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The Role Played By GDP, Exchange Rate, FDI onthe Exports in Textile Industry in India

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ABSTRACT:*The research paper aims at reviewing researches conducted in the area of determinants of and factors affecting the export performance of textile industry. The tools used by the various researchers and their findings are studied in order to establish the academic contributions made by these studies to the existing body of knowledge, new models developed and also to highlight method adopted or suggested by researchers for conducting researches in the area of export performance of manufacturing industries with special focus on textile sector in India. The review highlights that most of the studies have been carried out on establishing the relationship between GDP, exchange rate and capital (FDI) with export performance of textile industry. Most of the researchers found a positive relationship between the above said variables and textile exports.*

KEYWORDS: *FDI, GDP, Exchange Rate, Exports*

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I. INTRODUCTION

India's textiles sector is one of the oldest industries in Indian economy going back a few centuries. Indeed, even today, textiles sector is one of the biggest supporters of India's exports with around 13 per cent of total exports. The textiles industry is likewise work concentrated and is one of the biggest employers. The textiles industry has two expansive sections. To begin with, the disorderly area comprises of handloom, painstaking work and sericulture, which are worked on a little scale and through conventional instruments and techniques. The second is the sorted-out part comprising of spinning, apparel and garments segment which apply present day machines and procedures, for example, economies of scale.

The textile Industry utilizes around 45 million individuals directly and 20 million individuals in a roundabout way. India's overall textile exports during FY 2015-16 remained at US$ 40 billion. Textile industry is a vibrant part of a country’s economy. The Textile industry is very important for a handful of countries, in terms of trade, GDP and employment opportunities and also has contributed significantly in several other countries. Indian Textile industry assumes a critical part in the economic development of the country. It has an essential place in the Indian economy in terms of industrial production, employment and exports. It accounts for 14 percent of the industrial production in the country, 4 percent of the GDP, employs around 45 million individuals (second biggest after farming) and has 13 percent share in the total exports of the country. Textile Industry in India is one of the leading textile industries in the world.Textile industry is a very diverse industry, with its products being used by virtually everybody. Textile sector is one of the leading sub-parts and one of the most seasoned on the planet. High/low development in experts of textiles is influenced by number of determinants. The determinants including Gross Domestic Product (GDP), real exchange rate, per capita GDP and populace development rate of the shippers all have a huge effect. The depreciation of the Indian Rupee would help material fares because of the way that the purchasers would appreciate less expensive material items.The opening up of economy gave the genuinely necessary push to the Indian textile industry, which has now effectively end up plainly one of the biggest in the world.

II. LITERATURE REVIEW

The literature review has been divided into three parts. The first part focuses on FDI followed by Exchange rate and GDP and their relationship with exports.

Sharma, Kishor (2000) in their study titled “Export Growth in India: Has FDI Played a Role” Explaining that export growth in India was much faster than GDP growth in the last decade. Several factors seem to support this phenomenon, including foreign direct investment (FDI). Nevertheless, despite the inflow of foreign direct investment, especially in recent years now there is no attempt to check its contribution to the overall outcome of India's exports - one channel through which direct investments increase. Use the annual records of 1970-98 to check the scope of a common equity determining the overall index of export across India. The impact of India's export demand will increase when its export expenses come to international values. Moreover, the genuine appreciation of the rubble is negatively affecting India's exports. Export delivery is undoubtedly linked to the Export Performance Export and it is better to reduce export delivery. Funding abroad is not statistically exposed to export activity, although the foreign investment coefficient is a fantastic sign.

T.A Bhavani and Suresh D. Tendulkar in their study titled (2001) " Determinants of firm-level export performance: a case study of Indian textile garments and apparel industry" (A) Identify the function of the export decision, in particular for export or sale of the domestic market, and (b) the function of export execution, i.e. export share in production. These functions are evaluated for delicacy and sewing units. The form of a business organization that reflects access to equity is both the main determinant of both functions. The probability of exports in the expected profit model has been revealed that the marginal influence of variables (scale and share expenses) is sharply reduced from a separate owner to partnership and limited companies. On the other hand, each determinant (the amount of salaries, share, sales expenses and technical efficiency) turned out to be an increasing marginal influence on export activity by Tobit estimates the model when moving three forms of business organization. Empirical results show two political changes to increase export. First of all, taking into consideration the value of the export scale, the existing garment and clothing of the reservoir intended for exclusive production in small units must be destroyed. In parallel, it is also necessary to modify labour legislation for large-scale plant factories because it creates flexibility in the labour market and therefore represents the expansion of existing units and the inviolability of new entities.

