



# An empirical analysis of the Indian Apparel industry: An Opportunities and Difficulties in the Global Market

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## Abstract

India is one of the world's top clothing manufacturing country. The textile and garment sector in the country is one of the most important contributors to the economy, accounting for 5% of the Gross Domestic Product (GDP). The garment and textile business in India is the second largest employer, employing 45 million people directly and 100 million people indirectly.

India is a major producer of jute and cotton in the globe. About 95% of the world's hand-woven fabric originates from India, which is also the world's second largest silk producer. The textile and apparel industry in India is predicted to develop at a CAGR of 10% from 2019-20, reaching US\$ 190 billion by 2025-26.

The Indian textile and clothing sector is immensely diverse, with items ranging from traditional handloom, handicrafts, wool, and silk products to the organised textile industry in India.

Domestic consumption of \$75 billion was divided into clothes (\$55 billion), technical textiles (\$15 billion), and home goods (\$5 billion). While clothing exports were \$12 billion, home textile exports totalled \$4.8 billion, fabric exports totalled \$4 billion, yarn exports totalled \$3.8 billion, fibre exports totalled \$1.8 billion, and others totalled \$2 billion.

The current article provides an inside look into the global apparel industry, with a focus on India. It investigates the COVID recession and its influence on the Indian textile and Apparel industry. The writer has made a concerted effort to note down a few relief measures proposed by the government as well as tips for overcoming obstacles.

**Keyword-** Textile and Apparel Industry, Covid, Retail sales, Sustainable product, Fashion

## Indian Textile and Apparel market

The Textile Industry in India is one of the country's oldest, stretching back several centuries. The industry is tremendously diverse, ranging from hand-spun and hand-woven textiles on one end of the spectrum to capital-intensive modern mills on the other. The textiles sector is dominated by the decentralised power looms/hosiery and knitting sector. The textile industry's tight relationship to agriculture (for raw materials such as cotton) and the nation's old culture and traditions in terms of textiles distinguishes it from other industries in the country. The textile industry in India is capable of producing a wide range of products appropriate for various market sectors both in India and beyond the world.

### Research Objective

1. To investigate global and Indian apparel market trends.
2. Evaluate the apparel sector and research the issues it faces in India.
3. Analyse the industry with a focus on its impact to the Indian economy.
4. To make recommendations for overcoming the country's textile and apparel industry's problems.
5. Make recommendations for overcoming the global apparel market.

### Research Methodology

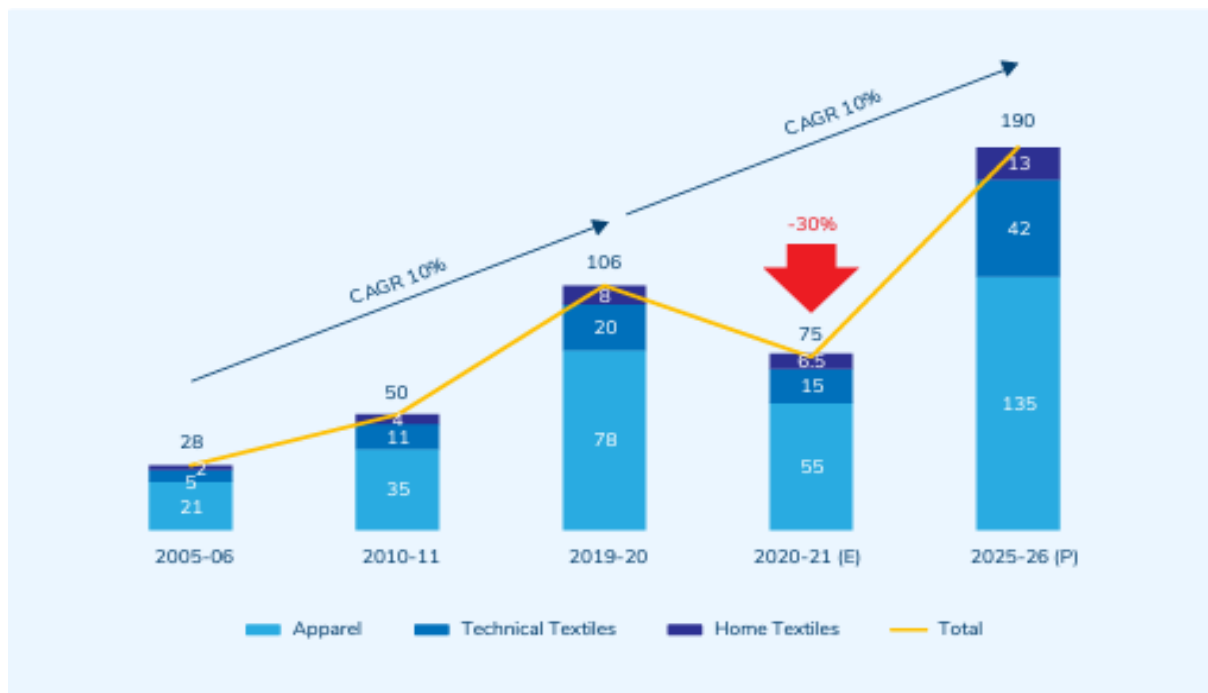
The materials of this study were drawn from relevant books and journal articles. This paper's strategy is entirely dependent on secondary data. The resources utilised were obtained from the internet, and extreme cases were taken to be objective in approach.

