CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Introduction</td>
</tr>
<tr>
<td>1.2</td>
<td>Statement of the problem</td>
</tr>
<tr>
<td>1.3</td>
<td>Objectives of the study</td>
</tr>
<tr>
<td>1.4</td>
<td>Review of literature</td>
</tr>
<tr>
<td>1.5</td>
<td>Hypotheses of the study</td>
</tr>
<tr>
<td>1.6</td>
<td>Scope of the study</td>
</tr>
<tr>
<td>1.7</td>
<td>Research Methodology</td>
</tr>
<tr>
<td>1.8</td>
<td>Limitations of the study</td>
</tr>
<tr>
<td>1.9</td>
<td>Conceptual Frame Work</td>
</tr>
<tr>
<td>1.10</td>
<td>Organisation of Chapters</td>
</tr>
</tbody>
</table>
CHAPTER – I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Garment sector is one of the fastest growing sectors in the textile industry. It has been a pioneer in globalisation. Global relocation and global sourcing of garment dates back to the 1960’s and 1970’s when the word ‘globalisation’ was not in use. Globalisation has sharply increased the number of global producers who are able to produce and export certain manufactured goods. Barriers to international exchange have steadily declined through trade liberalisation (hundred percent quota removal) and technological change. A consequence of quota removal has been a steady decline in the relevant terms of trade.

The quota regime that has governed much of the global market for textiles and apparels for more than 40 years came to an end for exports from India to countries like USA, Canada and Europe by January 1, 2005. The dismantling of the quota regime represents an opportunity to the exporting nations, as markets will not be restricted or a threat. Even domestic market will be thrown open to foreign competition and their performance will depend mainly on how they are able to re-orient their export so as to meet the growing demand.

The Indian garment sector, however, has emerged as the most globalised sector in the world today. The textile industry in India roughly employs around 35 million people (2006-2007) making it the second largest employer in the country after agriculture. The economic significance of the industry is further established by the fact that it contributes about 18 percent of the industrial production in the country and about 30 percent of export earnings.
Textile industry has several sectors with it viz., the mill sector, the clothing or garment sector, the handloom sector and powerloom sector. Each of these sectors employs large number of workers and contributes significantly to the nation’s economy. The tradable commodities under textiles include ready-made garments viz., knitwear (clothing, cotton yarns, fabrics, silk and woollen products etc).

India’s international trade has been driven into a new phase since 1991-92. In the liberalized trade regime, exports are receiving un-precedented attention. The exports of many items from India, including garments are throwing new opportunities for existing exporters and aspirants. Apparel exports sector has been one of the highest foreign exchange earners in the country’s export basket for the past few years.

A large segment of the garment sector comprises of a vast domestic market, while another significant segment caters to the export market. Most of the export oriented units are in Tirupur, New Delhi and Mumbai. During the last two decades of the twentieth century, Tirupur in Tamilnadu became India’s centre-piece in the export of cotton knitted garments. Between 1986 and 1997, Tirupur’s export earnings sky rocketed from US$25 million in 1986 to US$36 million in 1997, the number of garments exported increased more than nine-fold, and Tirupur shifted from basic T-shirts, to diversified multi-product exports of fashion garments. This industrial boom has been organised through networks of small firms integrated through intricate subcontracting arrangement controlled by localities of the gounder caste from modest agrarian and working –class origins. In effect the whole town works like a decentralized factory for the global economy, but with localities peasant-workers origin at the helm. Tirupur has been growing at a clip with the distinction of being the largest garment exporting centre in the country since the liberalisation of Indian economy in 1991.
1.2 STATEMENT OF THE PROBLEM

The international textile and clothing trade was conducted in a unique regulatory environment of Multi Fiber Arrangement (MFA) till the end of the year 2004. With the elimination of all quota restrictions on textiles and clothing from 1st January, 2005, the textile and clothing sector has been fully integrated into the regulatory framework of the World Trade Organization (WTO).

World of clothing trade is changing drastically and the transition from comparative advantage to competitive advantage has become essential. Exporters from Tirupur added sheen to the distinction by turning exports in excess of US$. 175.82 million in the financial year 2005-06. This achievement drives home the point that Tirupur is simply unstoppable, even in the post-quota regime exporters have adapted themselves well to the new realities of the apparel trade. During the financial year 2004-05 the exports were approximately US$ 1360.36 million registering a growth of 33.3 percent over the previous year. It also had remarkable growth rate in 2005-06 by 13 per cent more than the average annual growth witnessed in recent years.

