

EXPORT BARRIERS IN INDIAN GARMENT SECTOR- AN OVERVIEW

Priya Vaz¹ Dr.Aarthy C²

Assistant Professor¹ Department of Management Studies,PES University,Bengaluru

Assistant Professor² Department of Management Studies,Christ University,Bengaluru

ABSTRACT:

Exports barriers are government laws, regulation, polices, or practices that either defend domestic products from foreign competition or artificially stimulate exports of specific domestic items. This study on export barriers in garment industries, understands the common and hidden barriers faced by the exporters in India. A survey conducted on 53 garment exporters across India, showed that major barriers faced by exporters is with respect to technical aspects, labelling and packaging barriers. If these barriers are brought under control, many traders can trade from India to different countries.

Key words: Common barriers, Hidden barriers, Export, Garment industries

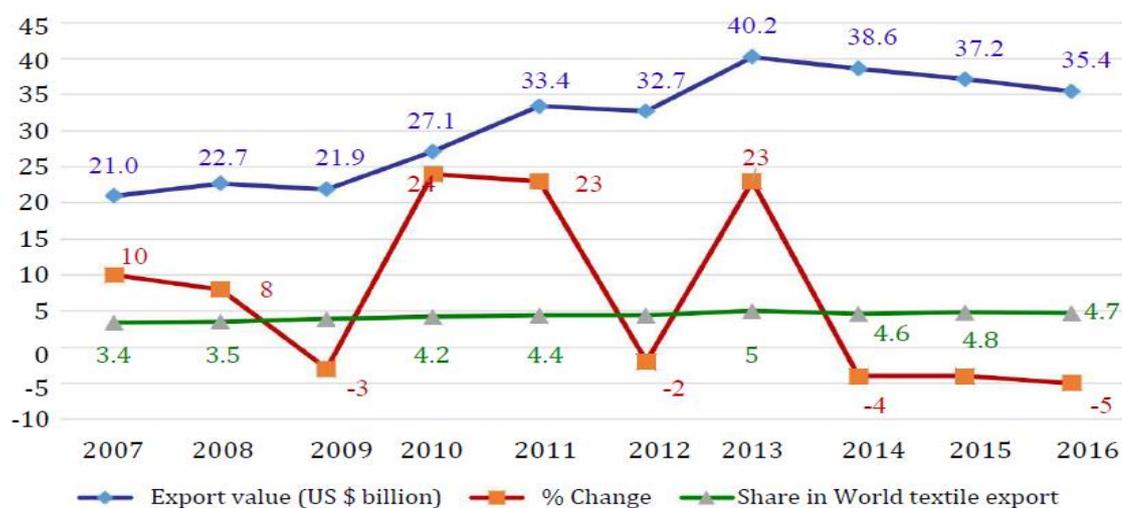
1. INTRODUCTION

The Indian textile sector is one of the largest in the world with large raw material base and manufacturing strength across the value chain. This industry contributes to industrial output (7%), GDP (2%) export earnings (15%) and sources of employment (45 million people). It inherits its linkage with Indian agriculture, culture and tradition to market domestically and internationally. These sectors do face lot of export barriers and minimizing the same can increase and promote exports. In this period of globalization, international business plays an important role in developing the social and economic performance of countries around the globe. The export link between the various countries has always been important for India. There are few barriers which prevent new firms to establish in particular market. Companies who are willing to export should know what is preventing them to enter in international markets. Additionally, the companies who are into exports, it is important for them to know barriers for their further development. Most of the barriers exist because of the government policies and regulations. There are few hidden barriers like culture and social power which also affect export activities. Barriers to export can have negative effect on foreign market access. The non-tariff barriers are also not to be neglected because it will affect international export. These barriers influence more on developing countries than the countries, which are developed. This study was done to understand the exporter's perception on barriers while exporting from India to various countries.

2. RECENT TRENDS IN EXPORT ACTIVITIES IN INDIAN GARMENT SECTOR

India's Textile Exports: An Overview

India's textile sector constitutes a significant volume of exports at the domestic as well as at the global level. The sector registered exports of US\$21 billion in 2007 and further received a sudden spurt in 2010 and 2013 when textile exports with an annual growth of over 20% were registered at US\$27 billion and US\$40 billion respectively. While, after reaching the peak level in 2013, textile exports witnessed a continuous decline in the following years. This is apparent from the Figure.1 that India's textile exports eventually declined to US\$38.6 billion, US\$37.2 billion and US\$35.4 billion in 2014, 2015 and 2016. In terms of growth, the sector recorded a negative growth of around (-) 3% (CAGR) during 2013 to 2016 as compared to 9.72% (CAGR) during 2007 to 2013. Overall, the sector witnessed a growth (CAGR) of around 5% over a period of ten years from 2007 to 2016. At the global level India exhibited a rise in its share in world textile exports from 3.4% in 2007 to 4.7% in 2016.



