion by the end of March 2017. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the power loom and handloom sectors as well. Textile is one of India's oldest industries and has a formidable presence in the national economy.

### **OBJECTIVES**

1. To collate the difficulties faced by the Textile Companies during Export.
2. To recommend the resolutions for the difficulties faced by the Textile Companies during Export.
3. To study the position of Indian Textile Export with respect to the world level since the year 2008.

### **RESEARCH METHODOLOGY**

Primary Data collected through direct interview method from top level executives of 50 companies across India on random basis. The places covered for primary data are Mumbai, Delhi, Kolkata, Hyderabad, and Bengaluru. The difficulties faced by Textile exporting companies are categorized to various dimensions. These are Custom formalities, Transaction Cost involved during export, Transportation from Company to Port, Quality rejection, Shipping and others.

Secondary data will be used to study the position of Indian Textile Export with respect to the world level since the year 2008. The major sources of secondary data are websites of Ministry of Commerce & Industry, Ministry of

Textile, Directorate of General of Foreign Trade, Central Board of Excise and Customs, World Trade Organization etc. A fair amount of information is collected from magazines & other academic publications to obtain Knowledge of working procedure regarding in this field.

### **SCOPE OF THE STUDY**

Researcher will focus on understanding the problems or any difficulties faced by the exporters during Textile Export. Here the problems are related to the existing system of export in India like procedure involved in exporting which is to be followed by the exporter or transaction cost involved during export or infrastructure related problems etc. The study is on collating difficulties which are related to Textile companies during export only.

### **LIMITATIONS**

Though every care has been taken to ensure accuracy in the presentation of the facts followed by analysis, this manuscript may tentatively suffer from a few shortcomings, which are listed briefly below:

1. Since the study is based on both primary and secondary data, hence the accuracy of findings is depending on the available sources of data as mentioned in the above research paper design.
2. The detailed analysis of study is limited to Difficulties faced by Exporters in Textile Industry.

### **INDIAN TEXTILE INDUSTRY**

#### **BACKGROUND**

The Indian textile industry is extremely varied, with the hand-spun, hand woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized power looms/ hosiery and knitting sector form the largest section of the Textiles Sector. The close association of the Industry to agriculture and the ancient culture, and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides a platform to the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country. The major subsectors that comprise the textiles sector include the organized Cotton/Man-Made Fibre Textiles Mill Industry, the Man-Made Fibre/Filament Yarn Industry, the Wool and woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

#### **INDIAN TEXTILE (T&C) EXPORT - Milestones**

- Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota were discontinued.
- India's Textiles & Clothing (T&C) export registered robust growth of 25% in 2005-06, recording a growth of USD 3.5 billion over 2004-05 in value terms thereby reaching a level of USD 17.52 billion and the growth continued in 2006-07 with T&C exports of USD19.15 billion recording an increase of 9.28% over previous year and reached USD22.15 billion in 2007-08 denoting an increase of 15.7% but declined by over 5% in 2008-09.
- Exports of T&C grew from USD 21.22 billion in 2008-09 to USD 22.41 billion in 2009-10 and have touched USD 27.47 billion in 2010-11. In the financial year 2011-12 (P), exports of textiles and clothing, has grown by 20.05% over the financial year 2010-11 to touch USD 33.31 billion.
- The exports basket comprise a wide range of items including readymade garments, cotton textiles, handloom textiles, man-made fibre textiles, wool and woollen products, silk, jute and handicrafts including carpets.
- Indian textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU, account for about two-third of India's textiles exports. The other major export destinations are Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc.