### Market Overview

In 2021, the Indian textile and apparel market is expected to be worth US\$ 151.2 billion. Looking ahead, IMARC Group forecasts the market to reach US\$ 344.1 billion by 2027, with a CAGR of 14.8 per-cents from 2022 to 2027. Keeping the uncertainties of COVID-19 in mind, we are constantly watching and analysing the pandemic's direct and indirect impact. These findings are cited in the study as a significant market contributor.

#### A. Size of India's Domestic Textile and Apparel Market (in US dollars)

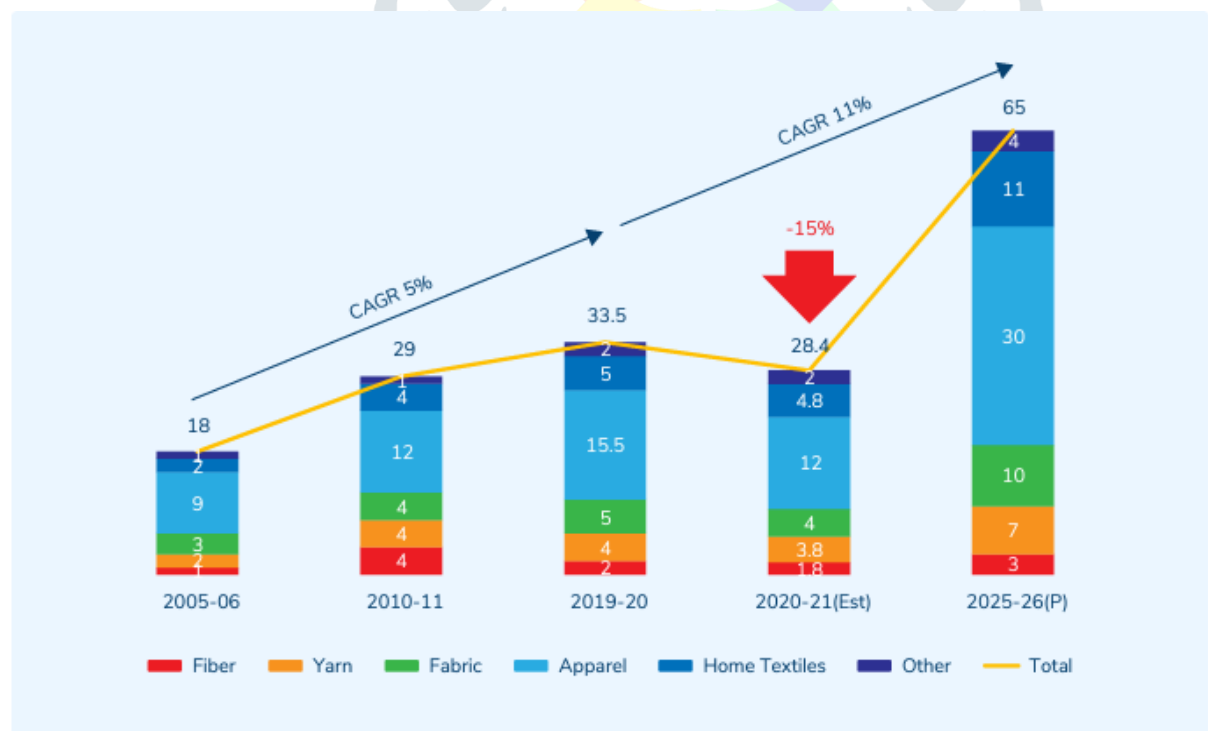
The domestic textile and apparel business in India is expected to be worth \$75 billion in 2020-21. The market dropped 30% from US\$ 106 billion in 2019-20. The market is predicted to recover and increase at a 10% CAGR from 2019 to 2025-26, reaching US\$ 190 billion. Apparel accounts for 73% of the overall T&A market in India.



