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AN ANALYSIS OF EXPORT POTENTIAL OF INDIAN GARMENT INDUSTRY WITH SPECIFIC REFERENCE TO SELECT PRODUCTS

S.NAGARAJAN

Research Scholar and

Asst.Professor - M.Com (International Business), STC, Pollachi

Dr.C.PANDIARAJAN

Assistant Professor, Department of Commerce

Government Arts College, Mettupalayam

Abstract

India's textiles sector is the biggest and remains one among top positions of Indian economy. India textile export is the major foreign exchange contributor to India's total export value. After the removal of quota system in Multi Fibre Agreement (MFA) in 2005, the textiles exports of all major textile items producing nations improved their exports in its value and also their volume of export. India is the part of those nations. The Purpose of this research paper is to find, analyze and evaluate the potential and comparative advantage of Indian textile export with compare to the tex-tile exporting nations. Revealed Comparative Advantage (RCA) index was employed to find out the improvements of India's textiles exports.

Keywords: Global textile, Comparative advantage of textile export from India, Subdivision products.

Introduction

Since foreign trade of the country directly contributes to the country's GDP, Every countries in the world, try to improve its trade and economy of their nations. At the same time external trade of the nations tremendously improved due to various reasons over a period of time especially from WTO Regime. As of 2014 India had a global share of 9 percent exports in yarn, 14 percent in fibres, 14 percent in made-ups (14 percent), 3.4 percent in apparels (3.4 percent) and 3.7 percent in fabrics. This means that India has achieved export competitiveness in textiles as per the World Trade Organization's (WTO) Agreement on

Subsidies and Countervailing Measures (ASCM).

Global Textile - Insight

The world textile and apparel industry has undergone several production migrations since the 1950s, all involving Asia. The first was from North America and Western Europe to Japan in the 1950s and early 1960s, when western textile and clothing production was displaced by a sharp rise in imports from Japan. The second shift was from Japan to Hong Kong, Taiwan Province of China and the Republic of Korea, which dominated global textile and clothing exports in the 1970s and early 1980s. In the late 1980s and the 1990s there was a third migration, from the Asian "Big Three" (Hong Kong SAR, Taiwan Province of China and the

Republic of Korea) to other developing economies. In the 1980s, production moved principally to mainland China, but also to several Southeast Asian countries (Indonesia, Thailand, Malaysia and the Philippines) and Sri Lanka. In the 1990s, new suppliers included South Asian and Latin American apparel exporters

Statement of the Problem

Every country is claiming that they are the best of selling textile and knitted garments. There are many products and sub classification of products available under standard international trade classifications governed by Comtrade of United Nations (commodity trade division). It is too difficult to find which country owns the powerful position in its export of particular select commodity under textile export, it is researchable one to find comparative advantage of the country on various product categories. So the researcher is made an attempt here to find out the actual comparative advantage and its position of India's garment export segment.

Objective of the Study

1. To find out the comparative advantage of textile export from India specifically product classified under chapter 60 of SITC .
2. To analyze the relative comparative advantage and disadvantage of various sub classification of knitted and garment products exported from India under chapter 60 category.
3. To offer observations and valuable suggestions towards further export growth.

Methodology

A quantitative, descriptive approach is applied under the study. For doing analysis, data and information collected during the study period is collected from secondary sources. The data is obtained from WTO databank and Indian official publications such as ministry of commerce industries and ministry of textiles. The study is used data of whole Textiles Exports from India for past 16 years (2000 to 2015), overall Exports of all commodities from India, whole Textiles Exports of the World..

This is based on the Ricardian comparative advantage concept (Wikipedia RCA, n.d).

Revealed Comparative Advantage Index

Measures of revealed comparative advantage (RCA) have been used to help assess a country's export potential. The RCA index of country I for product j is often measured by the product's share in the country's exports in relation to its share in world trade:

$$RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$$

Where x_{ij} and x_{wj} are the values of country i's exports of product j and world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product. For easy calculations and analysis, The SITC classified commodities, it is helpful to calculate the one particular commodities performance during study period. "For compiling international trade statistics on all merchandise entering international trade, and to promote international comparability of international trade statistics. The commodity groupings of SITC reflect (a) the materials used in production, (b) the processing stage, (c) market practices and uses of the products, (d) the importance of the commodities in terms of world trade, and (e) technological changes."