During the financial year 2005-06 Tirupur has recorded a higher growth rate, when compared to the country as a whole in knitwear segment, thus underlining the robust growth of the local industry. Tirupur has crossed the US$ 2380 million in 2006-07, well ahead of the earlier target of US$ 2300 million by 2010. It is predicted that exports from the knit town to Europe will grow by 30 percent and 34 percent in the case of America.

Without the removal of the quota, the current boom in the exports would not have taken place. If we compare the Tirupur export with its foreign counterparts in Bangladesh, Pakistan or China, latter are more flexible in terms of price, quantity, delivery and business transactions. They do not insist much on letter of credit and do business under Document against Payment or Document against Acceptance terms reducing banking costs for the buyers.
In Tirupur, exporters foresaw the business opportunities that quota removal could bring in and started investing in capacity additions even before quotas were removed. Many companies have opted for integration by setting up spinning facilities or going in for processing units or even a combination of both. This has enhanced their price competitiveness and in turn its export performance.

A cluster based approach is also followed to attain flexibility in the organisation of production through subcontracting firms, facilitating rapid change in design, size and volume of output and effective management of complex supply chain and production patterns. In brief this industrial sector has a well-prepared plan to meet the challenges that lie ahead of them after Multi Fiber Arrangement (MFA) phases out for the global apparel trade, compiled with the growth of the industry owing to the liberalisation policy of Indian Government. The prevailing transition situation creates a volatile environment for the growth and development of this industry. Therefore an attempt has been made to empirically verify whether the export competitiveness of developing countries has increased in the post MFA period or not (especially for India)?

In this context, the following questions emerge:

❖ What is the growth of knitwear exports from India in general and from Tirupur in particular?
❖ To what extent the knitwear industry has competitive edge over the Asian players?
❖ What is the impact of post liberalisation export promotion policies on knitwear exports?

1.3 OBJECTIVES OF THE STUDY

The objective of this study is to evaluate the export competitiveness of Indian knitwear industry in general and Tirupur knitwear units in specific.
The specific objectives of the study are:

1. To describe the growth of knitwear industry since liberalisation of Indian economy.
2. To compare the competitiveness of Indian knitwear industry with major Asian players.
3. To study the export performance of Tirupur knitwear industry since liberalisation of Indian economy.
4. To compare the export performance of Tirupur knitwear sector with the export performance of other knitwear sector in India.
5. To analyse the impact of post liberalisation export promotion policies on the knitwear exports of Tirupur and
6. To study the strategies adopted by the exporters to achieve their export targets under post liberalisation era.

1.4 REVIEW OF LITERATURE

A detailed review of literature has been made to find out the research gap and to identify the relevant issues for the study. This section provides a sketch of the available related studies arranged in International and National level. The review of literature has been confined to WTO's discussion papers, UNCTAD and IMF reports, Ph.D. theses and research articles.

A Survey (1969)\textsuperscript{9} by Economic and Scientific Research Foundation titled Survey of India's Export Potential of Textiles and Made-up Garments, focused on the export market for Indian Textile and garments. Keeping in mind the expanding international trade in apparel and the woeful share of India (because of poor technology and marketing), the study found that setting up to 12 new units with an additional export of US $ 42 million by 1975. The survey recognized the need for "export schemes, which links it with the provision of synthetic and blended fabrics".
Brockel (1971)\textsuperscript{10} in his research article made an interesting comparison of “Market cost trend for woven and knitted goods, cotton & allied textiles industry”. This study found that the share of knitted goods in the world and in European Economic Community was 17 percentage and 11 percentage respectively during the study period. The production of knitted goods showed a stupendous jump during the study period (1962-1971).

Sreenivasan and Indira Doraisamy (1973)\textsuperscript{11} made a study on the growth of knitting industry. The authors found that the development of synthetic filament and high speed knitting machines not only gave a higher output, but also better range and diversity for the knitted fabrics.

Mathew (1991)\textsuperscript{12}, in his study titled “Comparative Advantage and Sustainable Economic Growth in India after 1991” concerned with the idea of sustainable economic growth, had defined it as ‘a high road of growth’. The research work argued that sustainable growth comprised of three elements, rapid growth, linkages and upgrading. The study also found that low wages and low price strategies are the secrets of India’s competitive success in the international arena.