Data Source: DGCI&S

### B. Indian textile and apparel exports (in billions of dollars)

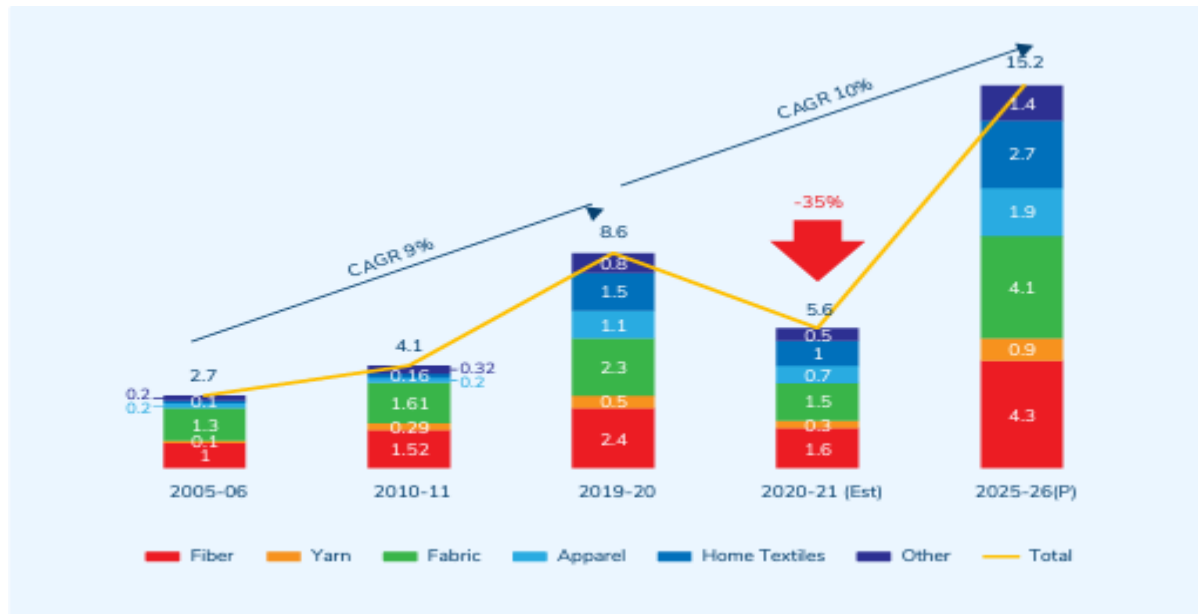
In 2019-20, India's T&A exports were \$33.5 billion USD. Because of the effects of Covid-19, India's T&A exports are likely to shrink by roughly 15% to US\$ 28.4 billion in 2020-21. T&A exports from India are estimated to reach US\$ 65 billion by 2025-26, expanding at an 11 percent CAGR.



Data Source: DGCI&S

**C. Imports of textiles and apparel into India (in billions of dollars)**

In 2019-20, India's T&A imports totalled US\$ 8.6 billion. However, they are predicted to fall by roughly 35% to US\$ 5.6 billion in 2020-21. T&A imports are predicted to expand at a CAGR of almost 10%, reaching US\$ 15.2 billion by 2025-26.



Data Source: DGCI&S

**Changes in the Top Ten Apparel Suppliers in the United States**

China has lost around 7% of its share in US garment imports, which has primarily been picked up by Vietnam, Bangladesh, and Cambodia.

Country	Import Value (US\$ mn.)	YoY share Change
China	14,068	-6.5%
Vietnam	11,711	3.7%
Bangladesh	4,868	1.2%
Indonesia	3,308	0.3%
India	2,818	-0.1%
Cambodia	2,611	1.2%
Mexico	2,006	-0.4%
Honduras	1,647	-0.5%
Jordan	1,430	0.3%
Sri Lanka	1,363	0.2%
Others	13,408	0.6%

