



## **Pakistan Textiles can Bounce Back Vigorously**

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### **ABSTRACT**

The purpose of this research study is to identify and analyze the methods for increasing the market share of the Pakistan Textile industry in the world. This paper discusses the macro economic factors responsible for advancement and development of the textile industry in leading textile producing countries. The approaches adopted in this study are: firstly, developing a set of key success factors by studying the market leaders in the world i.e., China, India and USA; secondly, problems are being identified in the Pakistan Textile industry by comparing those key success factors with the situations in Pakistan. The problems found in Pakistan textile are further investigated and verified through primary research based on qualitative data. Finally, a set of recommendations is developed for the solution of problems found in Pakistan textile industry to increase its market share in the world. This paper proposes suggestions for solving problems found in Pakistan textile industry. Proper implementation of the guidelines given in this study greatly improves the chances of the Pakistan textile industry realizing its full potentials and ultimately increases its world market share.

**Keywords:** Pakistan, Textile Industry, Key Success Factors, Market Share

**JEL Classifications:** L67, M16

## **1. INTRODUCTION**

Pakistan is the fourth largest producer of cotton in the world (Malik and Ihsan, 2016). Its share in total foreign exchange earning of Pakistan annually is 60-65% which is around \$5.5 billion. It is the back bone Pakistan economy which provided employment to more than 40% in total industrial labour; its contribution in GDP is 8.5% and accounts for 40% of banks credit and its share in total national exports is 60%. (Ahmad and Siddiqui, 2016) but it doesn't represent the full potentials of Pakistan textile industry. If Pakistan manages it properly and takes some remedial steps it can substantially increase its market share in the world.

India and China have the biggest market shares in the world market. Pakistan shares the same characteristics as China and

India. Pakistan has the same cheap labour as China and India, Pakistani agricultural land is much better than India and China for the production of cotton. But still, its share is lower than China and India.

The research questions to be answered in this study are as follows:

1. How India China and USA have become market leaders?
2. Why the Pakistan textile industry shares are lower than that of China, USA and India?
3. What steps this industry needs to take to increase its market share in the world?

The main focus of this study is to enable the Pakistan textile industry to increase its production level and its market share in the world. This target has been attained by analysing the

macro environment factors responsible for the textile industry growth in the top three market leaders. This has enabled us to identify the problem in the Pakistan textile industry. Finally, few recommendations are suggested for solving the problems found in the Pakistan textile industry. This paper will help the government and textile manufacturers in taking remedial steps to solve the problems found in the Pakistan textile industry and ultimately increase its market share in the world.

The remaining research paper is organized in the following sequence. Chapter two is consist of literature review while research methodology is in chapter three. Research findings are in chapter four while chapter five has a detailed set of discussion and policy recommendations. Finally, chapter six is the conclusion of this paper.

## 2. LITERATURE REVEIW

Literature review consists of the study of different kinds of literature from the market leading countries to know the reason that how they developed their textile industries.

### 2.1. The Textile Industry of China

There is a long history of textiles in China. For centuries, silk production is centred in northwest China. China has dominated the world textile market. It is impossible to know the directions of Chinese production in the textile in the next century. It is certain to state that, irrespective of the development, Chinese textile industry will continue its progress according to the needs of consumers, the abilities and skills of workforce employed and investor’s greed in this huge ancient textile sector (Cliver, 2004).

Chinese textile and clothing industry comparative advantage is significantly based on the huge workforce it has. According to the estimate of the World Bank, Chinese work force was 723 million in 1995. It was 29% of the world total and 50% working population

in the countries with low income. In comparison to other leading textile exporters globally, its labour cost is also lowest. The labour cost lowest in textile production while in apparel production it is positioned as second lowest. In textile production, its labour cost is lowest in the world while second lowest in apparel production (UNEP, 2006).

The number of Chinese college graduates is also rapidly increasing. Since 1995 it has been tripled form a million to three million. This number is much higher than even USA. Chinese students are more interested in science engineering and mathematics. The number of undergraduate engineers in China is 6-8 times higher than USA. In 1995 the number of US doctorate engineers was 3 times higher than China, while the number of Chinese doctorates outnumbered the US doctorate by two to one margin in 2005. This advancement in education level is also beneficial for the Chinese Textile industry. Now they are able to install very advanced technology in the textile sector and this has ultimately enabled them to produce high quality textile at lowest cost of production (Hudson Institute, 2005).

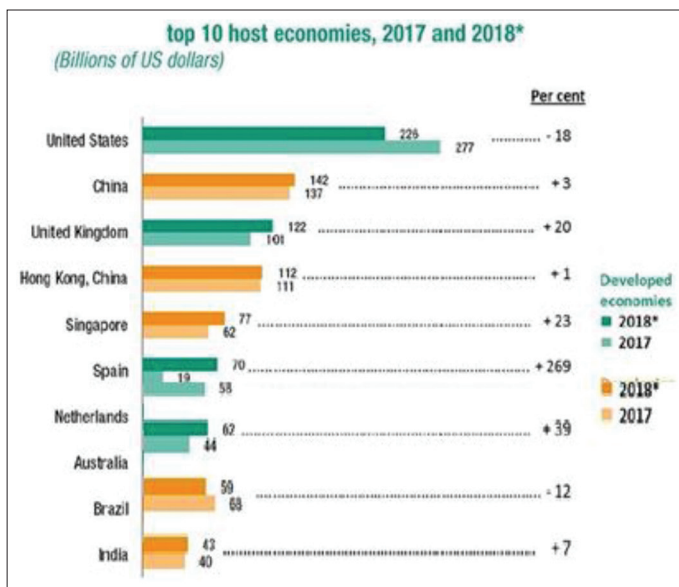
China is also the 2<sup>nd</sup> largest foreign direct investment recipient after US. The FDI attracted by China was US\$140bn worth in 2019 (UNCTAD 2020) (Figure 1).

