

## Indian Textile and Apparel Market and Trade : An Analytical study

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The Indian textile industry is as old as the human civilisation. Cloth is one of the basic needs of human being. In ancient ages, the cloth was made only from cotton. At present, cloth is made from silk, rayon, nylon, filament yarn, man-made fiber, viscose, staple and polyester and other products. The Indian Textile and Trade Market is world's fourth-largest economy, the third largest in Asia, and the second largest among emerging nations. The Indian market reflects considerable diversity in income levels and lifestyles. Although India's per-capital GDP is one of the lowest among the developing countries, a significant segment of the population has significantly higher income. A 1998 study by the National Council of Applied Economic Research projects that India's middle class will expand to include nearly half the country's total population by 2006. The same study projects that the rich and the middle income class together will increase from 29.6 million households in 1997-98 to 97.1 million households in 2006-07. According to recent article in the Strategist, Indian consumer credit is growing by 35 to 40 percent annually; new cardholders are increasing by 25 to 30 percent annually. Buying has become a year-round phenomenon in India; seasonal demand has gradually disappeared from the Indian market in just the past 5-10 years. Nearly 70 % of the Indian population lives in rural areas. While both rural and urban markets are growing significantly, the rural market is estimated to be growing twice as fast as the urban market. According to the NCAER study, the rural share of total consumer purchases rose from 54.2 % in FY 1989-90 to 57.9 % in FY 1995-96. A number of factors have fueled consumer spending growth, including rising prosperity and the emergence of a thriving consumer finance business.

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According to another NCAER study, Indian Demographics Report 1998, consumer preferences have shifted from low-valued items toward the higher priced products.

Indian consumers spend approximately 10 % something, their disposable income on clothing and footwear and nearly 47 % on food, alcohol, and tobacco, compared with 5 % for clothing and shoes and 36 % on food, alcohol, and tobacco in the U.S. Clothing expenditures in India tend to be relatively higher for households with higher incomes. Currently, disposable incomes of the majority of Indian consumers are so low relative to their basic needs that there is little residual for spending on better quality cloths and other products. As disposable income increase, consumers are expected to spend more on purchases of quality clothing. The Indian market for consumer durables is estimated at 100 million people, according to a recent survey by KSA-Technopak covering some 7,300 consumers in 12 major cities in India. The Indian market for branded products such as jeans, trousers, shirts, and other consumer goods is estimated at no larger than 40 million consumers. Indian consumers are typically more loyal to their stores than to brands. About three fourths of the survey respondents reported that they would revisit the stores where they had previously purchased apparel. The survey also revealed that brand is the second most important factor in purchase decisions. In south India, consumers are generally more brand loyal than consumers from the north. Price, however, is the most important factor for the consumers in east India. Home/ TV shopping or mail order are not yet popular in India, though consumers are aware of these distribution channels. Indian consumers like to touch and feel the product before they buy it.

Indian domestic consumption of textiles of fabrics and yarn reflects growing the Indian consumer preferences for manmade –fiber textiles and blended items. From FY 194-95 to FY 1999-2000, yarn consumption rose by 44 % to 4.5 million tons, fueled by the rapid growth in consumption of manmade fibers and filament yarns, which nearly doubled to 1.9 million tons. Consequently, the share of Indian yarn consumption accounted for by manmade fibers and filament yarn rose by 10 % points to 42 percent, while the share accounted for by cotton

yarn fell by an identical margin to 55 percent. Consumption of other fibers such as silk and wool remained relatively unchanged at 3 percent of the total. Estimated Indian consumption of all fabrics increased by 17 percent between FY 1994-95 and FY 1998-99 to 27.8 billion square meters, valued at an estimated \$ 40 billion. During the period, demand declined for cotton products but increased significantly for blended and no cotton items, reflecting a shift in consumption patterns among Indian consumers and an increased demand for polyester in the production of home textiles, apparel, automobiles, and other industrial applications. Prices have declined, however, because of excess capacity in India and other major world producers of manmade fibers, electronics device and competitive prices from Taiwan and Korea due to the depreciation of their currencies. Fabrics of polyester or polyester blended with cotton or wool have become the fabrics used in most appeared products due to price considerations and changing lifestyles of consumers, who prefer wrinkle-free, easy-maintenance apparel.