Data from Jan to Nov 2020

### Drivers of the Indian Textile and Apparel Market:

- India is the world's largest producer of jute and cotton, and the world's second largest producer of silk. The cost of producing textile and clothing is much cheaper than in many competing nations due to a huge supply of raw materials combined with low labour expenses.
- India has one of the world's largest youth populations. Currently, over half of the total population is under the age of 25. This age group is one of the largest textile and garment consumers and is predicted to boost spending over the next five years.
- Online retailing has grown rapidly in the nation, owing to increased internet access. Consumers are increasingly searching for simplicity of shopping, a variety of selections, better deals, and simple return policies. Because of the rise in internet sales, the textile sector can now reach customers in every region of the country.
- Consumers are migrating away from need-based clothes and toward aspiration-based apparel as a result of a shift in purchasing behaviour. Buying clothes is now more than an expression of desire, personality, and a status symbol, as opposed to prior years when Indian consumers acquired fashion things as and when necessary. Though basic textiles remain a component of the consumer's basket, the desire for aspirational apparel has grown dramatically in recent years.

## Significance

- Textiles and garments are a labour-intensive industry that employs 45 million people in India, second only to agriculture in terms of employment.
- The textile industry in India is one of the oldest in the country, and it is a repository and carrier of traditional skills, legacy, and culture.
- It generates 2.3 percent of Indian GDP, 7 percent of industrial output, 12 percent of India's export revenues, and employs more than 21 percent of overall employment.
- India is the world's sixth biggest producer of technical textiles, with a 6% global share, and the world's largest producer of cotton and jute.
- India is also the world's second largest producer of silk, accounting for 95 percent of all hand woven cloth.

## Impact of Covid -19 ON apparel Industry

All economic operations, with the exception of critical commodities and services, came to a halt as a result of the epidemic. The textile and garment industries were no exception.

- **Manufacturing Shutdown-** For around 2-3 months, the industry was completely shut down, save for a few firms that committed their production systems to PPE manufacturing. However, during the following several months, the majority of the units ran at subpar utilisation levels.
- **Logistics Suspended-** The pandemic's disrupted logistics and halted external commerce harmed the whole value chain. India's net trade in April and May 2020 was almost 50% lower month on month compared to the previous year.
- **Cancelled Purchases** – Due to market uncertainty, foreign and local customers cancelled or suspended their orders, adding to the industry's troubles.
- **Physical Retail Sales Fall** – Lockdown restrictions across the country led in a 4-5 month slump in clothes retail sales. Furthermore, sales throughout the holiday and wedding seasons were severely hit.
- **New Consumer Trends Emerge** -Due to rising market demand, India's e-commerce sales of commodities and garments rose dramatically in 2020. Work-from-home opportunities increased the market for casual wear 12 clothing over formals.

## Challenges

**Extremely fragmented-** The Indian textile industry is extremely fragmented, with the unorganised sector and small and medium-sized businesses dominating.

**Outdated Technology:** The Indian textile industry is constrained by a lack of access to cutting-edge technology (particularly in small-scale enterprises) and a failure to satisfy global standards in a highly competitive market.

**Tax System Issues:** The GST (Goods and Services Tax) tax structure makes clothes costly and uncompetitive in both domestic and foreign markets. Rising labour wages and worker pay are another danger.

**Stagnant Exports:** For the previous six years, the sector's exports have been stagnant, remaining at USD 40 billion.

**Lack of Scale:** The average size of an apparel unit in India is 100 machines, which is quite little in compared to Bangladesh, which has at least 500 machines per plant.

**Lack of International Investment:** Due to the aforementioned issues, foreign investors are hesitant to participate in the textile sector, which is also one of the areas of concern.

**Rivalry within the Region:** Due to comparable history, technology, and labour force, competition within the region exists rather than competition of a supplemental character.

### Suggestion

**Need for scale:** Scale is critical for lowering manufacturing costs, increasing productivity levels to match worldwide standards, and thereby catering to huge orders from markets such as the United States. With the correct size and technological inputs, India can match rival nations' manufacturing prices.

**Environmentally Friendly Manufacturing Process:** As global customers become more conscious of social and environmental concerns, they are seeking for more compliant, sustainable, and big facilities to make bulk orders; these are accessible in China and Vietnam. Such amenities are also required in India. The newly created PLI plan, which is conditional on incremental sales development, ensures company investment in continual capacity growth. In the next five years, India can easily establish 10 USD 1 billion firms.

**Specialization:** While India has a robust cotton clothing ecosystem, it lags behind in man-made fibre (MMF) garment production. Blends are becoming more popular in global fashion.