Chari (1994)\textsuperscript{13} studied Tirupur’s growth and restructuring of knitwear industry as a network of small firms, and as an outcome of regional and agrarian processes in the interaction with larger politico-economic forces. The author found that the growth of Tirupur with agrarian process of gounder (farmers) technological innovation, loan societies, and investments linking to agro-commerce and industry.

A working paper presented by Swaminathan and Jeyaranjan (1994)\textsuperscript{14} titled on the Knitwear cluster in Tirupur: traced the growth of the knitwear cluster of the industrial district at Tirupur. Entrepreneurs identified in the study were exporter-manufacturer, non-exporter manufacturer and merchant exporter.
A high degree of horizontal expansion and vertical integration were observed among the large, medium and small entrepreneurs in all the three groups.

**Cawthrone (1995)**\(^{15}\) studied the clustered range of activities related to the apparel knitwear industry in Tirupur. Through the process of elaborate study the author found that the large units sub contracting acted as a facilitator than constraint in accumulation of works. This has resulted in the growth of large number of small units, as they divided and replicated the various operations of knitwear units in Tirupur. By this method of contracting the large units have “reserve arms” both to hire and fire their work force in lean seasons.

A joint study titled Business Consultancy Division-Beyond the Multi Fiber Agreement Strategies for Indian Apparel Industry by Industrial Credit and Investment Corporation of India (ICICI) and Jaikumar (1995)\(^{16}\) focused on the future of the apparel industry beyond the Multi-Fiber Agreement. The study suggests that the business processes of apparel should pay attention for woven and knitwear garments.

**Satinder Bhati’s (1996)**\(^{17}\) research titled Indian garment industry in post-MFA period expressed that the garment industry needs to build up its export and management capabilities. The author found that when the quota system disappears in a phase of 10 years effective reforms have to be initiated to develop Indian textile industry, Mere labour force cannot prove India’s competitive strength in a post MFA regime. Then International trade in textile and clothing will be conducted on a non-discriminatory basis, as it happens to be the case in respect of all the goods.

**D. O. Koshy’s (1996)**\(^{18}\) found that garment companies are today at cross roads. On the one hand, several cataclysmic developments are exercising awesome influence. He suggests that coping with growth, finding strategic fitness with opportunities and effective utilisation of management times are all issues which are looming large in the time to come. Information age, fragmentation of
markets, environmental and health standards, combined with several other variables are confounding the current scenario, unfortunately these shall decide how the clothing industry will survive and grow in a 100 percent quota free era.

**Darlie (1997)** in his study titled, *The competitive Position of Indian Apparel Exports vis-a-vis Competing Countries with respect to EEC, Germany, UK, France, Italy, Netherlands, USA and Japan* concluded the study by discussing the strategies for the competitive advantage. That is, the qualifying elements for the exporter were identified as cost advantage, product quality advantage, reliability advantage, delivery advantage and basic advantage. He suggested that the order winning elements would be time/speed advantage, design/product development advantage, productivity advantage, service advantage and image advantage.

**Jain (1998)** studied about the *export performance and marketing strategies of Indian textile industry*. The author found that apparel exports from India and the knitting sector were given only a partial treatment.

**Wood and Mayer (1998)** in their study titled *Africa’s Export Structure in a comparative perspective*, found empirical support for the theory of comparative advantage among a broad cross section of countries. The authors specified that “differences among countries and regions in the broad features of their export structure are the result of differences in their supplies of human and natural resources. It modulates textile and clothing exporting nations. The basic model of comparative advantage takes the pattern of trade to be determined omits capital, endowments of capital and labour. It was stated in the study if a country has a comparative advantage in goods because of the abundance of a resource such as educated labour, then it can usually obtain the capital needed to develop this resource, either from domestic savings or from abroad.
Manish Gadia (1998) undertook a study on impediments for Indian Garment Industry to fully harness the Quota free opportunity from Jan 1, 2005. The principal finding of the study stated that to enjoy quota free opportunity, requires generation of real value service for the customers, comprehensive study of multi-faceted and multi-layered supply chain and global integration of supply system in a cost and time effective manner.