Large FDI inflow is responsible for Chinese trade boom. Total FDI was \$60 billion in 2005. In China, more than 50% of Chinese trade is done by foreign firms’ investments (Morrison, 2006).

According to (Susan, 2006) high production efficiencies and access to the local packaging plants is also a competitive advantage of China over its competitors. Low cost of labour is not a success factor because it is lower in India than China. Sophisticated technology, production efficiency and advanced packaging plants have given them real edge over low labour cost countries. Chinese supply chain also is more efficient because of advance technology.

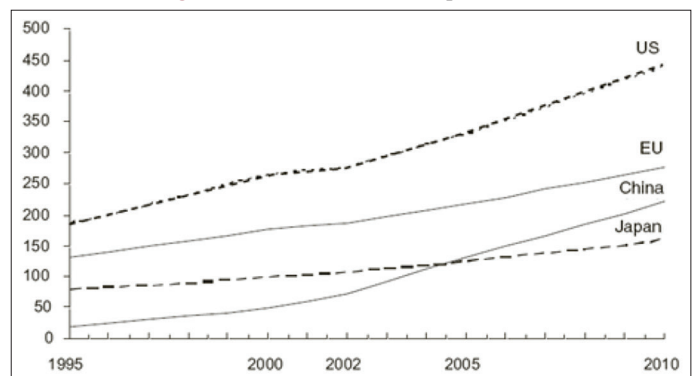
Since 1995, the China expenditure on research and development is also growing fast. Its growth rate is 20% per year. In comparison, USA growth rate is 6% while Europe and Japan growth rate is 5%. Figure 2 shows that expenditure on R&D in China was one tenth of USA, one-seventh of the EU and one-quarter of Japan. Chinese expenditures on research and development in 1995

Figure 1: FDI inflows

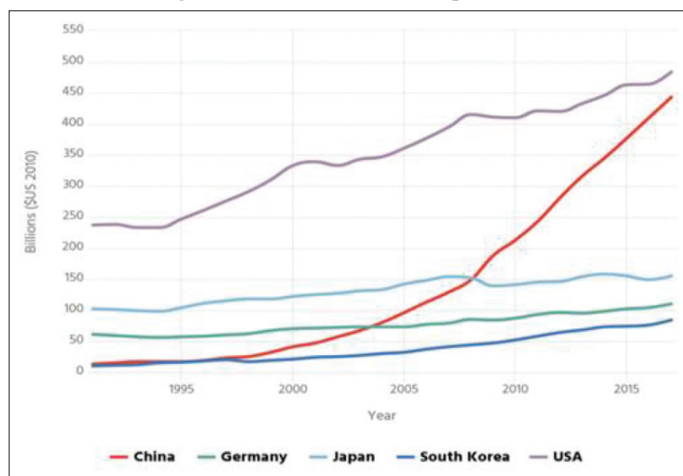


(UNCTAD, 2020)

Figure 2: Chinese R and D expenditures



(Hudson Institute, 2005. p. 3).

**Figure 3:** Nominal R and D expenditure

(China Power Project, 2018).

were only one-tenth of those in the United States, one-seventh of those in the EU, and one-quarter of those in Japan which in 2005 had gone up- to around one-third of the United States, half of the EU level, and has crossed Japan. (Hudson Institute, 2005) In 2015, China's Research and Development expenditure reached 2.07% of its total GDP. Beijing has planned to raise the expenditure on Research and Development by 2020 to GDP ratio which is 2.5 %. China has already started progression towards attaining this target. In 2017, China expenditure on Research & Development hit the 2.1% mark of its GDP (China Power Team, 2018). China is spending huge amount of funding on R&D. Funds are no longer just being tossed at large-scale white elephants. Competitiveness is now their central part of the decision calculus (Kennedy, 2017) (Figure 3).

Investment in R&D have helped China reached to the 9<sup>th</sup> position in GII globally. China progress is 2<sup>nd</sup> best in the world after US. (China Power Project, 2018).

China infrastructure is better than other developing countries including India. India is the main competitors of China in attracting FDI in the region. China has taken early steps to liberalize its economy. Chinese government has invested quite heavily to modernize its physical infrastructure which has given significant edge to China over its main competitor India with regard to per capita income level. This aspect has also made China a favourite destination for FDI (Deutsche Bank Research, 2005).

Over the last 25 years, China has aggressively concentrated on modernizing its textile industry, transforming the country into the world's largest textile economy. According to the International Textile Manufacturers Federation, the textile industry represents 10% of China's GNP and 20% of its industrial output. China's primary modernization focus has been on where it could most quickly establish competitive dominance in apparel due to its vast labour pool (MSI, 2004).

