Chapter 5

Condition of Garment Industry In India and its Export Potentialities

5.1 Structure of Ready-made Garment Industry in India after Independence

In India, ready-made garment industry was almost non-existent at the beginning of the Second World War. During the war, several units came into existence to meet government orders for standard types of military uniforms. Thus, the growth of this industry at the initial stage is not because of the increase in the domestic civilian demand or exports. Soon the industry outgrew this stage when the demand for military uniforms no longer remained. The industry no longer depended on military contracts for its survival because the defence ministry came to do garments making on their own (Naryanswami, and Sri Ram, 1970). In 1960 it became responsive not only to the moods of the domestic market but also to the foreign market.

There are alternative phases in the garments industry in India (Kumar, 1988). Before 1963, the garments industry consisted largely of small and cottage type of units, with only a very small number of organised units scattered all over the country. Those organised units were not comparable to the establishments of the west in size and structure because the capital flow into that garment sector was small. Thus, organised sector before the 60s was not so prominent.

During 1963-7 the structure of the ready-made garments industry had changed enormously. In that period, organised sector had taken big strides. No fewer than a dozen large and medium-sized units, equipped with up-to-date imported machinery (Mafatlal Apparel Manufacturing Co., Binny's Garments Factory, Delhi Cloth and General Mill's Garment Division, Hindustan Garments Ltd.) came into existence during this period. The decade 1960-70 added a vital chapter to the history of garments industry because of the
30 units, which were successful in domestic market, 19 were actually founded during that time (Naryanswami, and Sri Ram, 1970).

The dominant feature in the 1960s had been that a bulk of the production and exports of ready-made garments were organised primarily by the integrated large units. They had close relation with large textile mills and used power-driven sewing machines together with complementary equipment for specialised operations such as cuff-making, collar-turning, cloth-cutting, etc. In fact, many of the garment-producing large units were owned by subsidiaries of major textiles mills, which used to cater to the demands of major urban metropolis and limited export markets. This pattern of production and exports is often referred to as the 'orthodox' one. This is because they used standard mill-fabrics, produced standard garments, organised production in regular factories, used power machines and equipment, and there was close association between fabric-producers and garment-manufacturers. There were, of course, elements of exports of other variety, though relatively small in importance, which used mainly handloom-fabric and was based on volatile fashion, demand abroad.

Many of these large units were established textile mills with high reputation and greater capital resources than average garment-manufacturer. This is a major landmark in the development of the clothing industry in India. The factors which helped that development in the 60s were-

1. The government policy like export promotion scheme, which started in 1959 in full force, had helped much. It provided for the import of embellishments and machinery, which were in short supply. The fancy premium fetched by import licences also helped the industry make good the losses involved in these exports.

2. With growing industrialisation and consequent increase in urban purchasing power, the cities had gradually become important centres for the purchase of clothing. The process had been helped by the increase in tailoring costs in the cities.
3. The spectacular success of "Bleeding Madras" garments in the US market stimulated the establishment of a few organised units.

4. A further stimulation to growth had come from the entry of big business in the field of garments.

5. Others came up in the early 60s when imports of ready-made garments had stopped. Leading importers then turned to Indian producers to fill the place of imports (Naryanswami, and Sri Ram, 1970)

Though the ready-made garments were costlier than tailor-made, the ready-made garment industry then expected economies of scale to help them not merely to displace the tailor-made garments but to tap markets in small towns and countryside. Besides the domestic market, other motivation at work was the growing appeal of exports of ready-made garments. The exports were seen as a way of raising the utilisation of the capacity of the existing units above the levels warranted by domestic demand.

In the exports front, the problem was the foreign markets could take the finer, costlier and fashionable garments, which the domestic producers were not in a position to make in appreciable quantities. It was found that a few units exported only to meet export obligations incurred in exchange for licence to import machinery and then dropped out from the export field. Only 46 units in the organised sector of the industry were engaged in exports so that most of the units might be deemed to have come up solely to cater to the domestic market (Narayanswami, and Sri Ram, 1970).

It was found that initially the organised units owed their rise and growth to the initiative of enterprises or men with a textile background like agents of textile mills, dealers of cotton, art silk and other fabrics or in hosiery. Later, some business groups with financial and managerial resources but without any background of textile and garment-industry had entered the garment-industry because it had prospect of high profit for them. Thus, in the case of large and medium units, persons with a tailoring background were found not
in the top management but either as master-cutter, supervisor or joint operators in contrast to small units.