- The US buys around Rs. 3 lakh crore of MMF garments each year. India holds only a 2.5 percent share of this massive market.
- As a result of a focused approach, the industry may be connected with global fashion needs.
- PLI encourages the production of MMF garments and textiles. Instead of scattering incentives over so many items, it's time to focus on a few products with large market potential.
- Integrated enterprises can engage in Greenfield projects to manufacture MMF garments and compete on cost with major competitors such as China and Vietnam.

**Competitiveness:** To compete with low-cost rivals, India's pricing must be ultra-efficient. With the PLI scheme's guaranteed production incentives, entrepreneurs with growth ambitions will invest boldly in

integrated smart factories. This can aid in the attainment of world-class productivity and industrial efficiency.

**Attracting capital:** The Indian textile business is just 10% registered on the stock exchange. The textile sector's (excluding raw-material producers) market worth of roughly Rs. 2-lakh crore is less than 1% of the BSE's market valuation of Rs. 250-lakh crore.

**Diversification** -Diversification in terms of technology, product basket, and customer base should be recognised. Adaptability is also vital in satisfying the demands of man-made textiles, other complicated goods, and services.

Newer methods to compliance, transparency, occupational safety, sustainable manufacturing, and other areas are unavoidable for South Asia to continue and develop company.

Re-skilling and up skilling of the labour force should also be prioritised for the area to remain competitive. Finally, governments must be proactive in providing infrastructure, finance, liquidity, and incentives.

### **Strategic for Capture World Apparel market by INDIA**

The future of clothing is unquestionable, but for enterprises to achieve market share, total competitiveness in terms of pricing, quality, compliances, logistics, services, and product development will be critical.

**Foreign collaborations:** -Many corporations have begun to investigate prospective alliances or joint ventures with international entities, whether for production, marketing, or brand licencing. Such agreements enable the firm to improve its skill sets, production capacity, design, and operational efficiency by gaining access to the significant resources and market footprint of the partner company.

**Product and design creation:** Product creation has become an unavoidable component of corporate growth. It entails modifying an existing product or developing a totally new product to meet a newly defined consumer desire or market niche by providing extra advantages. To remain competitive in the market, businesses must identify market gaps and develop new or enhanced goods. A effective product development plan may assist organisations in increasing revenue and profit.

**Sustainable manufacturing:** Environmental and social compliances are no longer optional in sustainable production. Nowadays, the prevailing slogan is "Compliance first, Business second." Before picking a supplier, any significant customer checks that all compliance issues are addressed by the factories. Any failure in these areas is a solid reason for rejection.

**Every product has a life cycle** – Every product goes through a life cycle that includes innovation, launch, growth, maturity, and decline. When a product is in its declining phase, firms with product-specific profiles reach a comparable level of maturity. Product expansions or brand innovation become vital in order to preserve corporate success. Thus, finding the correct product at the right moment may assist businesses in



developing a distinct image. For example, women's bottom wear leggings entered the Indian market only a few years ago but quickly acquired traction and have grown to become a Rs. 800-crore business.

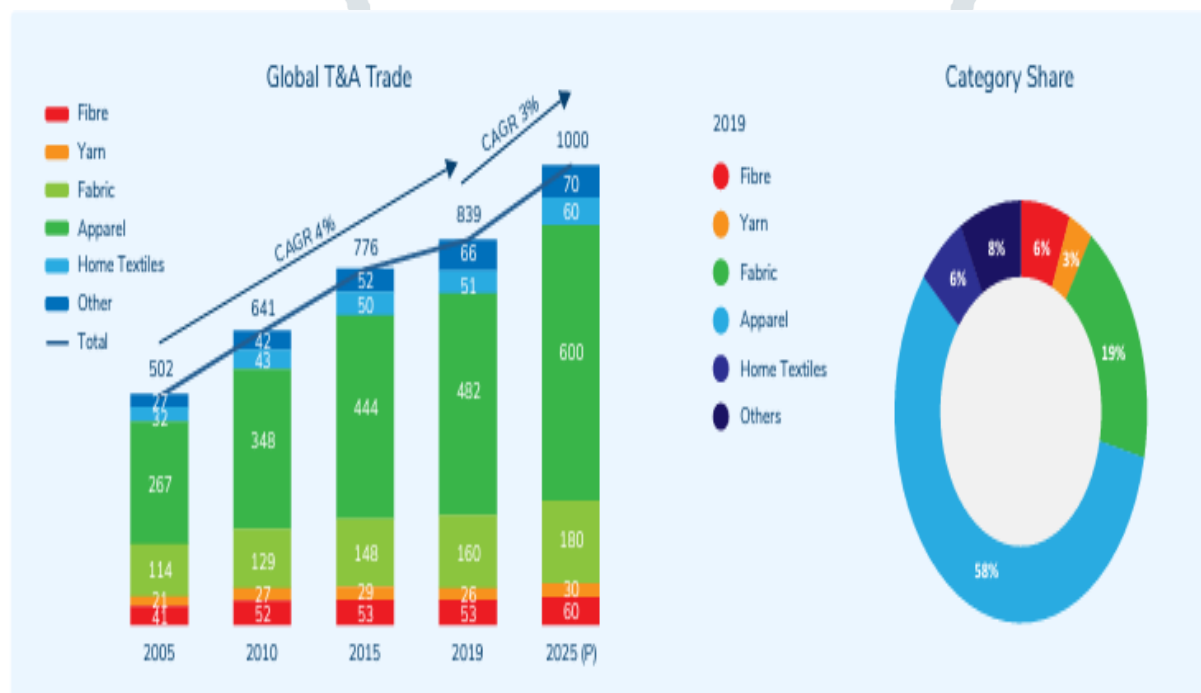
**Market intelligence:** Market intelligence is a crucial component of growth since it assists firms in identifying impending high-traffic items and customers. It assists businesses in making decisions like as entering a new market, developing novel designs, growing an existing firm, establishing a distinct identity, or marketing around client demands.