Ajgaonkar (1998) in his publication on Knitting Technology, explained the major differences between woven and knitted and espoused the cause for the growth of knitting industry in India. The author highlighted the obsolete state of knitting technology and the over expedience on imported machinery. He also found that Tirupur was credited the export's share and observed 75 per cent of the total production (1997) came from Tirupur and Calcutta. However, the author had made no attempts made to chronologically place the statistics regarding production exports and value realization.

Deraniyagala and Fine, (1999) in their research article titled, 'New Trade Theory versus Old Trade policy: A continuing Enigma', examined the theoretical and empirical case for free trade and found that there is no rationale for accepting the general case in favour of trade liberalisation. The merits of trade policy need to be examined at a detailed and specific level. The authors found that there are numerous theories those drive trade, each with consequent welfare implications. These include product differentiation, intra-industry trade, geography, economies of scale and various political economic perspectives.

Fire D's (1999) project titled Reform and Expansion Project Debt Market Component revealed that over the past decade, the city of Tirupur has emerged as the largest exporter of cotton knitwear in India, producing 75 percentage of India's knitwear exports. Between 1985 and 1996, the value of the city's exports grew from Rs. 200 million to Rs. 35 billion a remarkable growth achieved despite a very low level of city services.
Tait and Niki (2001)\textsuperscript{26} in their research report titled \textit{India's Apparel Industry} focused their study on the apparel industry in India with the goal of exploring expected benefits from the removal of quota restrictions in 2005 and plan of increasing annual apparel exports to US from $6 billion to $25 billion by 2010. It was found that the role of Apparel Export and Promotion Council for establishment of an Apparel International Market, offering permanent showrooms for hundreds of exporters from India.

\textbf{Sareen (2001)}\textsuperscript{27} in her study titled \textit{A Study of Knitted Apparel for Children} evaluated the overall status, preparation and gearing up to knitwear industry and suggested value-addition in children's knitted apparel, so as to maintain Indian knitwear industry's existing position. The author reveals that the evaluation of the overall status of this industry id based on parameters such as fibers, yarns used, dyes, finished products supplied and quality control procedures adopted.

\textbf{Stahl (2002)}\textsuperscript{28} a minor field study, reviewed the issues relating to the impact of globalisation on labour standards, focusing on India's export garment industry as a case study. The study revealed that the competitors of the Indian garment exporters only come from other developing countries, and many producers feared China in particular. Cheap labour and lenient legal enforcement played an important role in determining where investors go.

\textbf{M. Vijayabaskar (2002)}\textsuperscript{29} in his study titled \textit{Towards Understanding and Labour in the Post-MFA regime: case of the Indian garment industry:} examined the possibility of the prospects for Indian garment manufacture, employment, and challenges that confront Indian policy makers in this regard. The author found that current legislation structures impose constraints on industrial action, but there are options available to reshape structures which are greater than what has traditionally been accepted by structural approaches. It is
imperative that the state in collaboration with labour associations and
governments of other structurally similar countries, can initiate steps to enable
labour to share the gain from participation in global trade.

Samar Verma (2002)\textsuperscript{30} in his survey on Export Competitiveness of
Indian Textile and Garment Industry has found the textile and garment
sectors play an extremely significant role in India in terms especially of share
in value added, foreign exchange earning and employment. With the impending
dismantling of quota in 2004 under mandate from the Agreement in Textile and
Clothing on the WTO, the focus has clearly shifted to the future of the
agreement in textile and clothing exports. In this study attempt was also made
to evaluate export-competitiveness of Indian textile and garment exports with a
view to assessing the competitive sinews in the preparation for the quota-free
trade beyond 2004.

Indira Singh (2003)\textsuperscript{31} in her study titled Can Government Catalyze
Clusters? found that the evolution of the Tirupur knitwear cluster represents a
good case-in-point. Prior to 1985 Tirupur's knitwear value chain was
characterized by low value production, low value-addition and low value-
retention. There were limited, and mostly informal, interaction among firms.
Linkages were weak between suppliers and buyers. Growth in garment making
also triggered a parallel expansion within supply and service industries (e.g. yarn
spinning, bleaching, dyeing, compacting, mercerising and printing) Local
spinning and dyeing capacity increased by 5 and 20 times respectively, as
garment-makers invested in their own facilities. Thus the specialized facilities
were set up.