In 1970, not only the number of garments-manufacturing units had increased, but also they became comparable to those in the west in terms of size and methods of operation. In spite of this, India then had numerically a very high percentage of small-decentralised units and a small number of large factories (Clothing News Bulletin, Bombay, June, 1970).

Garments-making units in India tended to be located in metropolitan and urban areas, because they provided sizeable and growing markets. Bombay was the most favoured location for the industry and would continue to be so because of big market, its advantageous location for export and the availability of suitable cotton-blended and other fabrics. In 1970, it was found that 46.5% of registered garment-factories were in Maharashtra, corresponding figure for West Bengal and Mysore were 9% and 6.4% only.

Despite the development during the 60s, the garments making could be considered an infant industry in 1970. This is because the total value of cloth consumed by the ready-made garment industry was only 1/2% of total textile output as against 60% to 80% in the western countries and only 2% of clothing requirements were met by the garment-industry then. Thus, many garment-producing units realised the potential for mass-produced garments for the domestic market. (Naryanswami, and Sri Ram, 1970).

Thus, the prevalent ownership pattern in Indian garment-industry in 1970 was that there were independent units and units which were mill-owned. Some mills had broken into this traditional pattern of production and sale of garments by setting up their garment divisions, because margin of profit in this industry was high.

The independent units were used to buy fabrics either from the mills directly or from the open market. The problem of independent units in this respect was that mills were not always prepared to produce and supply fabrics to their required specifications. Again, the
mills were more often interested in making and selling fabrics as yard goods to the
general public or exporting them and their production schedules also gave priority to
defence supplies or their own garment-division. Another problem was that the
independent units particularly smaller ones were not able to obtain fabrics by cash from
the mills, while they had to give a considerable part of their finished products to the
retailers on credit.

On the other hand, the mill-purchase helped the garment units of the mill to have control
over quality, discount on bulk purchase, regular supplies, choice about colour and design,
saving on brokerage, advantages of purchasing at competitive price. They had the
advantage over independent units in collecting fabrics from their own workshop at a
lower price and with required design, prints and patterns at economic costs.

As against the advantage, in the purchase of fabrics, mill-owned garments units had some
disadvantages because fabrics, according to their own specification, needed at least three
months to come to their own garments-units. Again, mills were situated at the major
textile centres where wage-cost was high and garment-units would have to bear higher
labour cost, in purchasing mill-produced fabrics, in comparison to independent units,
though some mills had overcome this problem by situating their own units at non-
industrial areas and engaging female labourers.

Moreover, the independent units had an edge over mills garments-units in the marketing
field because they were single-mindedly devoted to the product lines and gave liberal
commissions and credit to their dealers. Thus, most of the mills, which set up their
garments-division in the mid-sixties, came to grief during 1966-68. Their trouble started
from the accumulation of stocks and failure to displace established supplies of garments
and was also due to general recessionary condition. The abolition of the export promotion
scheme at the time of devaluation and the subsequent shrinking of export markets added
to their difficulties (Naryanswami and Sri Ram, 1970).
As a result, there was a radical shift in the method of production, away from the single large integrated factory towards a horizontal clustering of production, producing under sub-contracts for a parent firm, and engaging skilled workers mainly on the piece-rate basis. This was also necessitated by the shift of demand from standardised garments to women's garments.

Most of the small units in the industry set up their plant and machinery by providing funds from their own or in partnership with others. Many of them used second-hand machines. Those who made specific orders of mills or big city shops, supplied with fabrics and accessories and thus, need for working capital was much less to them. They mainly relied on their own resources or on lenders other than banks (Bide 1998).

On the basis of machine capacity as furnished by the Clothing Manufacturers Association of India, the office of the Textile Commissioner and the Cotton Textile Export Promotion Council in 1971, it was found that there was three-size category of units. Large units having more than 200 industrial sewing machines, medium-size units with machine ranging from 50 to 200 each, small units with machine capacity from 10 to below 50.

It was also found that unlike large garments units that used power-driven machines, some medium-sized and entire small units used industrial or pedal machine. On the basis of available data on the constituent units of the Clothing Manufacturers Association of India in Bombay, Calcutta and Bangalore, it was estimated that there were about 200 units equipped with power-driven machines.