## Drivers of the Global Textile and Apparel Market

### 1. Category-wise Share of Global T&A Trade (US\$ Billion)

Since 2005, the worldwide textile and apparel trade has expanded at a CAGR of 4% to reach US\$ 839 billion in 2019 and is predicted to reach US\$ 1 trillion by 2025, expanding at a CAGR of 3%.

Apparel led T&A trade, accounting for 58 percent of total trade value, followed by textiles (19 percent).



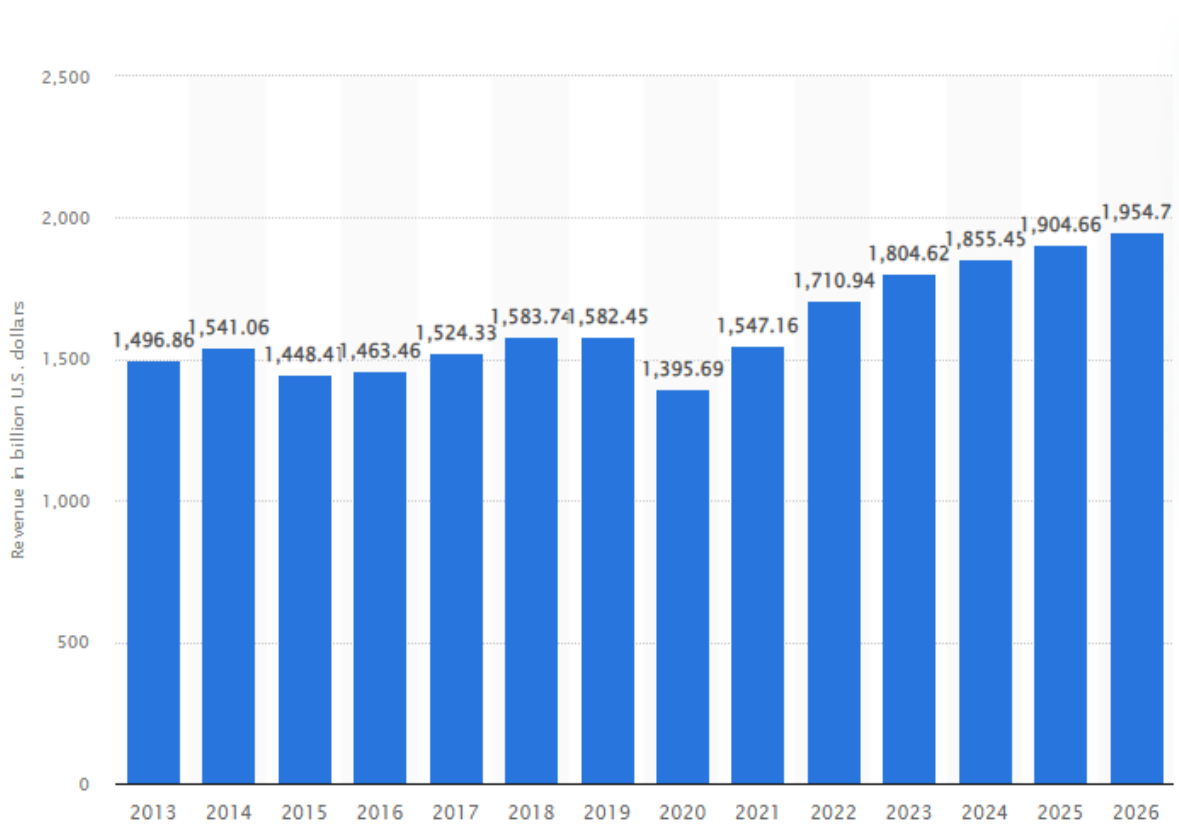
**Data Source:** UN Comtrade

### Global apparel market

The garment market includes all types of clothes, from sports to business wear, from everyday wear to striking luxury pieces. Following problems in 2020 due to the coronavirus pandemic, when sales in the garment sector suffered, worldwide demand for clothes and shoes is expected to recover again. The worldwide clothing market is expected to generate roughly 1.5 trillion US dollars in sales in 2021, rising to approximately 2 trillion dollars by 2026. The United States and China account for the majority of this clothing demand, with both producing far bigger sales than any other country. It is probably unsurprising