Lora J Foo and Nikki Fortunato Bas (2003)\textsuperscript{32} in their study titled Free Trade's Looming Threat to the World's Garment Workers found that
the developing countries accepted a trading regime and rules that prevent them
from pursuing policies of economic development that will lift them out of
poverty, and that also ensures that they fall further behind the rich countries. The author also state that the lesser developing countries may not even see the benefit of their ‘bargain’ as they are poised to lose garment industries altogether as a result of quota elimination.

Rao’s (2003) study focused on the Condition of the Apparel Industry in India. The study discussed and draw conclusion on the increase in the production capacity of apparel manufacturers, growth of the gross domestic product of the textile industry and the percentage of the export of apparel from India.

Abhijit Banerjee (2004) and his team members studied on the effect of community identity on investment behaviour in the knitted garment industry in the South Indian town of Tirupur. The authors have documented very large and systematic differences in both levels of capital stock and the capital intensity of production in firms owned by people from two different community groups. They have argued that the differences in investment cannot be explained by productivity differences alone. They have suggested that the most likely explanation is that the two communities differ in their access to capital.

Chari (2004) in the study titled, Permanent Block, Fraternal Capital, Peasant-Workers, Self-made Men and Globalisation in Provincial India, A Tirupur story book, depicted the state of Tirupur. The author states that in the 1980s, the entrepreneurs started venturing into the global knitwear market, and by the 1990s, Tirupur was a global centre for production. This resulted in a dramatic change in the ethos of this industrial town. With alarming speed, the meritocratic ideology of the rewards of "toil" vanished, to be replaced by capitalist greed. Women workers were increasingly brought in, first to fill the new ancillary jobs created by the export industry and then, with time, to take over "male" tasks at lower pay.
I Safil Ali (2004)\textsuperscript{36} in his study named \textit{Export performance, Problems and Prospects of Knitted Garments Industry in India} found that the survival and success of knit wear industry in the post MFA phase out period depends on the ability to modernize, improve quality and productivity. The man power development needs to be paid attention especially in developing skilled labours.

Elisabeth Beer (2005)\textsuperscript{37} in her study titled, \textit{the Promotion of SME Export Consortia}, found that Tirupur, a major exporting cluster, limitations were due to focus on; low value products, poorly trained staff, lack of understanding of product quality, a low level of social and environmental standards and a weak institutional frame work.

UNCTAD/WTO (2005)\textsuperscript{38} in a forum on \textit{Innovations in export strategy: Competitiveness through export clustering}, summarised a set of insights those could serve as a guide to strategy-makers in evaluating the relevance of a national cluster development programme to international competitiveness, value-addition and retention within export value chains for exporters in Tirupur.

Maurice Landes, (2005)\textsuperscript{39} in his study titled, \textit{Growth Prospects for India's Cotton and Textile Industries} observes that the end of MFA quotas is likely to result in significantly faster growth in India's exports of cotton-based textiles and apparel. The author found that from 1\textsuperscript{st} January, 2005 growth in export-based cotton demand will be substantially higher with implementation of measures to boost investment and improve technology, integration in the knitting, finishing, apparel sectors to levels of efficiency achieved by China and other major producers. He also found that according to the recent trend in government policy, thought has been set to reform the sector, the pace of reform were slowed by political concerns with the
adjustment costs associated with restructuring an industry that accounts for a large share of industrial employment generation.

Meenu Tewari (2005) in her study titled **Post-MFA Adjustments in India's Textile and Apparel Industry: Emerging Issues and Trends**, reveals that the India's path to global integration in textiles and apparel differs from the path of its proximate competitors, and that it occurred without significant FDI, or entry into regional Free Trade Agreements (such as NAFTA) or deep insertion into dominant global clothing supply chains. The study also state that India's growing global presence is a tier of highly competitive domestic firms. These firms were able to restructure themselves during the deregulation of the textile and apparel industry in the mid-1980s (which first triggered export growth in Indian apparel, as distinct from the trade liberalization of the early 1990s), and built new ties with buyers and suppliers at home and abroad in the late 1980s and early 1990s.

**Workshop on – Strategies and Preparedness on Trade and Globalisation in India for Textiles and Clothing Sector, (2005)** sums up that the textiles and clothing sector are important not only from the economic aspect but also from developmental dimension in terms of pro-poor impact, gender sensitivity, bridging the rural-urban divide, employment generation etc. Quota free access has opened great opportunities for us much more than duty free access. It is found that the main exporters to EU & US have been showing declining rate of growth after the quota phase out which is an important factor to reckon with low MFN rates and low price elasticity in the developed countries are making GSP ineffective for countries like India.