As a result, the share of total fabric consumption accounted for by cotton fabrics declined from 59 to 46 percent during the period. About one-fourth of the total volume of Indian fabric consumption consists of finished fabrics as printed, dyed, and yarn-dyed, which are generally purchased as piece lengths and custom tailored as shirts, dresses, jackets, trousers and other dresses. Other 37 Percent of fabric consumption consists of fabrics for producing traditional Indian garments such as dhoties worn by men as a substitute for pants and sarees for women.

An Analytical study of Indian domestic fabric consumption by different income groups for 1996 showed that high-income households consumed more expensive fabrics relative to low income households. The average retail price for all fabrics was \$1.40 Per meter, compared with \$1.86 per meter for the high income group. Purchases of blended and manmade fiber textile by all income groups during 1992-96 increased by 29 percent in quantity, from 5.7 million meters to 7.4 million meters, and by 7 percent in value, from \$11.3 billion to \$12.0 billion. However, the total value of fabric consumption during 1992-96 increased by 49 percent to \$ 3.9 billions among the low income households and by 29 percent to \$ 10 billion income of middle households.

The domestic readymade apparel market in India is estimated at \$5.5 billion (Rs.200 billion) to \$8 billion (Rs. 300 billion) annually. Trade sources estimate that menswear accounts for 25 percent of the readymade apparel market, women's wear, 48 percent, and children's wear, 17 percent. Approximately 20 percent of the apparel produced in India consists of branded ready-to-wear garments. Brands are more prominent in menswear, particularly shirts, trousers, and jackets. Most national and regional brands are supplied by the large organized apparel firms. The India's market for readymade woven garments expanded 38 percent by quantity and 94 percent by value during 1992-96, whereas the market for knit garments expanded 7 percent by quantity and 68 percent by value, reflecting the improvement in quality and a change in product mix. Cotton is the primary material in women's blouses and petticoats, while polyester-cotton blends are dominant for most other goods.

The India's marketing distribution system has a large family-owned and fragmented sales and distribution network, with centralized purchasing for chain stores and supermarkets only a recent 5-10 years phenomenon. There are over 1 million market intermediaries- wholesalers, stockiest, transporters, and retailers- involved in the distribution of consumer goods, including apparel. While urban areas have outlets ranging from supermarkets to small neighborhood retail stores, villages are served by smaller stores. Since the distribution channels are largely independently owned and supply multiple brands, dealer development is of the utmost importance in both urban and rural areas.

Types of commercial distributors in the Indian market – There are six types of commercial distributors as importers, indenting agents, wholesalers, commission agents, dealers and retailers. Because the Indian market was completely closed to textile and apparel imports prior to April 1995, the distribution structure for imported textile products is not well developed. Importers generally handle a broad portfolio of goods rather than specialising in a specific textile or apparel products. For shirt fabrics, bedsheets, towels, and other home furnishings, retailers typically source from wholesalers who, in turn, source from importers. However, retail stores play an important marketing role in home furnishings, vis-a-vis commercial offices, designers, architects, and

furnishers, and tend to seek an exclusive arrangement for these products. In industrial fabrics, specialized dealers, rather than retailers or wholesalers, work directly with importers.

The transportation and communication railways, road, and air are the principal means of transportation in India. The India has one of the largest railway networks in the world- almost 63,000 kilometers with more than 7,000 stations. India also has a fairly developed trucking system, with many private-sector firms providing freight services; the road network extends to 2.7 million km and links all towns and over 50 percent of the villages. There are 5 international airports and 88 percent of the villages. There are 5 international airports and 88 domestic airports linked by private- and public-sector airlines. In addition, 11 major and 139 minor ports along India's nearly 7,000 km coastline provide links between the coastal towns and villages, although poor development of ports and inadequate docking facilities cause delays and other shipping problems. An expansion of the courier business, with the entry of global leaders like DHL and Federal Express during the 1990s, has greatly enhanced the reach of Indian marketers. Telecommunication services have improved substantially during the past 5 years with new policies promoting private-sector participation.

India has about 300 commercial banks finance to consumer with more than 61,000 branches. Over half the branches are located in rural areas. Consumer financing has become an accepted method of marketing consumer durables. Several non-banking financial intermediaries are engaged in leasing and hire-purchase activities which help sales of consumer durables. The credit card business is growing rapidly, with the number of credit card holders doubling since 1997 to 2 million.

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