VaseemAkram and Badri Narayan Rath (2009) in their study titled" Exchange rate misalignment and economic growth in India" Study of the unlawful influence of exchange rate on India's economic growth using annual data from 1980 to 2014. The impact of the economic growth courses has been studied using ARDL and different decorative methods. Their results examine up to 2000 exchange rates, and then India's exchange rate is impaired. In addition, the result indicates that the exchange rate impairment increases economic growth and vice versa.

Oskoee (1991) in his article titled " Exports, Growth and Causality in LDCs: A Re-examination"Analyses the long-term relationship of trade balance and real exchange rate. The investigation confirms that the trade balance and exchange rate was selected. The preliminary investigation showed that the export balance of countries that are less developed than the long-term devaluation.

Yoganandan.G and Jaganathan A.T (2013) in their study titled "Factors affecting the export performance of textile industry in developing countries" consider factors affecting the textile industry development in developing countries. The survey examines the research considering the area of factors and factors identified for the exploitation of the textile industry. The investigation confirms that most of the investigations have been completed on the establishment of a GDP, exchange rate, labour, capital (innovation) and innovation union in order to ensure the execution of the textile industry. A large number of analysts have made positive conclusions on the above facts and textile exports. It is noteworthy that future studies will be available to different factors, such as capital efficiency and legitimacy.

MukherjiRonit and Pandey Divya (2014) in their study titled "The relationship between the growth of exports and growth of gross domestic product of India" Answer If there is a relationship with the export and growth of GDP in India India, the Vector Survey Three Division of Method The study was investigated by the cause-causing cause of the Graner I test and impulse response function. In the year 1969-2012, they found that export development depends on the development of GDP per year. Energy checks indicate predictable VAR results. To support Granger's causal test finds that GDP growth leads to export development in India. In the end, the impetus responses have been demonstrated to demonstrate that there are substantially high reactions to regulation through GDP regulation. Overall, they have found that India supports the growth of Led Export hypothesis.

III. RESEARCH METHODOLOGY

Title:

'The Role Played By GDP, Exchange Rate, FDI On the Exports In Textile Industry In India"

Statement of Problem:

The study talks he role of GDP, Exchange Rate and FDI on the textile Industry of India in detail. The paper will focus on how the Indian textile sector is influenced by GDP, Exchange Rate and FDI. This study is important to understand if there is any significant difference in performance of exports due to GDP, FDI and Exchange Rate.

Research question:

"How powerful is the role of GDP, Rate of exchange, FDI on the performance of exports in the textile industry?"

Significance of the study:

This study is significant as it focuses on the role that GDP, FDI and exchange rate play on exports of textiles.

Research objective:

- To study the relationship between GDP and exports.

- To study the relationship between FDI and exports.
- To study the relationship between Exchange rate and exports.

Hypotheses:
H0: Exports does not have an impact on GDP of textile industry in India
H0: Exchange Rate does not have an impact on the exports of textile industry in India
H0: FDI does not have an impact on the exports of textile industry in India

Variables:
Dependent Variable:
- Exports of Textiles

Independent variable
- GDP
- Exchange rate
- FDI

Sampling Design:
The data was collected for the years 2006 – 2017.
- The GDP growth percentage for each year for a total of 12 years was taken
- The total exports of textiles for each year for a total of 12 years was taken.
- The average exchange rate for each year for a total of 12 years was taken.
- The total FDI received for Textiles sector for each year for a total of 12 years was taken