An analysis of membership of the Clothing Manufacturers Association of India disclosed in 1970 that most of the units were proprietary or partnership concerns not only in cottage and small-scale sector but also in the medium-scale sector. There were both private and public limited companies. The public limited companies were all started between 1965 and 1970.
Actually, the duality in terms of size of garments-producing units as well market served by them in 1970 still persists today (Chatterjee and Mohan, 1993; Chatterjee and Roychoudhury, 1994). At present, Indian garment-industry is almost entirely in the private sector and has a diverse production base. On the one hand, there are factory-based clothing industries owned by the major textile-mills which use power-driven specialised machinery which are often imported and are mostly engaged in the production of standard garments for the domestic market. They do not venture export market because of flexible demand pattern. On the other hand, there is a diversified 'subcontracting system' characterised by a number of small tailoring and fabrication units which operate under a contract from a parent firm, the payment to which were usually made on a piece-rate. This production pattern is largely prevalent in the garment-export industry. Some of them are unregistered and so can derive benefits from a flexible labour base.

Though the predominant character of garment-industry in our country has been the small-scale job-working unit, no precise estimates about the contribution of the informal sector in the total garment exports of the country are obtainable. Available information indicates that most of the small-scale units with informal labour contracts are successful in the export front as compared to the large-scale composite-manufacturing units, which are more inclined to the burgeoning home-market of the cities. This is mainly due to the fact that the small informal sector units with more flexible labour contracts and diversified production base possessing the necessary resilience to withstand the uncertainties of volatile export demand. For example, a typical garment-exporter in northern India operates through a network of 10 to 20 subcontractors each with an average size varying from 20 to 50 machines (Chatterjee, and Mohan, 1993)
The reasons for the predominance of small-scale units in the ready-made garment sector are:

1. Advantage of a flexible labour base with subcontracting the job workers on a piece rate basis.

2. Low initial capital costs.

3. Stipulation made under the SSI Act that one could invest in plant and machinery exceeding Rs. 75 lakhs if 75% of the products are exported, made the large Indian companies reluctant to invest significantly in the garment-sector. Though this stipulation has been waived, other problems still exist so that expansion on the large-scale basis is still not feasible by many established producers and exporters.

4. Small-scale production along with subcontracting arrangements facilitates flexibility in the processing of relatively large as well as small orders.

Owing to seasonal nature of export demand, the unregistered sector in the cloth-industry is the most cost-effective on the part of the entrepreneurs who are willing to export. The distribution in the burden of fixed capital between different operational units made it possible for entrepreneurs to enter the industry without having to make heavy investments. This induced many small firms to enter the garment-export business in the 1970s. The flexible production base proved to be a crucial factor in the success of the garment-export business. But on account of the volatile nature of international demand for garments, the casualty rate was also fairly high.

These two parallel systems of production base were due to the absence of a proper linkage between the garment-export industry and the production of garments for the domestic market. Small garment-exporters previously sold their items in the domestic market only in the form of distress sales.
The polarisation between the domestic garment-market and the export-market of 1970s has reduced now with the globalisation initiated in 1990. Today the competition between the large-scale organised sector composite unit and the numerous small units in the informal sector has changed from that of procurement of a larger share of the limited domestic fabric supplies to that of capturing a larger overall market share of the increasing world trade in garments, particularly in the changed environment of liberalised global trade. As a result, some garment-exporters have started opening retail outlets in the metropolitan city (Chatterjee, and Mohan, 1993)

Initially, the interaction between the domestic and export sectors reflected in the competition between the two over the limited supply of fabric. In India the mill sector produces most of the country's yarn output but accounts for less than half the country's fabric supply, the bulk of the fabric is produced in decentralised sector consisting of power loom and some subsidised handloom. The declining share of handloom garments and the corresponding increasing share of garment based on power loom fabrics have necessitated a little more interaction of the two markets. But instead of the competition over the supply of fabric, if there is competition to capture a larger overall export sector, there will be improvement in the garment-industry of our country. If this duality is broken by the initiative of export sector to produce more garments of the standard variety for the greater acceptance in a wide range of domestic as well as international markets and of the firms (which begin production initially for the domestic market) to secure a part of the export sector in order to raise capacity or utilise existing capacity more fully then there will be healthy competition between two sectors to bring balanced growth in garments industry.
5.2 Production and Exports of Ready-made Garment Industry in India since 1970