To make Chinese exports cheaper China tries to keep its currency artificially undervalued (Linville, 2004). Chinese currency has been devalued since 1980 continuously which give them hedge in

the stream of exports. US blames China for these types of policies and called china as currency manipulator. Few senators have also said that US government should take action against china regarding the level of its currency (Lunn et al., 2006).

## 2.2. The Textile Industry of USA

United States of America is the world's richest country by a distance. In United States per capita income is around 30% higher than the average of traditional 15 member states of the EU based on PPP (Julius, 2005).

USA is textile exporting county and although currently, cotton and polyester costs are less in some overseas countries compared to US. However, this advantage may prove to be short live as cotton demand in the overseas markets increases. On the flip side, US cotton prices will be an effective hedge against escalating cotton prices in Asia since the US is a cotton exporter and transportation cost to Asia from US ports of origin is very competitive (Ahluwalia, 2004).

Subsidies on exports and huge cotton production have provided extensive support to farmers and textile producers. Due to these support formers on their actual production, may utilize marketing loans and loan deficiency payments. Protection against low yields is also available through subsidized crop insurance, and in some years congress has approved additional disaster payments. Federal export credit guarantees are available to eligible foreign buyers who want to purchase commodities with borrowed funds (Womach, 2004).

Chi et al. (2005) stated that since 1997 after noticing a massive decline of the US textile sector, US has given attention to the technical and industrial side of the textile industry. It is believed that this policy change has brilliant future prospects because of US technological strength and the importance of product innovation in the spurring market growth. As India, China and other developing have cost advantages over US so US started the use of their technology to level their advantages with their position.

Kilduff and Wong (2002) stated that companies in United States are switching over to the technical textile products comparatively less vulnerable to variations in imports and prices. Most of the technical segments do not have high growth rate it sharply contrasts with the declining fortunes of the apparel-related segments of the industry. The development of the US technical textiles is due few key advantages. The demand and size of US market, the availability quality textile engineers, technological strengths of supporting educational and research institutions, the commercial and technical strengths of US firms and suppliers are all responsible success factors for US huge market share in the world.

Hodge et al. (1999) stated that US textile is facing very tough competition from the developing countries like developing countries have so many advantages e.g., low labour cost and other means of production. In current rapidly changing global markets United States must compete both in terms of quality and cost. US textile industry in current advanced era of automation can progress as market leader by following a clear and unique approach of

information engineering. This way they can get competitive edge over its competitors.

In comparison to Chinese producers, the U.S. has shown to possess a competitive advantage in terms of costs associated with waste and raw material procurement that practically offset China's advantage of lower labour and capital costs (Welch, 2006).

### 2.3. The Textile Industry of India

India is ranked as the second largest producer of textiles in the world. Indian textile industry is widely diversified and has the capability to produce variety of textile products. Indian spinning sector is quite modernized and very competitive. It is exporting 20% of total cotton yarn in the world (Shetty, 2001).

Indian textile industry is the second largest employment provider in the country. In 2015-2016 it provided employment to about 51 million directly while 68 million are indirectly employed by this sector. Indian textile exports were around \$40 billion in the same period (Solanki, 2017). The economy of India is greatly dependent on textile related trade and manufacturing along with other major industrial sectors. Nearly 27% of total foreign exchange revenue comes from the textile industry. Its contribution in total industrial production is 14% while its contribution in GDP is 3%. The contribution of this sector in total excise revenue collection is around 8%. Textile industry generates 21% India's total employment in the country (Ministry of Textile India, 2007).

In cotton production India is positioned as third largest in the world after China and USA. According to the calculation of US department of agricultural production, supply and distribution database India accounts for 25 % of total acreage and 14% of total production in the world (Mohtanty et al., 2002). India's has the largest cotton cultivation acreage in the world. India produces twenty three different varieties of cotton. This distinctiveness has enabled India of supplying to numerous segments in the world textile trade. This inherited strength in the availability of raw material any supply related shocks (IBEF, 2006).

A very significant advantage of the Indian textile industry which can hardly be matched by any other country is competitive labour costs (IBEF, 2006). Indian textile industry is benefited from the availability of large number of skilled and technical labours. Indian labour is cheaper. The hourly rate of Indian labour in the textile industry is less than 5% of US labour in the textile industry (Shetty, 2001).

Raichurkar and Manickam (2015) stated that Ministry of Textiles has launched a program with the title of "Integrated Skill Development Scheme" in the textile sector. The main purpose of this program is to meet the needs of skilled and trained labour in the textile industry.

There are many modern training institutes available in India to fulfil the needs of skilled workforce to Indian textile industry. National institute of fashion technology (NIFT), Indian institute of technology and national institute of technology offers courses related to textile engineering (IBEF, 2006).

The FDI inflow to India shows that the government has been able to implement various policies and frameworks to ease the way of doing business in India and ultimately attract foreign investors. Many other developing economies have failed to attract foreign investors because of unfriendly FDI policies (Sahiti et al., 2017). Foreign investors can invest 100% through Foreign direct investment board after the removal of 24% limit of foreign investment (IBEF, 2006). These FDI attracting policies has greatly benefited the textile industry in India.