**The Research article on Export Performance of Small and Medium Enterprises in India** briefs out (2005) of Exim bank reveals that the SSI sector in India has been exhibiting a striking export performance. Barring a few years, exports have grown double digit in the last 10 years. This works out to about 34 percent of total exports in India in the same year. Major
sectors contributing to SSI exports include readymade garments (27 percent), engineering goods (14.5 percent), chemicals and Pharmaceuticals, electronics and computers, and processed foods (11 percent each).

Raghbir (2005)\textsuperscript{43} in his survey titled \textit{Preparedness of Indian Apparel Exports after Multi-Fiber Agreement Phase Out}, found out that the textile and apparel sector is one of India’s oldest and important economic sector, second only to agricultural sector in terms of employment and industrial production.

Didar Singh (2006)\textsuperscript{44} in his report on \textit{Collective Efficiency Determines Cluster Success} found that the Indian Textile and Clothing sector has been identified by policy makers to have a huge export market potential of several billion US dollars. He suggested that to realise this potential the several constraints being faced by the Textile and Clothing need to be addressed in a holistic and time bound manner. He pointed out that one of the major constraints that has been adversely affecting the competitiveness of Indian Textile and Clothing industry, is lack of adequate quality infrastructure that meets the requirements of production on modern machines regulatory and trade related compliances.

Sudesh Kumar’s (2006)\textsuperscript{45} in his dissertation titled \textit{Development of Industrial Cluster} found that cluster development elements, and initiatives to improve the competitiveness elements, lie inside the clusters. The author discussed in this study that the Tirupur cluster which confirmed the idea that all clusters are not on the same line of development. However, SSI clusters have a vertical and horizontal structure to explore their capacity to reap greater economic benefits as mentioned by Michael Porter theory.

Vivekanandan, K and Rajendran, R (2006),\textsuperscript{46} in their study titled “\textit{Export Marketing and the World Wide Web” Perceptions of Export barriers among Tirupur Knitwear Apparel exporters} found that Tirupur
has started with a very small level of units but later it developed its networking. Also, networking helps the clusters to move in specific fields. There are large number of firms concentrating on only one industry i.e. knitwear garments industry.

1.5 HYPOTHESES OF THE STUDY

In tune with the objectives the following hypotheses are framed:

i. Indian garment industry is not competitive than its Asian counterparts.

ii. Knitwear exports from India to United States of America, European Union, Canada has not changed since liberalization of Indian economy.

iii. Tirupur knitwear industry is not competitive than its regional counterparts.

iv. Tirupur knitwear Industry has not much benefited from the liberalization of Indian economic policy.

v. There is no significant change in the rank of the major Asian players in pre and post quota liberalisation period.

vi. There has been no correlation between the levels of satisfaction derived by the exporters towards export promotion policies enacted by the Government of India since 1995.

vii. There is no correlation between the factors to be concentrated for effective competitiveness and the driving strategies framed to win the market in post-quota regime.

1.6 SCOPE OF THE STUDY

The study ascertains the effect and challenges of India’s economic liberalisation on knitwear industry in general and on the Tirupur knitwear sector in particular. The study will benefit a large spectrum of users like exporters, industrial experts, Government and researchers to frame policies and strategies in tune with the changing pattern of knitwear exports since liberalization era.
1.7 RESEARCH METHODOLOGY

1.7.1 Data

The study being empirical in nature requires immense database and therefore, both primary as well as secondary data were collected. A well structured interview schedule is used as primary data tool.

The secondary data sources include trade statistics published by Apparel Export Promotion Council (AEPC), Books, Articles published in national journals, magazines, newspapers, reports of the various Government departments, Consultancy firms. Published and Unpublished research work of various institutions and web sites of World Trade Organisation (WTO), United Nations Organisation (UNO), Apparel Export Promotion Council (AEPC), Textile Committee (TC) etc.

Data collection made by the researcher has been divided into three stages. In the first stage, the researcher largely concentrated on the review of available secondary literature, which forms a part of the desk research work. The data were collected from statistics published by World Trade Organisation, Apparel Export Promotion Council, garment industry associations, multilateral agencies, research studies, working papers, newspapers, magazines, journals, websites, and other authenticated published sources. To overcome the gaps of secondary literature, the researcher, interviewed with the help of a well-structured close-ended interview schedule, 25 leading exporters viz., members of garment producers associations and trade union members actively involved in this sector, which forms part of the pilot survey. A sample of hundred and sixty respondents was contacted and data collected with the help of a well-structured interview schedule.