In India, production of ready-made garments has started increasing in an unprecedented rate from the late 70s. The growth rate of net value added in garments production has increased from 15.50% in the period 1977-83 to 31.50% in 1983-88, but this growth rate has declined to 5.53% in 1988-94. During the same period ('77-'83, '83-'88, '88-'94) employment has increased tremendously and corresponding figures for employment in those periods are 5.40%, 12.70% and 29.80%. Thus, even though net value added has decreased sharply, employment has increased by a large number (ASI Report). It was found that during this period, capital labour ratio has increased in all sectors including the labour intensive sector like garment-production. It is explained by the fact that number of workers in large factories in garment-production is underreported because it is more profitable for them to go for subcontracting with labour cost.

In the period of liberalisation, from 1979-80 to 1994-5, the output of this industry in the country has grown by 14.92%, fixed capital by 14.04%, value added by 14.56% and employment by 7.38% per annum. Regionally, the contribution of four states, Gujrat, Maharashtra, Tamil Nadu and West Bengal is the most prominent in textile product in India in 1979-80, though it came down to 50.64% in 1994-5. Except for Tamil Nadu (whose share has increased from 16.56% to 33.52%) the share of employment for all these states declined in these years though the new economic policy gave a strong impetus to the export intensive sector like this. This high growth is composed mainly of textile garments and knit textile products. These two products largely influenced the performance of the industry in Maharashtra and Tamil Nadu (Burgeon, 2000). In all respects, Tamil Nadu showed better performance in textile products manufacturing. Moreover, it was found that the concentration of manufacture of textile products in Tamil Nadu was increasing while in Maharashtra, Gujarat and West Bengal it was decreasing during 1979/80 to 1994/95.
Prior to 1960-61, there was virtually no export of ready-made garment from India and in that year they were a modest Rs. 0.85 crore. From the early seventies the share of non-traditional items like ready-made garments in exports began to rise because of the policy of export-led growth of Indian government (Banerjee, 1977). The value of exports of mill-made garments, increased from Rs. 6 crores in 1969-70 to Rs. 324 crores in 1978-79. (Commerce, June 7, 1980)

Though it constituted only 2% of total exports and 3.8% of manufactured exports, the period of 1970s witnessed phenomenal spurt in garments exports, and the character of export growth in this period was substantially different from that of the former period. There were shifts of export demand from woven fabrics to handloom fabrics, from standardised garments to women's garments and wears with considerable variations in fashion designs, embellishments, and fabric quality. This was accompanied by versatile production structures in numerous small firms producing in small lots as per variation demand and having co-operating arrangements of various sorts with handloom weaving centres.

After 1976, there were further changes in the composition of garment-demand, both overseas and internal, necessitating corresponding changes in the production quality and the destination of exports. Since the demand for handloom products reached some amount of saturation and the demand for designer variety using mill-made fabrics rose, emphasis shifted on to style, cut, intricate handiwork designs, lace trimming, etc. This necessitated further sub-divisions across stages of production, and wherever feasible, detailed subcontracting along with arrangements for co-ordination and quality control by the parent firm or trader.

Phenomenal increase in exports that had started from 1970-1 continued more so in the 1980s. It reached Rs. 200 crores in 1975-6, Rs. 565 crores in 1980-81 and Rs. 1,106 crores in 1985-6. During the second half of the 1980s, revenues from garment-export have increased in an unprecedented manner. Throughout the 1980s, India's garment-export rose at an annual compounded rate of 22%, and between 1985-6 to 1989-90, the
average annual growth rate of our garment exports was as high as 32% which is unprecedented in India's trading record. In 1990-1, India's garment-exports constituted 16.9% of manufactured exports and 12.32% of total export values. In 1991-2, India's exports of ready-made garments were estimated to have reached Rs. 6,282 crores which was almost double the value obtained in 1989-90 when garment-exports grew at an average rate of 27% in Rupee terms roughly keeping pace with the growth of world trade in garments.

India's comparative advantage in cotton has led to the predominance of garment exports based on cotton fabrics (Kathuria and Bhardwaz 1998). The percentage exports of cotton garments in 1993/94, 1994/95, 1995/96, 1996/97 are 75.12%, 70.15%, 69.97% and 71.78% respectively, the corresponding figure for synthetic garments are 24.71%, 26.20%, 26.03% and 21.75% respectively (Economic Survey 1996-97, Handbook of Export Statistics, Data from Ministry of Commerce).