Data collection Method
Data collection is done via secondary data collection methods. Data is taken from India stats and the ministry of textiles data.
Statistical Tools:
For data analysis correlation and descriptive statistics were used.
Limitations of the study:
- The study will focus on more secondary data as it is difficult to get primary data from all the textile companies in India and the research focuses on variables with available secondary data.
- Only average of every years Exchange rate is taken.
- Data is collected for only twelve years. Therefore, the study is restricted to results found for 12 years.
- The study has not been conducted on taking into account any textile company but the Textile sector of the country as a whole.
- Only data provided by the government is taken into account

Analyses:

Correlations

		GDP(in percentage)	*FDI(in millions of dollars)*	*Exports(in millions of dollars)*	*Exchange rate(INR to USD)*
GDP(in percentage)	*Pearson Correlation*	*1*	*-.205*	*-.737***	*-.585**
	Sig. (2-tailed)		*.523*	*.006*	*.046*
	N	*12*	*12*	*12*	*12*
FDI(in millions of dollars)	*Pearson Correlation*	*-.205*	*1*	*.321*	*.654**
	Sig. (2-tailed)	*.523*		*.309*	*.021*
	N	*12*	*12*	*12*	*12*
Exports(in millions of dollars)	*Pearson Correlation*	*-.737***	*.321*	*1*	*.642**
	Sig. (2-tailed)	*.006*	*.309*		*.024*
	N	*12*	*12*	*12*	*12*
Exchange rate(INR to USD)	*Pearson Correlation*	*-.585**	*.654**	*.642**	*1*
	Sig. (2-tailed)	*.046*	*.021*	*.024*	
	N	*12*	*12*	*12*	*12*

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*

There is a strong negative correlation between GDP and exports(-.737**). It is significant at 99%. There is a weak correlation between FDI and exports (.321).The correlation is not statistically significant.

The correlation between exchange rate and exports is strongly positively correlated (.642*)and the correlation is statistically at 95% level of significance.

R is correlation value in a model summary table.The exchange rate , GDP, FDI are strongly correlated with exports of textiles .R square tells the impact of independent variables(exchange rate , GDP, FDI)on the dependent variables (exports).Therefore the independent variables have 61.1% effect on exports.

The regression model for this study is : 280415.180=-28912.706* x1-1.625*x2+3059.123*x3.

Where

X1 = GDP

X2= FDI

X3= Exchange rate

IV. CONCLUSION

Textile, one of the oldest industries within the Indian economic system courting back several centuries, is witnessing huge FDI inflows, according to investment India, an initiative of the Centre to attract FDI. increasing FDI is a cause to cheer for the sector which currently contributes about 14% to industrial production, 4% to GDP, and 17% to the united states of America's export profits, in keeping with the annual record 2016-17 of the Ministry of Textiles.

FDI of as much as 100% is allowed in the textiles quarter through the automated direction. The FDI cell on the financial department of the Ministry of Textiles has additionally helped in attracting FDI inside the textile sector.

The Indian textiles industry is extraordinarily various, with hand-spun and hand-woven textiles at one give up of the spectrum, and capital in depth state-of-the-art turbines at the alternative cease.The position of textile industry in India GDP additionally includes a hike in the investment float both within the home marketplace and the export production of textiles. The textiles enterprise has made a major contribution to the countrywide financial system in phrases of net foreign exchange profits and contribution to the GDP. The textiles industry has made a major contribution to the national economy in terms of net foreign exchange earnings, FDI and contribution to the GDP. The study has shown relationship between GDP,FDI and Exchange rate with Exports of textiles from India.

In conclusion correlation between GDP and exports is strongly negative and it is significant at 99%.The correlation between FDI and exports is weak. The correlation between these two variables is not statistically significant. The correlation between exchange rate and exports is also strongly positively correlated and the correlation is statistically at 95% level of significance. The exchange rate, GDP, FDI which are thee independent variables are strongly correlated with exports of textiles which is the dependent variable of this study. R square value provides us the information of the impact of independent variables(exchange rate , GDP, FDI)on the dependent variables (exports).The study has shown that the independent variables have 61.1% effect on exports. Therefore the alternate hypothesis is accepted and null hypothesis is rejected as the independent variables do have an influence on the exports of textiles in India.Yoganandan.G and Jaganathan A.T also did a study on relationship between FDI and Exchange rate with exports in developing countries and found a positive relationship between them.

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