Review of Literature

Since Ricardo's (1817) classic model of comparative advantage (CA) in trade was put forward, the theory of comparative advantage has been gathered to form a theory system. An approach of comparative advantage calculation through almost two centuries' development. The most widely used application has been proposed after the Revealed Comparative Advantage (RCA) and its modification put forward by Balassa (1965). A study with special emphasis on developing countries", by (Seyoum, 2007); " "

Empirical Analysis of Agricultural Exports Competitive of Henan Province" (Springer Link, 2015); David Leishman et al

(2013), Revealed Comparative Advantage and the Measurement of International Competitiveness for Agricultural Commodities: An Empirical Analysis of Wool Exporters . “Determinants of revealed comparative advantages: the case of cheese trade in the european union” (Balogh & Jám bor, n.d.); “Uganda’s Revealed comparative advantage in comesa” by Miriam Katunze and annette Kuteesa; (Katunze & Kuteesa 2016); “Revealed Comparative Advantage Index: An Analysis of E xport Trade in the Austrian District of Burgenland” by Doris Granabetter (Granabetter, 2016).

Conceptual and Theoretical Framework

Ricardo refined the idea of CA by recognizing that a nation tends to allocate its

resources to their most productive use. A nation may therefore import a good even when it is the lowest cost producer of that good. Balassa (1965), revealed comparative advantage (RCA) indexes have been employed in countless applications as a measure of the relative ability of a country to produce a good vis-`a-vis its trading partners. The concept is simple but powerful: if, according to Ricardian trade theory, differences in relative productivity determine the pattern of trade, then the (observable) pattern of trade can be used to infer (unobservable) differences in relative productivity. However, in practice, developing the appropriate way to measure RCA has proven elusive

TABLE No: 1
Products notified under chapter 60 **Unit: US Dollar thousand**

YEAR	ITEW	IAEW	WTEW	WAEW	RCA	Growth Rate
2000	32,490	43878489	14,777,726	6127467761	3.26	64%
2001	28,304	50097958	16,014,953	6424391781	4.41	
2002	48,994	59360659	17,744,340	7486202969	2.87	
2003	46,234	75904200	19,696,405	9099996891	3.55	
2004	44,346	100352637	19,909,263	10340858415	4.36	
2005	71,867	121200606	21,739,293	11956256558	3.07	104%
2006	80,097	145898053	24,288,700	13832356854	3.20	
2007	112,257	181860898	24,969,147	15978286410	2.53	
2008	109,295	176765036	21,953,274	12348658350	2.88	
2009	143,794	220408496	26,381,768	15090582760	2.68	
2010	256,458	301483250	30,756,860	18078609138	2.00	
2011	209,374	289564769	30,297,910	18383663774	2.28	
2012	256,497	336611389	32,847,435	18984874108	2.27	
2013	258,953	317544642	34,068,714	18980985113	2.20	
2014	238,004	264381004	33,304,980	16505653131	2.24	
2015	265,892	260326912	32,556,647	16012823283	1.99	

Source: RCA Calculated by the Author by own from the UN comrade database

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 60 catagory. The textiles exports have been continued to grow throughout the study period. The researcher observed that there was an tremendous growth in exports of the all commodities from India in the past 16years, The total export of textile goods under this category have increased from 32,490 to 265,892 dollars and overall increase of ex-port by 317% Growth rate from 2000 to 2015.china holds the first position in this category. The Value of Chinese exports of Textile Goods under Chapter 60

Categories ranges between 1361008 to 14415315 in 2000-2016. The following table explains the position of various coun-tries exports under chapter 60 Notified Items.

The aim of this research is attained by using the RCA index. The results are based on RCA index and Comparing it to the standard value 1. During the selected study period i.e. from 2000-2015, the value of RCA is above the one value. The RCA index shows the values between 1.99 to 4.11(>1) .It shows that there is an biggest comparative advantage in India’s textile export under chapter 60 notified garment items.

Table No.1 a.
Unit: US Dollar thousand

Country	2005	2010	2015	Rank
China	3652153	8666501	14415315	1
Republic of Korea	2688723	3697840	3385449	2
Taipei	1863003	2067301	2581000	3
Hongkong	2902395	2522289	2119611	4
Turkey	571082	1265851	1497948	5
Italy	1140964	1180072	1054954	6
USA,	1052310	1096475	888835	7
Germany	1810246	1062235	954607	8
Japan	601994	688692	583968	9
Vietnam	548107	502397	438399	10
France	17911	155077	600596	11
India	71867	256458	265892	14

Source: RCA Calculated by the Author by own from the UN comrade database

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 60 subdivision category items. Indian textiles exports under chapter 6001 shows the mixed

trend throughout the study period. There was a positive trend of export in the following years such as 2001, 2002,2003,2004,2005, 2007, 2008, 2009 and 2012. There was a negative trend prevailed in the following years such as 2006, 2011,,2014,2015 The total export of textile goods under this group have raised from 10600 to 13355dollars i.e an overall increase by 25% Growth rate from 2000 to 2015.China holds the first position in this category. The Value of Chinese exports of Textile Goods under Chapter 6001 Categories ranges between 195704 to 2916133 dollars in 2000-2016. China constitutes nearly 50% of total world export under these product categories. India is 20th Position in this product category.