that the same two countries are important players in international commerce. China is the country with the biggest value of garment exports. In terms of the value of garment imports, the United States is second only to the European Union.

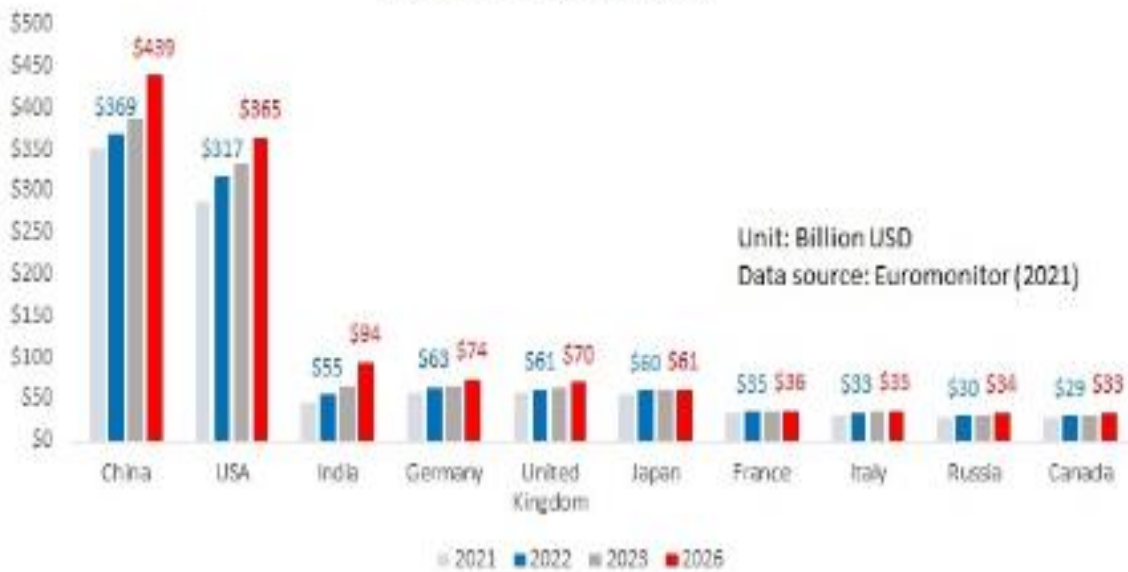
### Global apparel market revenue from 2013 to 2026 (in billion U.S. dollars)



Source-© Statista 2022

The worldwide apparel market's revenue has been continuously expanding during the observed time period. This market's revenue is expected to be over 1.55 trillion US dollars in 2021. According to the Consumer Market Outlook, this value will rise to about \$2 trillion by 2026.

### Top Ten Apparel Retail Markets in the World (by value of retail sales)



According to industry projections, the global clothing retail market would rise by 7.6-8.6 percent between 2021 and 2022. The annual growth rate, however, will fall to 4.0-5.7 percent in 2022-2024 and then to 3.8-4.6 percent in 2025-2026.

#### Apparel retail sales by region



Asia-Pacific, North America, and Western Europe will continue to be the world's top garment consumption markets, accounting for more than 80% of retail sales. However, the Middle East and Africa, as well as Latin America, will be key emerging areas to monitor.

