Stitching India's Apparel Export Strategy

Lessons from China, Bangladesh & Vietnam

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Executive Summary

India's textiles and apparel (T&A) sector is at a critical juncture. With a a full fibre-to-fashion value chain and employing 45 million people, the sector is pertinent to India's industrial base and employment generation. Yet, its export performance has stagnated. In FY2025, India's apparel exports stood at USD 15.7 billion, capturing just 3 per cent of global trade, far behind Bangladesh (USD 51 billion; 9.5 per cent), Vietnam (USD 39.4 billion; 7.3 per cent) and China, which continues to command 28.7 per cent of the market. This stagnant export share from the early 2000s underscores the central message of the report: India's constraints are not of ambition or endowment, but of alignment. Despite its large workforce, abundant cotton and rising synthetic fibre base, India has missed much of the 'China+1' opportunity that global buyers created. Instead, competitors with more coherent institutional frameworks, better access to capital and integrated supply chains have consolidated global market shares.

This report is motivated by the shifting dynamics of global apparel trade and India's stagnant export share (See *Heat map below*). Its central objective is a comparative policy analysis of the T&A ecosystem of India vis-à-vis its competitor countries across five critical dimensions: scale and capacity, capital and finance, labour and skills, institutional mechanisms and trade facilitation measures, and to cull out actionable lessons that can reposition India's apparel sector for global competitiveness.

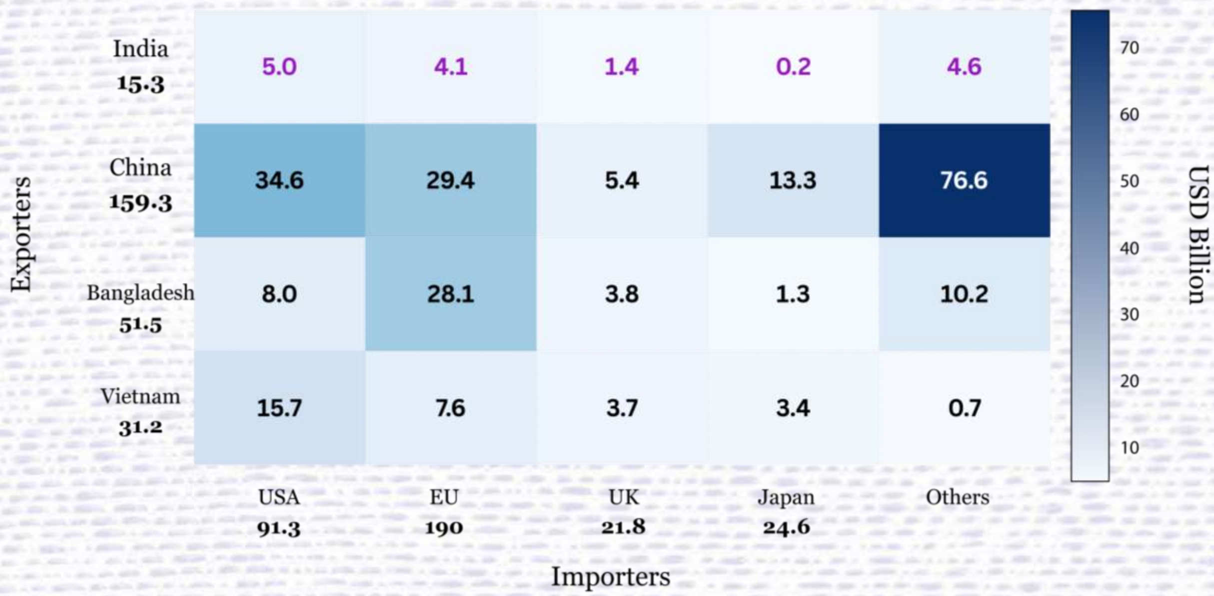
Recent policy initiatives including revisions to the PLI scheme, the launch of the Export Promotion Mission (EPM), and the announcement of the Integrated Programme for the Textile Sector indicate a recognition of the need for a more integrated, value-chain-oriented framework. However, translating policy intent into measurable export gains will depend on institutional coherence, macroeconomic stability and effective and timely implementation at the cluster level.

Key Highlights

- **Scale, Clusters and Infrastructure Gaps**

India's clusters, including Tiruppur, Surat, Ludhiana and NCR, have grown organically but remain fragmented. The majority of enterprises in these clusters are small and medium-sized, which limits economies of scale and production efficiency. Competitors, by contrast, operate through integrated ecosystems. Vietnam's FDI-led parks and China's textile towns minimise inter-stage transport, reduce lead times and provide immediate, low-friction sourcing options for global buyers. India currently lacks equivalent integrated hubs that can combine fibre, fabric and fashion under one roof. The Integrated Programme for the Textile Sector, with its fibre-spectrum approach and emphasis on modernisation, provides an opportunity to correct this fragmentation if aligned with Prime Minister Mega Integrated Textile Region and Apparel (PM MITRA) parks and cluster-level governance reforms. Lack of integrated infrastructure, such as Common Effluent Treatment Plants (CETPs), testing labs, bonded warehouses and logistics within many clusters, has raised compliance costs and weakened buyer confidence, particularly in export-oriented segments.