The ministry of textiles in India has allocated a huge amount of US \$106.58 million for establishing ready-made garments units. The number of these manufacturing units are 21 and will be established in seven different states of India. It is a great move toward the modernization of Indian Textile industry (Kumar, 2018).

According to (IBEF, 2006) in present time consumer mindset has changed. Now consumer spent more money on branded and personal care products. Various sectors have been benefited because of this trend in consumer mindset. It has also provided growth opportunities for various sectors. This trend is positively affecting textile industry as well. This increasing demand has brought a revolution in Indian retail sector. Rapid rise in the number of super markets, franchises and malls in urban areas of India has restructured the Indian domestic market. Due to this change, India has become a vibrant and huge market for textile products. It also offers great potentials for continuous growth.

### 2.4. The Textile Industry of Pakistan

Pakistan is one of the top textiles producers globally. The contribution of cotton textile in total country's exports is more than 60%. Its share in total manufacturing products is 46% and it is providing employment to 38% industrial labour. Low labour cost and the availability of raw cotton played a significant role in the growth of the Pakistan textile industry. The Pakistan textile industry contribution in total GDP is 8.5%. It is ranked as eighth largest exporter of textiles in Asia (Shah, 2015).

Textile industry is one of the main industrial sectors in Pakistan. In total cotton yarn production of the world, Pakistan's share is 8% which makes it fourth largest producer in the world (Sheikh et al., 2003). The production of Pakistan textile industry includes cotton yarn, cotton ginning, fabrics, home textile, hosiery and knit wear, towels and ready-made garments. Pakistan textile industry is comprised of both large scales organized sector and SME's including cottage units (LCCI, 2004).

According to the (World Bank, 2019), there is decline expected in the economic growth of Pakistan in the coming 2 years. In 2018-2019 the growth in GDP will slow down to 3.4% and it will drop to 2.7% in 2020. This decline will be due to the tightening monetary policies for addressing the macroeconomic imbalance. Structural reforms can bring the economic growth on track. If macroeconomic condition improves and structural reforms in fiscal management are implemented properly economic growth is expected to be 4% in year 2021.

Availability of raw cotton and cheap labour is the main strength of Pakistan textile Industry. These two factors have played a key role in the development of the textile Industry of Pakistan (Ahmad, 2004).

Pakistan is fourth largest producer of cotton globally. Pakistan has not done well in converting locally produced cotton to value-added finished products. The Pakistan value added production is only \$1.17 billion per million bales while Bangladesh production is \$6 billions and India's \$1.79 billion. The main focus of Pakistan is on raw material exports, which can easily be converted to finish product and generate more revenues. The other cotton producing countries like China and India have minimized exporting yarn. They use their local yarn in their value-added exports product. Countries like South Korea and Japan do not produce cotton. They import yarn from other countries and then convert it to high tech value added products and sell it on high prices in international market (Arifeen, 2015).

The export of value added textiles in Pakistan is increasing at 27%. This trend is very beneficial in Pakistan textile. With these types of products exports, Pakistan textiles can increase its profits up to a great extent. (Saleem, 2003).

Shah et al. (2014, p. 50) stated that the cost of production has climbed very high in Pakistan. It has also affected the textile industry of Pakistan badly (Shah et al., 2014).

Alam and Khan (2010) stated that most of the machinery in the Pakistan textile industry is out dated and obsolete. This inability to modernizing the equipment and machinery on time machinery has led to the decline of Pakistani textile industry. Because of this outdated machinery, the cost of production is very high in Pakistan than China, India and Bangladesh.

According to the World Bank report on cost of doing business, Pakistan ranked 108<sup>th</sup> while China rank 31<sup>st</sup> and India 63<sup>rd</sup> (World Bank, 2019).

Newly elected government of Pakistan is dedicated to minimize the cost of doing business in the country. Government has reduced the gas prices for export oriented industries. This will make Pakistani product competitive in the international market. Government seriously working on reducing custom duty and other regulatory duties to minimize the cost associated with doing business in Pakistan. National tariff policy is also under consideration for addressing the issues faced by the business communities in Pakistan. Government is also serious to remove the irregularities in the present tariff structure (Jabri, 2018) [Online].

Due to the continuous planned improvements in regulations related to business activities Pakistan recently reached to 108<sup>th</sup> position from 136<sup>th</sup> (World Bank, 2019).

Shah et al. (2012) mentioned few problems Pakistan textile industry has. According to him, the main challenges faced by the Pakistan textile industry are power problems, obsolete machinery

and law and order, lack of research and development and law and order situation. Ahmad (2012) stated that nearly 800 textile manufacturing units closed down only in Punjab province in the recent past due to gas and electricity load shedding. Apart from that, nearly half million workers lost their jobs.

A report by development department of Lahore chamber of commerce stated that there is no accreditation and certification. Pakistani exporter has to send their products to other countries for approval. These types of institutions are very important in the modern era of WTO (LCCI, 2004).