Findings:The RCA index shows the values between 0.1 to 0.8(<1) .It shows that there is comparative dis advantage in India's textile export under chapter 6001 notified garment items.

Table 1.2
6002 items Knitted or crocheted fabrics, of a width <=30 cm,containing weight >=5% of elastomeric (Unit: US Dollar thousand)

YEAR	ITEW	IAEW	WTEW	WAEW	RCA	Growth Rate
2000	21863	43878489	12332677	6127467761	4.039413	-64.1%
2001	17488	50097958	2897539	6424391781	1.292044	
2002	10001	59360659	2635909	7486202969	2.089893	
2003	10701	75904200	1154113	9099996891	0.899598	
2004	7840	100352637	937242	10340858415	1.160133	
2005	5090	121200606	842091	11956256558	1.677069	-6.03%
2006	3040	145898053	839631	13832356854	2.913186	
2007	7231	181860898	733461	15978286410	1.154484	
2008	9038	176765036	548085	12348658350	0.868065	
2009	8589	220408496	485860	15090582760	0.826211	
2010	8792	301483250	505054	18078609138	0.957962	
2011	5968	289564769	442447	18383663774	1.16774	
2012	5385	336611389	461936	18984874108	1.520958	
2013	4381	317544642	459557	18980985113	1.754899	
2014	4921	264381004	471537	16505653131	1.534829	
2015	4783	260326912	492933	16012823283	1.675478	

Source: RCA Calculated by the Author by own from the UN comrade database

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 6002 subdivision category items. The Indian textiles exports under chapter 6002 shows the mixed trend throughout the period. There was

a positive trend of export in the following years such as 2003, 2004,2008,2009,2011, 2015. There was a negative trend prevailed in the years such as 2005, 2006,,2007,2010, 2011, 2012,2013, 2014, 2015, 2016 The total export of textile goods under this category

decreased from 21863 to 4783 dollars with -78% Growth rate. Hong kong holds the first position in this category. The Value of Hongkong exports of Textile Goods under Chapter 6002 Categories ranges between 2021023 to 121230 dollars during the study period. China constitutes nearly 25% of total world export under these product categories. 90 countries exports this product.

Findings:The RCA index shows the values between 1.1 to 4.1 (>1) .It shows that there is comparative advantage in India's textile export under chapter 6002 notified garment items. India had an highest comparative advantage in the year 2001 .Now almost 90 countries exports this items so the advantage came down to 1.1 Level.

Table 1.3
Chapter 6003 – Subdivision Products
Unit: US Dollar thousand

YEAR	ITEW	IAEW	WTEW	WAEW	RCA	GROWTH RATE
2000	0	43878489	0	6127467761	4.039413	
2001	8000	50097958	211613	6424391781	1.292044	
2002	9687	59360659	229831	7486202969	2.089893	
2003	6299	75904200	262106	9099996891	0.899598	
2004	4494	100352637	249673	10340858415	1.160133	-43.8%
2005	8222	121200606	258520	11956256558	1.677069	
2006	8313	145898053	283202	13832356854	2.913186	
2007	5766	181860898	263686	15978286410	1.154484	
2008	2902	176765036	206951	12348658350	0.868065	
2009	2480	220408496	219369	15090582760	0.826211	
2010	2880	301483250	269633	18078609138	0.957962	
2011	1626	289564769	242778	18383663774	1.16774	
2012	1212	336611389	252665	18984874108	1.520958	
2013	1448	317544642	265947	18980985113	1.754899	
2014	3373	264381004	228796	16505653131	1.534829	
2015	1169	260326912	230460	16012823283	1.675478	-85.78%

Source : RCA Calculated by the Author by own from the UN comrade database

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 6003 subdivision category items. The textiles exports under chapter 6003 shows the mixed trend throughout the study period. There was a positive trend of export in the following years such as 2002, 2003,2006,2007,2010, 2014,2015. There was a negative trend prevailed in the years such as 2001, 2004,,2005,2008, 2009, 2011,2012,2013, 2016. The total export of textile goods under this category have reduced from 8000 to 1169 dollars with -85% Negative Growth rate in 2000 to 2015.