In 1992-93, export of garments rose to 17% of manufactured exports and 13% of total export earnings. Similar trends also continued for the years 1993-94 and 1994-95. After liberalisation, the reason for the better performance of Tamil Nadu and Maharashtra in respect of textile product manufacture and least performance of West Bengal and Gujarat lies in two factors. First, in the former states there is diversified subcontracting system (revealed by the high ratio of value of contract and commission works done by others on material supplied to value of output for this industry compared to the latter, which brings flexibility in production process along with higher division of labour reducing the cost of production. Secondly, after liberalisation, the export intensive textile product viz. textile garments, knit and crocheted textile products and clothing accessories are concentrated more in the former states (Burange, 2000)

From this above analysis it is clear that unorganised sector in the garments industry plays an important role especially in the export front. They came to exist even before the 60s when large organised units were non-existent. Even with the emergence of large organised manufacturing units, their importance has not diminished at all. In the face of
uncertain export demand, these units are most suitable to serve export market most efficiently. With the abolition of quota system in 1995 and consequent opening up of market by the advanced countries, they have the potentiality in enhancing their role and contribute to India's export-led growth.

In the international market, clothing exports increased faster than trade in manufactures between 1983 and 1993. It is also the second fastest growing product category (GATT, 1994). Particularly, the second half of the 1980s was a period of rapid growth in world exports of clothing. World exports increased at the rate of 17% between 1985 and 1990. India's exports closely followed the world trend. However, other Asian countries like China, Thailand and Indonesia have achieved higher growth rates relative to India and have improved their share in world exports (International Trade: Statistics and Trends, GATT, 1994: WTO, 1995: WTO Annual Report, Vol. 2, 1996). Pakistan also penetrated the world markets with significant growth rates in the 1990s.

Now, China emerged as a leading exporter in the second half of the 1980s and today, occupies the number one position in the world. In 1995, China and Hong Kong together had a share of 21.1% of the world markets and posed formidable challenges to other developing countries (GATT, 1994, Table 3.41 and WTO, 1996, Table 4.58). The East Asian Newly Industrialised Economy viz. Hong Kong, Singapore, South Korea and Taiwan became successful exporters in the late 1960s and 1970s primarily by mastering the dynamics of buyer-driven commodity chains which were found in those industries where large retailers, branded marketers and trading companies play the key role in setting up decentralised production networks in a variety of exporting countries, typically located in the Third World. Production is generally carried out by locally owned Third World factories that make the finished goods for foreign buyers. The specifications are supplied by the branded companies or large retailers of exporting countries, which design and order the goods in the Third World countries.
The key asset possessed by the East Asian NIEs is their close relationship with foreign clients, which is based on the trust developed through numerous successful transactions. This helped them to get orders from developed countries, which the Third World countries are unable to get on their own. The important reason for the continued apparel export growth of these NIEs even in the face of rising labour costs is that they have upgraded the quality of their apparel products and moved to higher value added segments of garment production.

Prior to 1980s, garment exports were almost negligible in Bangladesh. The share of garments exports to total exports rose from 0.5% in 1980-81 to 28.3% in 1986-7. The two catalysts that made collaborative agreements to export garments were Daewoo of Korea and Desh Garment Company of Bangladesh. Daewoo made collaborative agreement with Desh in technical training, purchases of machinery and fabrics, plant start-up. Daewoo also helped in marketing Desh's products by utilising its reputation in international markets. Through 'triangular trade system' (overseas buyers gave order to Daewoo who then ordered Desh and supply made by Desh to overseas buyers) Bangladesh's Desh came to know the export marketing skill, which later diffused to all other garment factories. Eventually, foreign buyers felt comfortable approaching Bangladesh garment manufacturers directly.

Thus behind the success of garment export in Bangladesh there lies catalytic role played by Daewoo-Desh, government support, trained and low-waged labour (who were otherwise unutilised) and dynamic role played by garment factories according to the need of the market (Young, 1990).