## ANALYSIS AND INTERPRETATION

Primary data is collected from 50 Textile companies on simple random basis across India. The places covered and numbers of companies are as follows:

| Sl. No. | Place Name   | No. of companies approached |
|---------|--------------|-----------------------------|
| I       | New Delhi    | 11                          |
| II      | Hyderabad    | 11                          |
| III     | Mumbai       | 10                          |
| IV      | Kolkata      | 09                          |
| V       | Bengaluru    | 09                          |
|         | <b>Total</b> | <b>50</b>                   |

The list of company names are as follows

### I. NEW DELHI

### II. HYDERABAD

| Sl. No. | Company Name                          | Sl. No. | Company Name                       |
|---------|---------------------------------------|---------|------------------------------------|
| 1       | TT. Limited.                          | 1       | Suryajyoti Spinning Mills Pvt Ltd. |
| 2       | Orient Fashion Exports Pvt Ltd.       | 2       | NSL Textiles Ltd.                  |
| 3       | Afflatus International.               | 3       | Suryalata Spinning Mills Pvt Ltd.  |
| 4       | Spentex Industries Ltd.               | 4       | Cascade Exports Pvt Ltd.           |
| 5       | Fashion Flare International Pvt. Ltd. | 5       | Golden Carpets Ltd.                |
| 6       | Shankuntala Exports.                  | 6       | DVR Exports Pvt Ltd.               |
| 7       | Pee Empro Exports Pvt. Ltd.           | 7       | M/S Sitaram Spinners Pvt Ltd.      |
| 8       | Radnik Exports Pvt. Ltd.              | 8       | Suryauday Spinning Mills Pvt Ltd.  |
| 9       | Neetee Clothing Pvt. Ltd.             | 9       | Rajveer Industries Ltd.            |
| 10      | Instyle Exports Pvt. Ltd.             | 10      | Suryalakshmi Cotton Mills Ltd.     |
| 11      | Matrix Clothing Pvt. Ltd.             | 11      | Sri Ram Spinning Mills Ltd.        |

### III. MUMBAI

### IV. KOLKATA

| Sl. No. | Company Name                        | Sl. No. | Company Name                 |
|---------|-------------------------------------|---------|------------------------------|
| 1       | CenturyTextiles and Industries Ltd. | 1       | Pasari Textiles              |
| 2       | Pioneer Embroideries Ltd.           | 2       | India Raw Silk Exports.      |
| 3       | Bombay Rayon Fashions Ltd.          | 3       | East End Silks Pvt Ltd.      |
| 4       | Vyapar Industries Ltd.              | 4       | Ventures Pvt Ltd.            |
| 5       | Orbit Exports.                      | 5       | Gloster Ltd.                 |
| 6       | Morarjee Textiles Ltd.              | 6       | Bhagwan Fashions Ltd.        |
| 7       | Hindoostan Mills Ltd.               | 7       | JJ Exporters Ltd.            |
| 8       | Alok Industries Ltd.                | 8       | Eastern Silk Industries Ltd. |
| 9       | Bang Overseas Ltd.                  | 9       | Madhuri Exports Pvt Ltd.     |
| 10      | Suman Creation.                     |         |                              |

### V. BENGALURU

| Sl. No. | Company Name                               |
|---------|--|
| 1       | Vidhi Clothing Company                     |
| 2       | Karnataka Silk Industries Corporation Ltd. |
| 3       | Benaka Clothing Pvt Ltd.                   |
| 4       | Ramkumar Mills Pvt Ltd.                    |
| 5       | Bharath Silks.                             |
| 6       | Cheslind Textiles Ltd.                     |
| 7       | Nexus International.                       |
| 8       | Himatsingka Seide Ltd.                     |
| 9       | Madhura Clothing                           |

The question asked to the top level executive of the companies is:

What are the problems faced by your company during export? Kindly tick the following suitable options.