Global Apparel Trade Flow among Major Exporters and Importers TE 2023 (USD billion)



Source: ITC TradeMap, 2025

♦ Capital and Cost Constraints

High financial costs sharply weaken India's price competitiveness. Working capital loans cost 9-11 per cent, and term loans costs 12-15 per cent (real interest rates of 6-8.5 per cent), far higher than Bangladesh (negative real rates), Vietnam (1-2 per cent) and China (3.1 per cent). Liquidity pressures are aggravated by delays in Goods and Service Tax (GST) refunds and Remission of Duties and Taxes on Exported Products/Rebate of State and Central Taxes and Levies (RoDTEP/RoSCTL) disbursals and withdrawal of the interest equalisation scheme. India's export-credit architecture needs focused attention. Currently, 18-28 per cent of merchandise exports is supported by ECGC. The recently launched Export Promotion Mission seeks to strengthen export credit through interest subvention, factoring support and credit guarantees for MSMEs, but its effectiveness will depend on seamless integration with banks and faster claim settlement mechanisms. Beyond high borrowing costs, India's financial system also lacks instruments aligned with apparel's cash-flow cycle; mainstreaming value-chain financing tools such as invoice discounting, factoring, receivables finance and equipment leasing would ease liquidity pressures and support modernisation.

♦ Labour and Skilling

India's apparel sector remains one of the country's strongest engines of women's employment, with female labour force participation rate at 47 per cent in 2023-24. Yet productivity gains have not kept pace. Value added per worker in garment factories is roughly 30 per cent of India's factory-sector average due to limited mechanisation, generic training and a chronic shortage of mid-level supervisors. Only one-tenth of the garment workers are employed in registered factories (average of 131 workers; around 400-600 in export-oriented factories), which highlights the broader 'missing middle[1]' problem in Indian manufacturing. T&A workforce heavily relies on inter-state migration, resulting in cyclical attrition that disrupts production. While Scheme for Capacity Building in Textile Sector (SAMARTH) has trained over 1.1 million workers and its upgradation under SAMARTH 2.0 signals a renewed emphasis on skilling, the architecture must evolve from volume-driven training to product-line and technology-specific capability building.

♦ Institutions and Trade Facilitation

India's institutional landscape remains cumbersome, with multiple agencies governing inspection, customs, licensing, credit, labour and environmental compliance. Export facilitation instruments such as advance authorisation operate with rigid norms and frequent Directorate General of Foreign Trade (DGFT) customs disputes, disproportionately burdening Micro, Small, and Medium Enterprises (MSMEs) and weakening fast-response capabilities. Transaction costs remain high, with exporters processing 17-18 documents per shipment compared to just two in China. China combines dense cluster-based institutions with bonded zones, single-window coverage and globally recognised Authorized Economic Operator (AEO) frameworks; Bangladesh leverages LDC-based preferential market access and streamlined approvals in export-processing zones (EPZs), supported by a strong institutional focus on RMG as the country's dominant export sector; Vietnam pairs deep Free Trade Agreement (FTA) coverage with FDI-driven industrial parks.

♦ Product Misalignment with Global Demand

India's export basket remains locked into cotton basics, even as global demand has shifted decisively towards man-made fibres (MMF), synthetics and blended fabrics that account for nearly 70 per cent of consumption. In 2024, cotton T-shirts were India's largest apparel export at USD 1.72 billion, yet this represented just 5 per cent of a USD 33.8-billion global market. In high demand categories like MMF jerseys, trousers, and winterwear, India's share remains negligible compared to that of China, Vietnam and Bangladesh. This

[1] The 'missing middle' problem in the T&A industry refers to the lack of mid-sized firms in the sector, which creates a gap between large-scale producers and individual artisans. This issue is particularly significant in India, where MSMEs are the backbone of the industry and contribute significantly to employment. The absence of mid-sized firms hampers growth and limits employment opportunities.

mismatch has locked India into stagnant product categories and has limited its ability to capture new opportunities.

Policy Recommendations and Way Forward

i. Scale and Integrated Capacity

Immediate policy priorities should focus on enabling firms to expand and better utilise assembly-line capacity. This includes capital incentives for firms committing to scale production lines to globally competitive thresholds, for instance, factories operating around 1000-1200 workers (roughly 550-650 sewing machines, assuming an average labour–machine ratio of about 1.8 workers per machine in India) or achieving equivalent output through higher machine utilisation and additional shifts. In the medium term, reforms should operationalise PM MITRA parks as integrated fibre-to-fashion production hubs with differentiated regulations, fiscal incentives and plug-and-play manufacturing spaces that encourage larger-scale investments and cluster-based production. Over the longer term, these parks should evolve into globally competitive textile manufacturing ecosystems with strong cluster governance, design and innovation capabilities, and seamless linkages across the value chain. This transition from fragmented MSME production to integrated, high-capacity manufacturing systems will allow Indian firms to compete more effectively on speed, reliability and scale in global apparel markets.