Khan and Bae (2016) stated that transportation related challenges are very high in developing countries like Pakistan. Another report by Rawalpindi chamber of commerce and industries states that due to inflation the prices of raw material increased rapidly which negatively affected the cost of production. This report further outlined the importance of supply chain management and stated that the absence supply chain management in the limits

#### Comparison of the key success factors of all the countries

Key success factors	China	USA	India	Pakistan
Economic stability	x	x	x	?
Low labour cost	x	-	x	x
Sophisticated technology	x	x	x	?
Competitive infrastructure	x	x	x	?
Research and development	x	x	x	?
Modernization of textile	x	x	x	?
Cost of doing business	x	x	x	?
Government support	x	x	x	x
Lowest procurement cost	x	x	x	x
FDI policies and encouragement	x	x	x	?
Development of exports market	x	x	x	?
Value added textile	x	x	x	x
Cotton production	x	x	x	x
Long historical tradition	x	-	x	x
Textile engineers and institutes	x	x	x	?
Favourable demand condition	x	x	x	x

the Pakistani exporter's ability to meet their commitment on time which results in loss of business. (Ahmad, 2012)

#### 2.5. List of Key Success Factors Emerged from this Study about China, USA and India and its Comparison with Pakistan

In the above table (x) means that the specific key success factor is present in the country, the areas with the question mark (?) needs improvement and further research for more verification and will be answered, and the areas with (--) are of no importance in this research study.

From the above table, one can easily understand that every country has its competitive advantages. Some of them are common in all of them and some are distinctive to specific country. China is the leader and has few advantages that make them the market leader i.e., cheap labour with the combination of sophisticated technology and strong government support. India shares most of the advantages with China but China's Infrastructure and technology are a bit advanced than India so these distinctive

advantages give them the position of market leader. USA, on the other hand, don't have the advantages in labour cost but they have few distinctive advantages that place them in the list of market leaders like Government strength, Technology, lowest procurement cost etc. Pakistan shares few advantages with these countries like cheap labour, cotton production and government is working on the modernization of textile but there are also some problems exist with the Pakistan textiles that are affecting Pakistan's market share.

### 3. RESEARCH METHODOLOGY

The research design of this study is exploratory in nature. Both primary and secondary data is used for the completion of this study. A thorough review of the best and up-to-date literature available has been undertaken to explain the problems found in Pakistan textile industry. For secondary data, reports of chamber of commerce Lahore and Rawalpindi, Pakistan trade development authority reports, few textile magazines, research paper, thesis, books, websites and some other important databases have been used. Primary data has been collected through face to face and telephonic interviews. The themes of questions were taken from the hypothesis and research questions of this study. Questions were targeted towards the weaknesses in the Pakistan textile industry that were found in the literature review phase. At this point, the researcher connects the theoretical knowledge gained through secondary data to the primary research.

Selection of people for interviews was also a critical decision. According to the requirements of this study, the people selected for interviews were those having extensive knowledge about this sector. This included the exporters and manufacturers of the textiles products and some government officials involved in the matters of the textile industry. Total interviews conducted for this study were 20. In which 15 persons were from the industry while 5 were from the government institutions related to the textile industry.

According to (Lewins et al., 2005 [online]) there is no specific method of analyzing qualitative data. It is the range of processes and procedures in which the researcher move from the collected qualitative data into some sort of explanation and interpretation of the people and situations being investigated.

Sanders et al. (2003) stated that the approach to qualitative data analysis is not standard. Wide ranges of techniques are adopted to deal with qualitative data. One approach to deal with the qualitative data is, thoroughly reading and re-reading of the transcripts or notes of qualitative interviews to analyze qualitative data. Dey (2005, p. 30) has stated that "*The core of qualitative data analysis is in the processes of describing phenomena, classifying it, and seeing how our concepts interconnect.*"

The approach adopted for analysis and interpretations in this study involved disaggregating the content of qualitative data into meaningful and related paragraphs. Through this way, data can be rearranged and analyzed systematically and transforming the data to answer the key questions and to prove hypothesis.

Based on the above process the data has been analyzed for finding and the conclusion and recommendations have been suggested.

#### 3.1. Limited Time

Time was one of the key limitations of this research study. Due to limited time, it was very difficult to do research in details and to investigate the problems thoroughly. Most of the key success factors were taken from the secondary sources i.e. literature review.

#### 3.2. Key Barriers

As this research study is completed with the help of key success factors of different countries like India, USA and China but due to lack of resources we were able to do the primary research only in Pakistan. Other countries have been studied through secondary research only. Few sources of this research were research articles from different journals, business magazines, newspapers, government and companies' reports.

Pakistan textile industry mostly consists of small firms, the industry is unstructured and there are very few research institutions so it took very long to do the research.

## 4. FINDINGS

The hypothesis of this study is that Pakistan textile industry can increase its market share in the world. In order to prove this firstly, I have studied the key success factors of the world textiles market leaders i.e., China, USA and India that helped them to increase their market share in the world. These factors will be helpful for Pakistan as well. The findings of this research study are consists of two sets.

1. Findings from Secondary research (Key Strengths of USA, China and India.)
2. Findings of Pakistan textile Industry through primary research.

#### 4.1. Findings of China, USA and India are as Follows

##### 4.1.1. Cotton production

The findings of the secondary research show that one of the main reasons that all the top countries have one common factor that is the production of cotton. China, USA and India are the top three textile producers in the world which give great support to the textile industries in the world.