But in India, no such buyer-driver commodity chain or triangular trade system prevailed to help the export front. What is disturbing is the decelerating growth rate of India's apparel exports in quantity and value terms since 1995. It was actually negative in 1997 and India's share of the world trade remains abysmally low. The year 1997 shows India's share of world exports of apparel at 2.6% in contrast to China's 15.3% (WTO Annual Report). Between 1900 and 1996, in case of India, share of garment exports has
decreased from 14.1% to 13.4% whereas in Bangladesh this share has increased from 3.5% to 54.8% and in Sri Lanka from 32.2% to 45.9%. Though this share in Korea, Thailand and Philippines has decreased substantially, in China the share has decreased by 1% only.

The major markets in which Indian exports have found phenomenal increase in demand are USA, Canada, EC countries, Arab countries and Japan, although the share of each market to total garment exports from India changed from time to time. Percentage exports to USA in 1993/4, 1994/5, 1995/6 and 1996/7 were 25.46%, 28.21%, 26.65% and 28.40% respectively whereas the corresponding figures to European Union were 41.68%, 45.81%, 43.75% and 39.90% respectively (Economic Survey 1996-97, Handbook of Export Statistics, Data from Ministry of Commerce). Because of NAFTA and other policy, Mexico and other Caribbean nations got advantages in exporting garments to the USA. Again, India faced stiff competition from East European nations while exporting to the European Union because of their advantages of cheap labour and proximity to the EU (Agarwal, 2001).

Thus, such trade diversion due to regional treaties had significant negative impact on exports from India. For this reason, India needed to make a concerted effort to improve its exports in this sector. The breakdown of the Soviet block in East Europe and the perspective reduction in protectionism in the developed market economies in the wake of GATT accord, were likely to give further fillip to this growing export sector though India could not utilise those opportunities. Since South Korea and Taiwan are vacating garments sector because of their rising labour costs, it will provide some opportunities for India to increase its share in US garment-imports.
5.3 Export Potentiality of Ready-made Garment Industry: India vis-à-vis West Bengal

World trade in textiles and clothing has been subject to an increasing array of bilateral quota arrangements over the past three decades. Multifibre Agreement (MFA), which began in 1974, provided the basis on which many industrial countries through bilateral agreements or unilateral actions, established quotas on imports of textiles and clothing from more competitive developing countries. The MFA has discriminated quite strongly against cotton products in which India has comparative advantage because under MFA, Exports Tax Equivalents are 20% higher against cotton-products than against man-made fibre-products (Martin, 1996).

During the 1995 round of the WTO Agreement, the Agreement on Textiles and Clothing (ATC) replaced the MFA. The ATC is the integral part of the WTO for the removal of restrictions on textile imports by the developed world. As a result, there will be greater market access for exporters from India. Now, the concern is how India is placed to face competition in garment exports when under WTO Agreement, quotas will be eliminated by January 1, 2005.

A positive step in the exports to USA is that for cottons, Export Tax Equivalent for the USA was around 50%, between 1993 and 95, declining to 39% in 1996 (The Exports Equivalent for synthetics was far lower, being 13% in 1994 and 16% in 1995 and 1996). This indicates that the policy of the 21st century gives impetus to the production of cotton for exports and surrogate cotton that is VSF for the domestic population (Venkatesan, Katti, 1999).

Another significant development is the increasing prominence of intra-Asian trade in clothing. The share of this trade in world clothing exports has risen from 8.8% in 1990 to 12.8% in 1995. (International trade: Statistics and Trends, GATT, 1994, WTO 1995, WTO Annual Report, Vol. 2 1996).
The argument by India and Pakistan to open up imports of textile products will have fierce impacts on their economies. The availability of imported textiles and apparel should help to make the domestic market for these goods more competitive and in maintaining international quality standards.

However, in the short run, there may be little or no gain for Indian Apparel exports from the ATC. Exports have for long faced major entry blockade to the USA and EU markets. After the integration programme for all the three stages as announced by the USA, it is found that more than 90% of the restraints on Indian exports to the USA would remain till January 1, 2005 (Banik, 2001).

Some expressed doubt about the positive response of MFA withdrawal on the exports of garment. Unless our garment-sector can compete effectively with other efficient producers in the world, our share in the world market will go down (Srinivasan, 2000).