China holds the first position in this category. The Value of china exports under Chapter 6003 Categories ranges between 6344 to 47761 dollars in 2000-2016. China

constitutes nearly 21% of total world export under this product category.

Findings:The RCA index shows the values between 1.1 to 4.03 (>1) .It shows that there is comparative advantage in India's textile export under chapter 6003 notified garment items. India had an highest comparative advantage in the year 2001 .Now almost 88 countries exports this items so the advantage came down to 1.1 Level. India holds the 26th Position under this category.

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 6004 subdivision category items. The textiles exports under chapter 6004 shows the mixed trend throughout the study period. There was a positive trend of export between 2001-2016 except a negative trend prevailed in the year 2009.the total export of textile goods under this

item have increased from 141 to 50434 dollars with tremendous Growth rate.China holds the first position in this category. The Value of china exports of Textile Goods under Chapter 6004Categories ranges between 213024to 2492414 in the years 2000-2016. China constitutes nearly 34.39% of total world export under this product categories.

Findings: The RCA index shows the values between 2.9 to 255 (>1) .It shows that

there is comparative advantage in India’s textile export under chapter 6004 notified garment items. India had an highest comparative advantage in the year 2005 .Now almost 96 countries exports items in this category so the advantage came down to 3.5 Level. India holds the 14 Position under this category.

Table 1.5

Chapter 6005: Warp knit fabrics “ incl those made on gallon knitting machines, of a width of > 30 cm
Unit: US Dollar thousand

YEAR	ITEW	IAEW	WTEW	WAEW	RCA	GROWTH RATE
2000	0	0	0	6127467761	0	
2001	0	1,735,440	1,735,440	6424391781	0	
2002	3,406	1,946,912	1,946,912	7486202969	0.148657355	
2003	2,455	2,408,406	2,408,406	9099996891	0.259637047	
2004	6,108	2,297,501	2,297,501	10340858415	0.083571038	79.33%
2005	7,896	2,401,523	2,401,523	11956256558	0.061090142	
2006	7,594	2,556,297	2,556,297	13832356854	0.062209376	
2007	5,487	2,630,254	2,630,254	15978286410	0.078909668	
2008	6,517	2,227,657	2,227,657	12348658350	0.061663639	
2009	3,400	2,706,837	2,706,837	15090582760	0.142803641	
2010	1,990	3,248,489	3,248,489	18078609138	0.293322048	
2011	1,228	3,308,829	3,308,829	18383663774	0.484973727	
2012	2,919	3,613,074	3,613,074	18984874108	0.235565614	
2013	1,750	3,889,356	3,889,356	18980985113	0.455405841	
2014	2,604	3,797,065	3,797,065	16505653131	0.335445808	
2015	5,912	3,616,035	3,616,035	16012823283	0.138122018	33.56%

Source : RCA Calculated by the Author by own from the UN comrade database

The calculation of the RCA index was applied to the data of Indian textiles exports and World Textiles exports under chapter 6005 subdivision category items. The textiles exports under chapter 6005 were mixed trend throughout the period. There was a positive trend of export between 2001-2016 except a negative trend prevailed in the years such as 2004, 2007, 2010,2011,2012,2014.the total export of textile goods under increased from 3406 to 5912 dollars with 73% Growth rate.China holds the first position in this category. The Value of china exports of Textile Goods under Chapter 6005 Categories ranges between 88156 to 961317 dollars. China constitutes nearly 26.58% of total world export under these product categories.

Finding: The RCA index shows the values between 0.01 to 0.14 (<1) .It shows that there is comparative disadvantage in India’s textile export under chapter 6005 notified garment items. Now almost 102 countries exports items in this category l. India holds the 40th Position under this category.

Discussions and Suggestions

The objective of the paper is attained by applying the RCA index. The results are based on RCA index and comparing it to the standard value 1. During the selected study period i.e. from 2000-2015, the value of RCA remains more than one continuously for Certain products as specified in Table 1.7.This implies that Indian textiles exports under chapter 60

products have strong comparative advantage world's textiles exports. There are many products under Textiles. The researcher has attempted to analyze microscopic analysis under this category. Indian Textile industry has many weaknesses such as Majority of producers belongs to small producers so they couldn't achieve economies of scale. The Incentives and schemes is not enough for Research and Development and new innovative products. The continuous cost increment in all factors of production is yet another biggest challenge to the industry. Poor Infrastructure and poor waste management also effect the industry in larger. The Ministry of textiles, Promotion councils must extend the full support for inviting FDI for this sector. The FDI is a main key factor which solves problems in this industry.

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