##### 4.1.2. Developed infrastructure

Developed infrastructure is very important for the textile industry. It provides full support to the producers and exporters of the industry. Infrastructure facilities such as sufficient water, gas, stable voltage power and waste water disposal as well as treatment of waste water are planned and cleaner environment are very important. Further, it makes easier for the foreign buyers to visit and place orders for particular products with the units of their choices, economizing of their time traveling and hence ease in contacts with local manufacturers. All the three countries have very developed infrastructure to support their textile industry. USA is the best in this respect and minimizing its cost through this key strength. China is also having very strong infrastructure.

#### 4.1.3. *Modernization of textiles*

This is also very common factor that all the three countries have. China in last 25 years has worked a lot on this issue and has reached the top position in the textile industry. India is also working on this phase and they are restructuring their industry and has built adequate infrastructure to support textile industry.

#### 4.1.4. *Government support*

This is another factor that all the countries commonly have. Governments of all three countries are providing full support to their textile industries. USA government has given the highest subsidies to the cotton producers to protect them. Foreign market development program and export credit guarantee are some of the best examples from USA's textile industry. Chinese government's main focus is on attracting the foreign direct investment and has attracted more FDI than anyone else in the world. The step towards the currency devaluation is another support for the exporters in the china. Indian government is also providing full support to the textile industry. The government of India is providing 20% capital subsidy for the procurement of modern technology. Support of foreign direct investment and technology up gradation scheme are other examples from India.

#### 4.1.5. *Latest technology*

The use of the modern and sophisticated technology is another factor that contributes a lot to the development of textile industry. The best example of this key factor is USA. USA cannot compete with other countries in terms of low labour cost so they are using their advancement in technology i.e., in design and product innovation to beat their competitors. They have invested a lot in the research and development to support their industry. They are focusing on technical textiles. The use of information technology is another key strength in the USA's textile industry. China is also focusing on this success factor. Their exporters have access to the latest regional packaging plant which gives them advantage over other developing countries. India has up graded their most of the textile machinery and this process is going on with a very high speed.

#### 4.1.6. *Textile engineers and research institutions*

This is also a very important key factor that is also contributing to the progress of the textile industries in those three countries. United States has the best textile engineers in the world and the strength of their research and development institution are contributing a lot to the high market shares of US Textiles in the world. They have very good textile institutes in Carolina. Chinese textile industry share's this characteristic with USA. India has also a large number of institutes such as NIFT and Apparel Training Institutes, beside these institutes Indian has so many other college offering courses in engineering related to textile. This developed infrastructure has made India meet their needs of skilled and qualified manpower for their textile industry. So this is also a very important key factor that strengthens the textile industries of the USA, China and India.

#### 4.1.7. *Foreign direct investment and policies*

Foreign direct investments affect the overall economy positively it brings financial capital, latest technology, skilled workforce, jobs, tax revenue, that ultimately nurture economy (Khan et al.,

2018). Foreign Direct Investment also contributes to the strength of textile industry. Like in Chinese industry most of the profit share is generated by the multinationals firms that are working in China. Similarly, all the three countries governments are supporting the foreign direct investment. China is the 2<sup>nd</sup> largest foreign direct investment recipient after US. The FDI attracted by China was US\$142bn worth in 2018 which was 3% more than the previous year. The FDI inflow to India shows that the government has been able to implement various policies and frameworks to ease the way of doing business in India and ultimately attract foreign investors. Indian government has removed the restriction of 24% investment limit on foreign investors and now foreign investors can invest through foreign direct investment board (IBEF, 2006). These FDI attracting policies has greatly benefited the textile industry in India.

#### 4.1.8. *Low labour cost*

Low cost of labour is another factor that counts toward increased shares of textile industry. China and India shares this competitive advantage with some other developing countries of the world. Due to this factor it is very difficult for the USA and European countries to compete with China and India.

#### 4.1.9. *Lowest procurement cost and other cost*

From the study of literature of different countries we came to know that this is also very important success factor in textile industry. India has the lowest procurement cost in the world followed by USA. The waste components in the US textile are the lowest along with Italy in the world. Power cost is also lower in USA.

#### 4.1.10. *Active development of export market*

USA and China are continuously working to develop the export market for their exporters. USA has the best customer service in this sector. So this is also a very important factor that contributes to the textile industry.

#### 4.1.11. *Favourable demand condition*

This favorable condition is another factor adding to the strength of textile industry of the China, USA and India. All three countries have very big domestic markets. So to fulfill the demand their domestic market they reached to the status of the market leaders. It compels the industry to increase production capacity.

#### 4.1.12. *Political stability*

All the countries government are stable and be able to provide good environment for the businesses to grow. This point does matter up to a great extent when a country government is stable and the foreign investors are safe so everyone enters to that market and the economy grows. So it plays role of catalyst in the growth of economy.

#### 4.1.13. *Economic stability*

Economic stability also adds to the growth of every industry and textile is no exception to that factor. All the three countries are economically stable. India and China are growing at a very fast rate.

## 4.2. Findings of Pakistan Textile Industry in the Literature Review

In the literature review we have also done some research about the situations of Pakistan. Pakistan textile sector shares few of the key

success factors with the China, USA and India. All the key success factors in the Pakistan textile industry are discussed as follows.

#### 4.2.1. *Low labour cost*

Pakistan shares this competitive advantage with India and China. The cost of Labour in Pakistan is also very low like China and India.