Source: Dr. Rakesh Mohan et al. - Challenges and Strategies to Promote India as a Sourcing Destination.

The total world export of apparel products was around US\$ 400 billion in 2012 and it has increased to US\$ 440 billion in 2016 (Table-1). It's observed that China's export share has come down to 3% (From 37-34% approx.). The share of Bangladesh has increased from 4.8% to 7.6% during this period. However, the share of India rose marginally from 3.2% to 3.9% only. In 2012, India's exports of apparel was around US\$ 13 billion and it increased to US\$ 17.13 billion in 2015 and then declined to US\$ 16.96 billion in 2016. The rise of exports from Bangladesh and Vietnam has been spectacular during this period. This is also important to note that the share of 'Rest of the World' is slowly declining. Hence, there is a clear trend some countries are taking up the vacant space created by China and Rest of the World. In 2016, World Bank noted that few South East Asian countries such as Cambodia, Vietnam and Indonesia will give tough competition to South Asian nation in coming days.

Exporters	2012		2013		2014		2015		2016	
	Exports	(%) Share in world's exports,	Exports	(%) Share in world's exports,						
World	403.04	100	438.27	100	472.11	100	440.38	100	439.56	100
China	148.27	36.8	165.05	37.7	173.44	36.7	162.35	36.9	147.79	33.6
Bangladesh	19.27	4.8	19.57	4.5	NA	NA	26.53	6	33.45	7.6
Viet Nam	14.08	3.5	16.75	3.8	19.70	4.2	21.43	4.9	24.66	5.6
Italy	20.20	5	21.49	4.9	22.78	4.8	19.26	4.4	19.84	4.5
India	12.90	3.2	15.70	3.6	16.54	3.5	17.13	3.9	16.96	3.9
Rest of the world	188.32	46.7	199.72	45.5	239.66	50.8	193.67	43.9	196.86	44

Source: Trade Map, International Trade Centre (ITC), Geneva

TABLE 1: India's Export 2012-2016

3. METHODOLOGY

It's a general view from Economist that trade barriers will affect the economic growth of a nation. On the other hand if free trade is encouraged, it can minimize the barriers, at the same time it can safeguard health and national security of the country. The barriers were classified into two types common barriers (Government regulations, Customs Procedure and Licensing, technical standards and health regulations, anti-dumping, import quota of destination country, price of commodity) and hidden barriers (Market access problems, legal and political barriers, language and customs, demand of product, lack of capital, business environment, corruption, currency exchange rate, transportation cost, duration taken for delivery, labelling and packaging regulation). A survey with questionnaire was administered to a sample of 53 garment exporters chosen conveniently and randomly. The questionnaire comprised of 28 close-ended questions. It was split into three parts, demographics (5 que), general question (7 que) and remaining Likert scale questions. Percentage method was used to interpret the data.

4. RESULTS AND DISCUSSION

Export barriers are regularly criticized for the impact they make on business. From this survey it was seen that 72% of companies are exporting for more than 15 years with a turnover of 1 to 10 crores with majority of them (47%) exporting cotton. Around 47% are exporting to more than three countries directly to wholesalers (45%). They feel in the last five years their export volume has increased by 6-10%.

COMMON BARRIERS	PERCENTAGE	HIDDEN BARRIERS	PERCENTAGE
Government regulations	63%	Market Access Problems	61%
Customs Procedure and Licensing	56%	Legal and Political Barriers	41%

Technical Standards	77%	Language and Customs	27%
Anti-Dumping	45%	Demand of Product	21%
Import quota of destination country	19%	Lack of Capital	34%
Price of Commodity	21%	Business Environment	19%
		Corruption	29%
		Currency Exchange Rate	47%
		Transportation cost	31%
		Time taken for delivery	31%
		Labelling and Packaging Regulation	78%

TABLE 2: Export Barriers with Percentage

The common barriers these exporters are facing is with respect to technical standards (77%) and foreign import restriction (47%). While the hidden barriers majority are facing is labelling and packaging (78%). The least common barrier is import quota of destination country (19%) and least hidden barrier is business environment of country. This research brings out the possible barriers to trade. Traders feel government regulation, customs procedure and licensing, technical standards are the major obstacles for trading. A few natural barriers that exist while trading is labelling, packaging and Market access problems. There are few barriers which are not major but affect trade negatively; those barriers are culture change, currency exchange rate and lack of information.

CONCLUSION

A proper management can control commonly existing barriers. Indian exporters are showing tremendous growth in export activities provided the government supports them in rendering timely information related to trade regulations and standards by diminishing the trade barriers. The Government can even address the barriers during ongoing negotiations with countries. The customs process and procedure can be streamlined to gain confidence of exporters. The barriers that are related to documentation and various procedures can be minimized by encouraging exporters to use updated technologies that are available. This research can support other exporters to overcome the future problem while exporting to different countries. It can also be further explored with respect to different countries.

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