- a. Custom Formalities
- b. Transaction Cost
- c. Transportation
- d. Quality Rejection
- e. Shipping

Any other \_\_\_\_\_

When the above question is being asked to all the textile company's top level executives it is found that the following interpretations:

**Figure 1: Portfolio of Difficulties faced by number of Textile Companies**



1. 15 respondents (30 percent of the survey) shared they face difficulties with Custom Formalities. Due to the administrative delay in custom formalities they are unhappy during the export which will have impact on their export business. This is a serious issue where Department of Central Board of Excise and Customs, Government of India should take some steps to avoid such difficulties and should bring transparency in the process along with the speed.
2. Next most difficulty faced by the exporters in Textile industry is Transportation. 12 respondents (24 percent of the survey) felt Transportation problem from their manufacturing unit to the shipping port or airport. They informed that it takes too much time due to lack of fast transportation system in India. It can be either rail or road. When they try to transport their goods through train it is always found delay to reach shipping port.
3. Then third most difficulty faced by the exporters in Textile Industry is shipping. 10 respondents (20 percent of the survey) experienced the difficulties in Shipping. In this context exporters face the problem of non-availability of cargo containers immediately for shipping at the port. It will be always in the waiting mode for allocating the cargo container. Some time they also felt there is congestion at the Shipping Port. There is a need of increase the number of cargo containers and increase the speed of the shipping process. Hence Government of India should take proactive steps and consider these matters seriously so that exporters should not face such difficulties.
4. 08 respondents (16 percent of the survey) experienced the difficulties in Transaction cost. It is found that Transaction cost involved in the process of exporting is burden for the some of the exporters in the Textile

Industry. Ministry of Commerce and Industries should consider this matter and come out with reasonable solution.

5. 06 respondents (12 percent of the survey) experienced the difficulties in Quality Rejection. Some of the textile exporters felt that there is a problem of Quality Rejection by the foreign clients. It is found that in some cases they reject the products because of improper package.
6. 05 respondents (10 percent of the survey) felt the difficulties in other areas. These are getting an order from the abroad, pricing, fluctuation in dollar value, delay in encashment of incentives or concession, and lengthy procedure of getting license or approval etc.
7. To study the position of Indian Textile (T&C) Export with respect to the World Level.

**Table 1: Top 10 Leading Textile\* Exporters in Global Export since 2008 (Values in USD billion)**

| Rank | 2008                         | 2009                           | 2010                         | 2011                            | 2012                         |
|------|------------------------------|--------------------------------|------------------------------|---------------------------------|------------------------------|
| 1    | EU (80.21)                   | EU (62.22)                     | China (76.90)                | China (94.41)                   | China (95.45)                |
| 2    | China (65.26)                | China (59.82)                  | EU (67.10)                   | EU (76.52)                      | EU (69.36)                   |
| 3    | US (12.50)                   | Hong Kong*,<br>China (9.97)    | India(12.87)                 | India (15.01)                   | India (15.27)                |
| 4    | HongKong*,<br>China(12.26)   | US (9.93)                      | US (12.16)                   | US (13.78)                      | US (13.48)                   |
| 5    | Korea Republic<br>of (10.37) | Korea<br>Republic of<br>(9.15) | Hong Kong*,<br>China (11.30) | Korea<br>Republic of<br>(12.36) | Korea Republic of<br>(11.97) |
| 6    | <b>India(10.27)</b>          | <b>India(9.10)</b>             | KoreaRepublic<br>of (10.96)  | Hong ong*,<br>China 11.28)      | Turkey (11.05)               |
| 7    | Turkey(9.40)                 | Taipei,<br>Chinese,(7.89)      | Taipei, chinese<br>(9.75)    | Taipei,chinese<br>(11.01)       | HongKong*China<br>(10.54)    |
| 8    | Taipei, inese<br>(9.22)      | Turkey (7.72)                  | Turkey (8.94)                | Turkey (10.77)                  | Taipei,Chinese<br>(10.29)    |
| 9    | Japan (7.34)                 | Pakistan (6.51)                | Pakistan (7.84)              | Pakistan (9.08)                 | Pakistan (8.70)              |
| 10   | Pakistan (7.19)              | Japan (6.09)                   | Japan (7.08)                 | Japan (8.03)                    | Japan (7.81)                 |

Source: WTO-International Trade Statistic 2009-2013 ([www.wto.org/statistics](http://www.wto.org/statistics))\*Textile Only