Within India, regionwise, the major supplies of our garment-exports come from Tamil Nadu and Karnataka in the south, Delhi, Punjab, Haryana and Himachal Pradesh in the north, and to some extent, Orissa in the east, apart from Maharashtra and Gujarat in the west. Though international competitiveness boosted the growth of the industry through exports, the performance of this industry varied across the states. The new economic policy has affected the performance of this industry in different states in different ways (Burange, 2000). It was found that during 1991-2 to 1994-5, Tamil Nadu and Maharashtra had done better performance in the export front. This is because after liberalisation, India's market share in world exports for textile products increased substantially for undergarments non-knit and cotton fabric woven (knit textile product, textile garments and clothing accessories) which are the major product of manufacture of textile products in those states.

Very few information is available about West Bengal garments manufacturing because they are mainly small and cottage industry type. Unlike some other states (Maharastra, Gujrat, other southern states), the large textile manufacturers who produce and sell
garments under established brand names, are not situated in West Bengal. The units in West Bengal have either no brand name or brand names confined mainly to local markets. They practise subcontracting through jobwork and depend on other states for the supply of fabrics and other materials. Though some may be called small-scale units, many avoid registration under Small-Scale Industries Act. As a result, only a few registered under S.S.I.Act (Chatterjee and Roychoudhury, 1994)

There are three major types of product organisations in the garments industry of West Bengal. They are 100% job work done from outside the production unit, own production unit but piece-rate payment to non-permanent manufacturing workers, and composite mill, where workers are paid fixed monthly wages, and are substitutable among jobs (Chatterjee and Roychoudhury, 1994)

The relevant features of garments industry in West Bengal are:

1. Most of the enterprises are multi-product type producing different types of garments.

2. In most of these enterprises, the manufacturing employees are paid usually on piece-rate basis, and in majority of these cases, the manufacturing activity is being carried out with the help of job workers who are paid on piece-rate.

3. There is a wide range of variation in product quality and designs such that markets for readymade garments are usually of the monopolistic competition varieties.

4. Most of the garments producing firms in this state cater to domestic markets although some also venture to exports (Chatterjee and Roychoudhury 1994)

In West Bengal, the potentiality of garments industry is not suitably appropriated and is constrained in many ways from its inception through partition. The value of garments exported from India in 1980 was Rs. 3598 million. According to the Apparel Export
Promotion Council, only 2.6% of this value originated from Kolkata. Even today annual apparel export is just 2.5% (Rs.450 crore) of the national figure (The Statesman, 25th December, 2002). In 1981 corresponding figures were 57.5% from Delhi, 26.2% from Mumbai, 6% for Chennai and 5.7% from Bangalore (Rometat, 1983). Thus, the share of readymade garment exports from units situated in West Bengal to total garment export from India was much less and it is still less than 3% and the share has remained more or less stable over the last five years (Chatterjee and Roychoudhury, 1994). Though it has potentiality, it is yet to catch up with the tremendous export potentials of Indian garments, particularly in the new scenario of globalisation and subsequent abolition of quota restriction.

One of the reasons for the miserable condition of West Bengal in garment export front after 1990 is that the export-intensive textile product in India, viz. knit textile products and textile garments constituted only 16.86% of total value added of textile product industry in West Bengal in 1994-95. Therefore the export competitiveness could not be enjoyed by this industry owing to the smaller scale of economies in garments manufacturing here (Burange, 2000).

The position of West Bengal in textile product can be realised well if we consider its position vis-à-vis the other states. During 1979-80 to 1994-95, the annual compound output growth in Tamil Nadu is at 21.40% at constant prices. The corresponding figures for Gujrat, Maharashtra and West Bengal are 11.96%, 11.60% and 6.60%. Among these four states, West Bengal has the lowest compound growth rate in factors like fixed capital (12.60%), employment (1.70%) and value added (2.58%) in textile products during the same period in contrast to Tamil Nadu where the corresponding figures are 20.93% and 22.32% (Burange, 2000).

The uncertainty with respect to export demand, delivery schedule, and absence of quality control prevented export orientation of the garments producing units in states like West Bengal, whereas in other states with more or less assured supply of fabrics, and other accessories, these problems were kept at a minimum, and the advantages of cheap labour
costs through subcontracting and low overheads helped the units compete and capture the international markets with relative ease. (Chatterjee and Mohan, 1993)

In West Bengal, there is inertia among many garments producing units against competing with established brand names and expanding the scale of operations through quality innovations and design improvements to obtain even a larger share of domestic markets. This is primarily because of the peculiar attitudes to risks perceived by the entrepreneur (Chatterjee and Mohan 1993)