#### 4.2.2. *Cotton production*

Pakistan is the fourth largest exporter of the cotton in the world. So this ensures the availability of cotton as raw material easily and cheaply.

#### 4.2.3. *Increasing rate of value added product*

Pakistan was basically the exporter of the cotton yarn but this trend is changing and the export of value added product is on increase which is the best point towards the proof of our hypothesis.

#### 4.2.4. *Govt support*

Government is providing support to textile industry With WTO the world situations are becoming more competitive than ever. Pakistan is liberalizing its policies to get its share in the future international market.

#### 4.2.5. *Problems in Pakistan textile*

With the above discussed success, some problems were also found in the Pakistan textile Industry like the cost of doing business is very high in Pakistan. Power cost is also very high. Availability of skilled labour is short and there are few extra taxes on the textile exporter and producers.

These were the major findings that I have found in the literature review which helped me to develop hypothesis.

### 4.3. **Finding of Primary Research**

As I have discussed earlier in order to develop hypothesis we had to pass through two steps process.

1. Finding out the key success factors that make China, USA and India the market leaders
2. To find out the current situations of Pakistan textile and to investigate the gaps between the three countries and Pakistan through primary research in order to reach the recommendations.

As in our secondary research, we have found some gaps between the three top countries and Pakistan and there also were some problems in Pakistan textile industry so the main focus of primary research is those gaps and problems in order to reach to the recommendations.

Summary of the primary research is as under:

As I have discussed in the research methodology section of this study that my primary research consists of the interviews with the Textile industry senior managers and Government agencies working for the development of textile industry like Pakistan readymade garments manufacturing and export association (PRGMEA). In total twenty interviews have been conducted. Twelve of them were face to face interviews and eight of them were telephonic interviews.

The main focus of primary research was related to the following areas:

1. Government support and policies
2. Availability of skilled labour
3. Research and Development Institutes
4. Developed infrastructure
5. The status of technology in Pakistan
6. Development of export market and situations of FDI
7. Major problems facing by the Pakistan textile industry
8. Textile industry trends.

#### 4.3.1. *The summary and transcription of interviews conducted*

The questions asked from the textile industry people were mostly general:

1. What is the situation of government role in the textile industry? Are you satisfied with that? What problems you have observed mostly in the Government policies?
2. What is the situation of labour i.e. education level, training institutes in the Pakistan textiles sector?
3. What is your general view about the status of technology in Pakistan?
4. What is the situation of foreign direct investments in Pakistan and what factors are affecting it?
5. In your opinion what are the main challenges this sector is facing in Pakistan?
6. In your opinion what is the future scenario of Pakistan textile industry?

As discussed earlier in the methodology section that these interviews were conducted to fill the gaps left in the secondary data. The summary of this will be described in the form of paragraphs.

#### **I. Govt support**

Most of the interviewee's responses were negative for this phase of questions; negative in the sense that government support is inadequate in relation to the industry needs. Five of the interviewees raised an important point that govt policies are focusing on the finished goods. They have ignored the process through which these products are converted in to the finished goods. It means that on manufacturing side the support is not enough. Another issue raised through this question is that rebates are available to the exporters who export products to the European countries only. The exporters to other countries like Middle East are not given such rebates.

Govt is taking steps to develop the infrastructure to make it according to the needs of textile industry. The concept of textile city is appreciable. These are only at the early stages and the results of these types of actions are positive. Electricity and other power related cost and taxes have made the cost of doing business very high. Institute like PRGMEA which is working for the development of value added textile product is getting very little support from the government. PRGMEA is getting only 20% support from Government of Pakistan.

Five of the interviewees pointed out some problems in the system:

Social problems like corruption have greatly affected textiles sectors funds. Khan et al. (2019) also mentioned this problem in



their research study. Very Small amount of funds are available and it goes towards those firms which have strong hands in government. The ministry of textile is not directly involved with the industry and problems directly.

## II. Availability of skilled labours and research institutions

This point is common in both of my research i.e. primary and secondary research. Most of the labour in Pakistan is illiterate and it took very long time to make them familiar with technology. Now some institutes are providing education to these workers like PRGMEA but the numbers of these institutions are very low and the number of such labour is very high. So this is a problem in Pakistan. There are only few educational institutions that provide education in textile engineering and designs.

## III. Status of technology

Most of the interviewees replied that the technology in Pakistan is not up to the standard of modern world. Most of the industry is shuttered down due to old technology. They pointed out that our competitors like India, China and even Bangladesh governments are continuously working for their technology up gradation. Due to this factor the cost of production is also very high.

## IV. Foreign direct investment situations

Most of the interviewees replied that FDI situations are not satisfactory as well but it is not only due to the government support it is because of the political situations of Pakistan. The second important issue was that the funds that international agencies provided for the development of labour don't give direct benefits to the labour. Other problems like power problems and the high taxes are worsening the situation.

## V. Future scenario

At the end of each interviews I asked a question about the future scenario of textiles in Pakistan. Most of the interviewee replied that the future is bright. Now the government has started few projects to develop textile industry and the results of these projects are very good. The world situation is changing and opportunities are becoming vast. Govt trade liberalization policies are appreciable but these are at the early stages it will take time to give results. Mega projects like CPEC will open new venues and will change the situation dramatically. Government is taking steps to enhance the ration of FDI which will benefit the textile industry as well.