1. During the year 2008 and 2009 India ranks sixth position in Textile Export where as EU ranks first position and China ranks into the second position.
2. During the year 2010 there is a sudden shift of China into the first position and EU ranks as second position. India's rank jumps from sixth position to third position and these positions remain same till 2012

**Table 2: Top 10 Leading Clothing Exporters in Global Export since 2008 (Values in USD billion)**

| Rank | 2008                         | 2009                         | 2010                         | 2011                         | 2012                         |
|------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1    | China (119.97)               | China (107.26)               | China (129.83)               | China (153.77)               | China (159.61)               |
| 2    | EU (112.37)                  | EU (96.79)                   | EU (98.93)                   | EU (116.23)                  | EU (108.89)                  |
| 3    | Hong Kong*,<br>China (27.90) | Hong Kong*,<br>China (22.82) | Hong Kong*,<br>China (24.04) | Hong Kong*,<br>China (24.50) | Hong Kong*,<br>China (22.57) |
| 4    | Turkey (13.59)               | Turkey (11.55)               | Bangladesh (15.66)           | Bangladesh( 9.93)            | Bangladesh (19.94)           |
| 5    | Bangladesh (10.92)           | <b>India (11.45)</b>         | Turkey (12.76)               | <b>India (14.36)</b>         | Turkey (14.29)               |
| 6    | <b>India (10.85)</b>         | Bangladesh (10.72)           | <b>India (11.24)</b>         | Turkey (13.94)               | Vietnam (14.06)              |
| 7    | Vietnam (8.97)               | Vietnam (8.62)               | Vietnam (10.83)              | Vietnam (13.15)              | <b>India (13.83)</b>         |
| 8    | Indonesia (6.28)             | Indonesia (5.91)             | Indonesia (6.82)             | Indonesia (8.04)             | Indonesia (7.52)             |

|    |               |               |               |               |                 |
|----|---------------|---------------|---------------|---------------|-----------------|
| 9  | Mexico (4.91) | US (4.18)     | US (4.69)     | US (5.22)     | US (5.61)       |
| 10 | US (4.44)     | Mexico (4.16) | Mexico (4.36) | Mexico (4.63) | Malaysia (4.56) |

Source: WTO-International Trade Statistic 2009-2013 ([www.wto.org/statistics](http://www.wto.org/statistics))

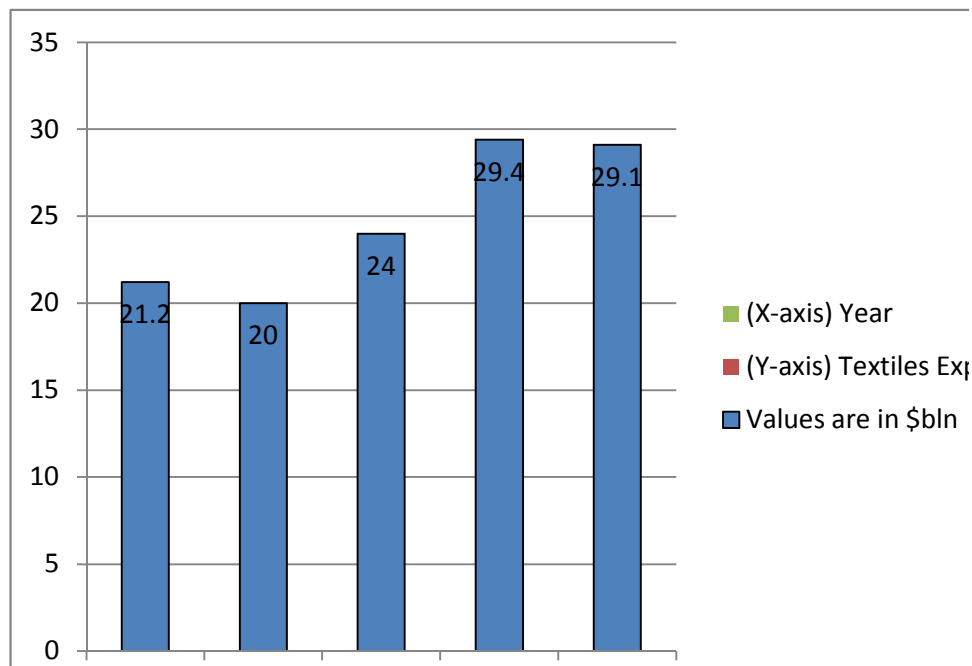
\*Hong Kong trade value is mainly based on Re-export.