1.7.2 Sample Size

There are five hundred and forty one (life members) registered exporters with Tirupur Exporter’s Association. One hundred and sixty exporters were
selected under the stratified purposive sampling technique. The sample taken at different levels is shown in Table 1.1.

**TABLE – 1.1**

**SAMPLING FRAME**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Nature</th>
<th>Population</th>
<th>Percentage</th>
<th>No. of respondents (N=160)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Merchant Exporters</td>
<td>487</td>
<td>90</td>
<td>144</td>
<td>90</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturing Exporters</td>
<td>16</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Third Party/Buying House</td>
<td>38</td>
<td>7</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>541</strong></td>
<td><strong>100</strong></td>
<td><strong>160</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The exporters in Tirupur knitwear are classified as merchant exporters, manufacturing exporters and third party exporters. Since 90 percent of the exporting firms in Tirupur subcontract their operations to various job units, a major portion of sample is covered among the merchant exporters. Only, three percent of the exporters sample study has complete in-house production and they are popularly known as manufacturing exporter. In between the merchant and manufacturing exporters a large portion of the export orders are directed through the third party or the buying house which account for the rest of the seven percent.

1.7.3 **Statistical Tools Applied**

The various statistical tools applied for analysis of the data are as follows:

- Balassa's concept of Revealed Comparative Advantage (RCA) index analysis is used to examine the competitive strength of Indian garment industry with its Asian competitors.
• Karl Pearson's Coefficient of Correlation and Charles Edward Spearman's Rank Correlation are used to compare the competitive position and market share possessed by India and its Asian counterparts in terms of Revealed Comparative Advantage (RCA) index analysis of the nations.

• Chi-square test is employed to explain the association between knitwear exports from India to USA, Canada and EU market and the level of satisfaction derived by the exporters towards export promotion schemes of the Government of India.

• Regression Analysis is used to estimate the trend value of India's export of textile and clothing and Tirupur exports growth for next five years.

• Compound Growth Rate is calculated to depict the growth of knitwear exports from India and Tirupur to various regions during the study period 1995-2006.

• Co-efficient of variance has been used to compare the variability among the region-wise knitwear export performance versus Tirupur knitwear garment industry.

• Descriptive/percentage analysis is applied to find out the distribution of frequencies between the variables.

• Arithmetic mean has been calculated to find out the regional trade pattern in world exports of clothing in a various quota free regime (stage I to Stage IV), influence of competitive position of India and region-wise export performances from India.

• The t-test is applied to find out changes in the order of major competitor to Indian knitwear garment export during the transition period and in the 100 percent quota free regime.

• Summated scales (Likert's-type scales) and Rank Sum are adapted to measure the level of satisfaction among the respondents for various queries under a two different five point and three point scale score of 5, 4, 3, 2, 1 and 3, 2, 1 respectively.
1.7.4 Period of the Study

The knitwear exports made by India and region wise knitwear exports were studied for a period of twelve years i.e., from 1995 to 2006. The primary data was collected from January 2007 to June 2007.

1.7.5 Area of the Study

Tirupur in Tamilnadu is one of the major knitwear export centers in India. It exports nearly 60 per cent of India’s knitted cotton garments. After the removal of quota the scope for export growth and potential for Tirupur knitted garment exporters are predicted to be very high. Hence Tirupur knit city is selected as the study area.

1.8 LIMITATIONS OF THE STUDY

As garment exporters are scattered around the country conducting of extensive survey among them is both time and cost consuming and hence study is restricted to Tirupur knitwear industry alone. This may affect generalization of the results. Prediction of changes in near future may not reveal accurate information and policy changes of Government may marginalize the findings of the study.

1.9 CONCEPTUAL FRAME WORK

Apparel

Apparel means stitched clothing or readymade garments. In the study the term apparel is used to denote knitted readymade garments. Tirupur is known for its knitwear exports, which fall under the apparel/readymade garment, a subsection of textile industry.