### 4.3.1.1. Summary of findings

In the first part of the findings are consists of the key success factors from developed textile industries. Few of those are the same favourable for the situations of Pakistan textile industry. The gaps that I have found in the secondary research have been filled in by the primary research. The results of primary research are showing that the government role is appreciable but it is only in the early stages that's why result will be seen after few years.

There are also some social and political problems that are affecting the textile industry negatively like political situations and

corruptions. But overall the situations are good and suitable for this sector to grow and at the end few problems that Pakistan textile industry has, can be solved through the valuable recommendations suggested in the recommendation section.

## 5. DISCUSSION AND POLICY RECOMMENDATIONS

By identifying the key success factors of different textile industries and comparing it with the situations of Pakistan textile industry we have found some gaps and problems in the Pakistan textile industry. These problems identified can be solved by implementing the following recommendations.

### 5.1. Encouragement of Foreign Direct Investment

Although the current trends in FDI is showing rise. But this is not satisfactory according to needs and potential of Pakistan textile industry. FDI inflow needs more encouragement from the government side. The Ministry of commerce, Ministry of foreign affairs and other institutions should run campaigns to construct a positive image of the country as high quality textiles supplier. Pakistan should encourage FDI in the form of joint venture and other forms of contracts etc in the textile industry. They should facilitate the international buyers in Pakistan, through this way the Investment in Textile industry will be improved and textile industry will grow rapidly.

### 5.2. Focus on Value Added Products

Most of the Pakistan textile exports are raw yarn and cotton. Industry should focus on valued added finished products like readymade garments, knit wears, hosiery and other textiles products. Through this way the export volume can be increased and high prices of such products will also increase the revenues.

### 5.3. Technology up Gradation

As in this research study we found that in Pakistan most of the technology is old. Government must support the textile industry for technology up-gradation. Like India we can also provide help to the textile industry in the form the technology up gradation fund. The smaller units should be up graded to auto loom.

### 5.4. Technical Training Institutions

Pakistan government and textile board should establish training centers in the country especially in the areas where textile industry is based. Illiterate worker should be provided with basic education and then technical education. The number of institutes like Textile institute Karachi and Faisalabad should be increased. Through this way the problems of the shortage of skilled labour could be solved.

### 5.5. Developed Infrastructure

The introduction of textile city is an appreciable step. The number of these cities should be increased to provide more facilities to the exporter and to facilitate foreign buyers. Infrastructure development like development in communication sources, services, improving export procedures and increasing the number of trained manpower and also advancing the transport facilities are very important for the advancement of Pakistan textile industry.

### 5.6. The Cost of doing Business in Pakistan should be Minimized

As compared to other countries like India, China and Bangladesh the cost of doing business in Pakistan is very high which negatively affects the textile industry competitiveness in foreign markets. If it is not reduced there will be no place for our products anywhere in the world. All the extra taxes and utility charger like electricity and gas should be reduced to the minimum level.

### 5.7. Cotton Production

Although Pakistan is the fourth largest cotton exporting country, per hectare yield is very low. Pakistan should increase this production rate to provide their textile industry full support.

### 5.8. Proper Implementation of Policies

During my research I came across through a very important issue that there is lack of proper implementation of policies related to textiles. There should be system to implement all the policies properly and the funds should be reached and distributed to everybody in the industry not to a specific group.

### 5.9. Uniforms Policies Regarding Exports

Most of the Pakistan exports are directed towards the European countries and North America. The rebates are available to the exporters who exports to the Europe and America and small exporters like exporters to the Saudi Arabia and Middle East are ignored. This problem should be solved through a uniform policy.

### 5.10. Accreditation and Certification

Pakistan textile product is entering to the era of free trade. Now products required standardizations especially after the introduction of WTO. There is no testing laboratory in Pakistan and exporters have to spend a lot to get certifications from foreign countries. Pakistan should do something to solve this problem. Through this way foreign exchange can be saved and the industry will have access to such laboratory locally.

## 6. CONCLUSION

Textile industry has tremendous importance in the Pakistan economy. This study has tried to answer the question that how the Pakistan textile industry can increase its world market share? It has analysed the keys success factors of the world textile market leaders. This study has been completed in three stages. In first step key success factors of the top textile producers and exporters have been identified then in the second stage a comparative analysis of those key success factors are done with the situation of the Pakistan. By this comparison problems in the Pakistan textile industry have been identified. Finally a set of recommendation for improvement of the Pakistan textile industry has been developed. Investment in sophisticated and up-to-date technology and R&D is paramount. Shift from raw cotton exports towards the value added textile should be the ultimate target. Cost of doing business must be minimized and foreign direct invest must be encouraged. These steps will have significant impact on the production of the Pakistan textile industry. Rebates must be given to all the exporters equally. More investment is needed in the area of textile training institutes to meet the needs of the market. Social issues like corruption and

nepotism must be dealt seriously. Infrastructure development in the form of textile cities and uninterrupted power supply will also help in achieving our goal of increasing the market share of the Pakistan textile industry. The set of recommendations developed in this research study is critical for the development of the Pakistan textile industry. It is argued that if these recommendations are implemented properly no one can stop Pakistan textiles to its world market share remarkably.

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