

**A STUDY OF COMPETITIVENESS OF INDIAN TEXTILE
AND CLOTHING INDUSTRY IN WTO ERA**

by

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Submitted

in fulfillment of the requirements of the degree of Doctor of Philosophy

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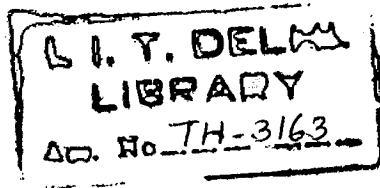
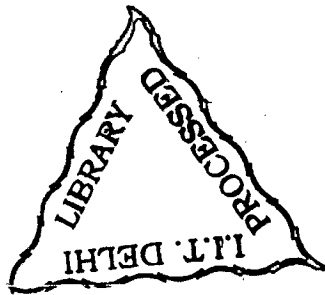


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The Thesis Entitled **"A Study of Competitiveness of Indian Textile & Clothing Industry in WTO Era"** being submitted by Mr. Pradeep Joshi to Indian Institute of Technology; Delhi for the award of the degree of Doctor of Philosophy is a record of bonafide research work carried out by him, under our guidance and supervision. He has fulfilled the requirements for admission of the thesis that has attained the standard required for a Ph.D. degree of the institute. The research findings presented in this thesis have not been submitted anywhere else for the award of any other degree or diploma.



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*Dedicated
to
my parents & wife*

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ABSTRACT

The phased removal of textile and clothing quotas since 1995 is catapulting Indian export firms in this sector into a new competitive environment. For more than 30 years, trade in this sector was governed by special regimes including STA, LTA and MFA, which provided for measures outside the normal GATT rules. The dismantling of the quota regime represents both an opportunity as well as a threat. This impending reality brings the issue of competitiveness to the fore for all firms in the textile and clothing sector. It is imperative to understand the competitiveness of Indian textile and clothing firms in order to make an assessment of WTO era.

The approach in this study of competitiveness of textile & clothing industry in WTO era entails an effort to understand the situation of Indian textile & clothing industry and environment scan to identify the opportunities to be captured. An empirical analysis of India's competitive position in the major importing countries (USA & EU) is carried out for select product categories. A SWOT analysis provides gaps for textile and Clothing industry. Primary research with the structured survey of various stakeholders of industry, i.e. garment exporters, fabric manufacturers and buying houses has been conducted to identify steps / initiatives needed to fill the gap and the initiatives thus need to be taken by industry and government to become competitive in WTO era. Frequencies, weighted average performance and importance rankings are used for analysis of questionnaires and findings are diagrammatically represented by line graph and radar diagram. To validate the findings from perception study 'Factor analysis' is used.

Though India has emerged as one of the main textile and clothing exporting countries, low and stagnant market share in the world textile and clothing trade, comparatively lower unit value realization, lack of presence in high value segment and aggressive performance of China, Turkey, Bangladesh,

Mexico, Korea and other Asian countries are concerns of Indian textile and clothing industry. India primarily caters to lower-end of clothing market in basic clothing categories. The clothing firms are less cost competitive due to lower productivity, low R&D effort, obsolete technology, non-availability of finishing facilities and non-availability of raw material.

India is perceived to be preferred source for 100 percent cotton based fabric while the fabrics with MMF are being increasingly imported from China, Taiwan, and Korea due to cheaper price and superior quality. The increasing import of fabric is also due to better performance of the fabric in terms of availability of wider width, consistency in quality, required quality of finishing, consistency in lot/roll quantity and count and construction availability. The Indian fabric manufactures have not been able to focus on high quality fabrics due to limited availability of R&D facility and high cost of manufacturing associated with it. Indian fabric manufacturers are targeting to market of greige fabric while there is more market of processed fabric and that is with better price realizations. The reason can be attributed to outdated technology of processing, lesser investment in processing facilities leading to non-availability of required finishing facilities.

The need is to position India as a supplier of high value items. The garment exporters are required to make efforts for changing the perception of being producer of basic items. It can be achieved by technological innovation and usage of latest technology in manufacturing & processing. The clothing manufacturers have to use quality raw material (fabric) with emphasis on value addition to differentiate its offerings. The Indian government needs to encourage investment by organized sector to have large set up in weaving & processing. Competitiveness of Indian textile and clothing industry can be increased by strengthening elements of value chain in textile and clothing industry by developing competitive advantage of each of the segment and having its contribution for value addition in further stages of production.

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