ii. Ease and Timely Access to Capital

India's most binding competitiveness constraint is the high cost and unpredictability of finance. The immediate priority, therefore, is restoring certainty through guaranteed refunds, fast-tracked rebate disbursals and targeted interest support for MSMEs. The Export Promotion Mission provides an umbrella framework for credit support and risk mitigation, but its success will depend on operational alignment with banks and cluster-level institutions. India must also focus on its export-credit architecture: Export Credit Guarantee Corporation's (ECGC) coverage, premium structures and claim processes need fundamental reform so it can mirror the role that Sinosure (China Credit and Export Insurance Corporation) plays in China's broad risk cover and seamless integration with bank credit. In the medium term, value-chain financing instruments, including factoring, receivables finance and equipment leasing, should be scaled up. In parallel, dedicated credit guarantee windows and mechanisms to facilitate access to low-cost global financing (similar to Bangladesh) could be explored to support working capital, machinery modernisation and capacity expansion. Over the long run, India must shift to a co-ordinated, cluster-linked export-credit ecosystem and institutionalise value-chain finance as a mainstream banking product across T&A clusters.

iii. Cluster and Institutional Mechanisms

In the short term, reforms should prioritise digitising customs and licensing, streamlining advance authorisation and Export Promotion Capital Goods (EPCG) procedures, enabling bonded warehousing and activating authorised economic operator support cells within PM MITRA parks. Shared infrastructure including CETPs, hostels and crèches should be treated as public goods that stabilise labour and reduce the firm-level compliance burden. Concurrently, a national baseline study of T&A benchmark clusters mapping governance structures, supply-chain integration, labour practices, compliance readiness and business services is essential. This diagnostic should then anchor a structured cluster exchange framework (initiative led by UNEP and Ministry of Textiles) that enables systematic cross-learning and replication of successful models like Tiruppur across other regions. Over the medium term, an empowered PM MITRA Authority or National Apparel Council should co-ordinate centre-state actions, operationalise a full national single window and guarantee predictable refund timelines. In the long run, PM MITRA parks must mature into governance-rich ecosystems with park-level customs, sustainability and compliance cells, buyer facilitation platforms, digital traceability systems and time-bound logistics. So far, the policy of PM MITRA parks (announced in Union budget 2021-22) has taken quite a bit of time in taking off, and as a result, the ground reality does not show much action. Its implementation needs to be expedited.

iv. Labour Productivity and Skilling in the Sector

Short-term reforms must operationalise SAMARTH 2.0 as a product- and technology-specific skilling architecture, with clearly defined modules for MMF handling, winterwear, athleisure, and digital compliance, alongside the establishment of supervisor training institutes and expansion of worker welfare infrastructure such as hostels, crèches and transport. Medium-term actions should institutionalise cluster-level skilling academies and mid-management institutes within PM MITRA parks, aligning training with cluster-wise product specialisation. Long-term productivity uplift requires embedding continuous skilling ecosystems spanning R&D, automation, knitwear technologies, digital manufacturing, traceability and ESG compliance. Cluster-wide digital traceability and compliance platforms must support rising buyer requirements and reinforce India's positioning as a reliable sourcing partner.

v. Market Access and Trade Strategies

Immediately, it is necessary to align cluster capacities with fast-moving product categories demanded by UK and EU markets, particularly MMF-based apparel, athleisure and winterwear, through a clear mapping of cluster-wise product specialisation. India has recently gained tariff parity with Bangladesh and Vietnam in EU, but tariff gains will translate into export growth only if product alignment, compliance readiness and cost competitiveness are simultaneously strengthened. This is India's opportunity to turn lateral part of the hockey stick situation to a rising part, leap frogging its exports to EU market. A high-powered working group to identify exact markets and products within EU may help. The medium-term focus should shift to leveraging underutilised FTAs with Japan and Korea via targeted, product-specific strategies to improve FTA usability for apparel exporters. Over the long term, competitiveness will depend on embedding digital sampling, predictive analytics and virtual design capabilities within clusters, enabling faster design-to-market cycles and deeper integration with global fast-fashion supply chains.

India's apparel sector today stands at a critical inflection point. The global sourcing window created by shifting geopolitics and the 'China+1' strategy is open but it will not remain open indefinitely. On the domestic front, several structural reforms have begun to improve the enabling environment: the correction of inverted GST structures in MMF, the revoking of certain Quality Control Orders (QCOs) that constrained raw material access, progress towards implementing the new labour codes and renewed policy focus through initiatives such as the Export Promotion Mission and the Integrated Textile Programme. These steps signal clear policy intent. However, if India is to expand apparel exports from **USD 15.7 billion today to USD 40 billion by 2030**, and raise its global market share beyond the current **3 per cent**, business-as-usual will not suffice. What is required is a decisive overhaul of the apparel ecosystem-across scale, finance, skills, institutions and trade facilitation implemented with top speed and coordination. The real test will lie in the pace and coherence of implementation. By synthesising international experience with India's structural realities, this report outlines a practical pathway for accelerating these reforms and repositioning India as a scale-driven, fibre-diverse, digitally enabled and women-inclusive global sourcing hub.

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