1. During the year 2008 India ranks sixth position in Clothing Export where as China ranks first position and EU ranks in second position.
2. During the year 2009 India ranks fifth position in Clothing Export where as China ranks first position and EU ranks in second position.
3. During the year 2010 India ranks sixth position in Clothing Export whereas Turkey ranks fifth position and China & EU retains the same positions.
4. During the year 2011 India ranks fifth position in Clothing Export whereas Turkey ranks sixth position and China & EU retains the same positions.
5. During the year 2012 India ranks seventh position in Clothing Export whereas Turkey ranks fifth position and Vietnam ranks Sixth position. China & EU retains the same positions.

Table 3: Indian Textiles\* Export Since 2008 (Values in USD Billion)

| Year                       | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------------|------|------|------|------|------|
| Textiles* Export (USD bln) | 21.2 | 20   | 24   | 29.4 | 29.1 |

Figure 2: Indian Textiles\* Export since 2008 (in USDbln)



Source: WTO-International Trade Statistic 2009-2013 ([www.wto.org/statistics](http://www.wto.org/statistics))

**\*Textiles export includes both Textile & Clothing export in Indian Textile Industry**

1. During the year 2008 Indian Textiles Export was amounted as USD21.2billion, but due to global recession it has come down to USD20billion during the year 2009.
2. Ministry of Commerce & Industry, GOI framed & implemented a new 5 year Foreign Trade Policy (2009-14) by considering recession impact on Indian trade.

3. Policy was framed in such a way that our export should regain & reconcile in the global market. Hence we can see there is an improved growth in Textiles Export which was accounted about USD24billion during the year 2010.
4. During the year 2011 Indian Textiles Export was increased about 22.5% from the previous year, i.e. USD24billion to USD29.4billion.
5. For the year 2012 Indian Textiles Export value was around USD29.1billion from the previous year USD29.4billion

## FINDINGS AND CONCLUSION

1. 15 respondents (30 percent of the survey) shared they face difficulties with Custom Formalities. Due to the administrative delay in custom formalities they are unhappy during the export which will have impact on their export business.
2. 12 respondents (24 percent of the survey) felt Transportation problem from their manufacturing unit to the shipping port or airport.
3. 10 respondents (20 percent of the survey) experienced the difficulties in Shipping. In this context exporters face the problem of non-availability of cargo containers immediately for shipping at the port.
4. 08 respondents (16 percent of the survey) experienced the difficulties in Transaction cost.
5. It is found that Transaction cost involved in the process of exporting is burden for the some of the exporters in the Textile Industry.
6. 06 respondents (12 percent of the survey) experienced the difficulties in Quality Rejection.
7. 05 respondents (10 percent of the survey) felt the difficulties in other areas. These are getting an order from the abroad, pricing, fluctuation in dollar value, delay in encashment of incentives or concession, and lengthy procedure of getting license or approval etc.
8. It is that India ranks sixth position during 2008 & 2009 and shifts to third position from the year 2010 to 2012 in Textile only Export with respect to the world level.
9. It is found that India's position in the Clothing export is not constant due to the tough competition coming from Bangladesh, Turkey and Vietnam.
10. We can conclude that most of the Indian Textile (T&C) Exporters are mainly facing the difficulties with Custom Formalities and then Transportation problem, then Shipping problem, then Transaction cost involved in the export process, and then quality rejection.
11. All these difficulties faced by the exporters in Textile Industry need to be consider seriously and take steps by the all consult export promoting organizations to provide better platform of doing export business in India.

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