## Finding

- In 2020, the Indian textile and apparel market is expected to be worth US\$ 133 billion. The publication anticipates that the Indian textile and apparel industry will increase at a CAGR of 13.80 percent between 2021 and 2026.
- The garment industry accounts for almost 4.4 percent of overall exports. India's key export markets for textiles and clothing include the United States, the European Union, parts of Asia, and the Middle East. Among these markets, the United States has the largest stake with 26.3 percent, followed by the United Arab Emirates (14.5 percent) and the United Kingdom (9.6 percent).
- According to Darshana Jardosh, Minister of State for Textiles, the Apparel Export Promotion Council was one of the first councils to build a virtual business-to-business network to link Indian MSME exporters to overseas consumers during the epidemic.
- The Union Cabinet recently approved Rs 10,683 crore to improve India's manufacturing capabilities and export competitiveness through the 'AtmaNirbhar Bharat' initiative, with a focus on the promotion of identified man-made fibre apparel and technical textiles lines in order to create 60-70 global champions in the field.
- The present global market for manufactured fibre garments and made-ups is about \$200 billion, but India's contribution is a pitiful \$1.6 billion, or roughly 0.8 percent of the total global market for manmade fibre.
- Trade agreements with the UAE and Australia, as well as those in the works with the UK, Canada, Japan, and Korea, are expected to enhance garment exports.
- Apparel shipments are also increasing as a result of the Sri Lankan economic crisis, as multinational firms have begun redirecting orders from Sri Lanka to India. Every year, Sri Lanka exports over \$5.5 billion in textiles to worldwide markets.
- India now possesses the world's biggest availability of cotton, jute, silk, and wool, which is backed by the world's second largest spinning and weaving capacity, giving the sector with a 95 percent domestic value addition opportunity.
- The textile sector in India has rarely had things so well. With accumulative ready-made garment (RMG) shipments for the period at \$16018.3 million, strong export demand boosted by Sri Lanka-China limitations, as well as healthy local demand, are expected to fuel revenue growth of RMG producers by 16-18% this fiscal.
- India's key export markets for textiles and clothing include the United States, the European Union, parts of Asia, and the Middle East. Among these markets, the United States has the largest share of 26.3 percent for knitted clothing, followed by the United Arab Emirates (14.5 percent) and the United Kingdom (9.6 percent).

## Conclusion

India has always had a competitive edge in the textiles business, particularly in garment manufacture. Apparel exports are a significant component of India's export basket and play an important role in the domestic economy. However, garment exports have remained stagnant in recent years, owing in part to increased competition from nations such as Bangladesh and Vietnam. This article examines the influence of destination country tariff regimes in guiding garment exports from big suppliers such as India. According to the findings, favourable tariff treatment has been a key contributory element in the rapid rise of clothing exports from developing nations such as Bangladesh and Vietnam. These measures have also enabled nations such as Cambodia, which was formerly a minor supplier, to benefit from lower tariffs as well as easing of rules of origin regulations. The study finishes with policy recommendations to help this industry realise its full potential.

Apparel manufacture is an essential component of the broader textile industry, accounting for more than two-thirds of overall textile industry revenue. Furthermore, the clothing business has significant backward connections with the rest of the textile industry. The finished garment is the result of a three-step value chain: the first stage of converting raw fibres to yarns, the second stage of converting yarns to fabric, and the third stage of dyeing/printing, sewing, and finishing fabric into apparel (Habib, 2009). The success of the garment business is also determined by how efficient and competitive these backward links are in the larger textile sector.

If a clothing manufacturer has good control over the supply of raw materials and associated items, the manufacturing process is expected to be not only efficient and dependable, but also a source of further price competitiveness (Siddiqi, 2005). Thus, the prospects and performance of the garment industry have a significant impact on the total success of the textile sector, and vice versa.

The textile industry is especially significant since it accounts for a large portion of India's export basket. However, the percentage of textile exports in India's total exports has been dropping in recent years. Furthermore, nations such as Bangladesh and Vietnam are expanding their competitiveness for Indian textile exports.

Though India's textile business has been extensively investigated, there have been few contemporary studies analysing the fundamental issues behind the near standstill of India's textile exports, notably clothing exports. This article seeks to address a vacuum in the research by analysing the influence of policies, notably tariff regimes in destination markets. The major goal of this essay is to look into the variables that have contributed to India's drop in clothing exports. Furthermore, the essay examines the export performance of other major garment exporters throughout the world and compares it to India's export performance to get insight into the primary issues impeding India's apparel exports.

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