Knitting

Knitting is a process of converting cotton yarn or man-made yarn into fabrics/cloth. Knitting is different from the process of weaving.
Quota

Quota is the non-tariff barrier imposed by importing country to restrict the dumping of foreign products in their markets. Quota is a quantitative, fixed on the basis of bilateral agreements signed between countries.

Non-quota

Non-quota countries do not have any trade restrictions on the goods imported into their countries.

Liberalisation

Trade policy liberalization began in June 1991 and focused on liberalization, openness, transparency and globalization.

Merchant Exporter

“Merchant Exporter”, as defined under the Exim Policy (1997-2002), means “a person engaged in trading activity and exporting or intending to export goods”.

Manufacturer Exporter

“Manufacturer exporter”, as defined in the Exim Policy (1997-2002), means “a person who exports goods manufactured by him or intends to export such goods”.

Trading House

Trading House (TH) are independent companies staffed by international trade experts. They are business intermediaries between manufactures and foreign buyers or consumers of goods and services.

1.10 ORGANISATION OF CHAPTERS

The study is organized into six chapters

❖ The first chapter already dealt with the introduction, statement of the problem, review of literature, objectives, hypotheses, scope of the study,
research methodology, limitations of the study, conceptual framework and organisation of chapters.

❖ Second chapter gives a brief profile of the study area, origin and growth of knit wear industry.

❖ Third chapter focuses on the conceptual framework about liberalisation of Indian economy and it's Impact on the Export Performance of Knitwear Industry and the impact of WTO's 100 percent quota removal policy on the knitwear exports.

❖ Fourth chapter compares the export competitiveness of Indian knitwear industry with major Asian players, further the study analyses export performance of Indian knitwear Industry in general and Tirupur knitwear sector in particular.

❖ Fifth chapter examines the impact of export promotion policies on the growth of knitwear industry in Tirupur and the strategies adopted by the exporters to achieve the export targets under post liberalisation era

❖ Sixth chapter summarizes the major findings of the study and suggestions for exporters for improving their competitiveness and to face the challenges of quota free regime.
REFERENCES

1. International business pages, the phase out of the Multi-fiber arrangement: Policy options and opportunities for Asia (New Clothes Market, September, 2005).


4. Debashis Chakraborty and Dipankar Sengupta, ibid

5. Debashis Chakraborty and Dipankar Sengupta, ibid

6. Debashis Chakraborty and Dipankar Sengupta, ibid


8. www.smallsaleindustry.com


13. Chari, Sharad: The Agrarian Question comes to Town: Historical geographies and Intersectoral linkages in the making of the knitwear
Industry in Tirupur, India, Department of Geography, University of California at Berkley, 1994.


18. Koshy D.O.: Shape of things to come, Garment manufacturing strategies for the paper at the annual Gartex-NIFT conference in Delhi, March 1996.


22. Manish Gadia, Impediments for Indian garment industry to fully harness the quota free opportunity, SIMSR, PGPIB, roll no: 19. 1998


27. **Sareen (Sabrina Parashar):** *A Study of Knitted Apparel for Children*. Supervisor: Dr. Satinder Bajaj, Th 14243, 2001


29. **Vijayabaskar:** Ph.D. work titled 2002 "Towards understanding and labour in the post-MFA regime: Case of the Indian garment industry".

30. **Samar Verma:** *A survey for Indian council for research on international economic Relation*, November 2002.


32. **Lora J Foo and Nikki Fortunato Bas:** *Free Trade's Looming Threat to the World's Garment Workers*, 30 October 2003.

33. **Rao, Vasuki:** *The strong second, Focuses on the condition of the apparel industry in India*, 2003 Vol. 185 Issue 103, p12, 3p, 1 map, 3bw.


40. **Meenu Tewari:** *Post-MFA Adjustments in India's Textile and Apparel Industry: Emerging Issues and Trends, July 2005 Indian Council for Research on International Economic Relations (ICRIER).*

41. Minutes of the first inception workshop on – *Strategies and preparedness on trade and globalisation in India for textiles and clothing sector, 10-11, August, 2005.*

42. EXIM Bank: Research Brief, *Export Performance of Small and Medium Enterprises in India, October 2005.*

43. **Raghbir Singh and Lalit Mohan Kathuria:** *Survey report on Preparedness of Indian apparel exports after Multi-Fiber agreement phase out; An Analysis of selected firm*, The ICFAI University. All Right Reserved 2005.
