

Challenges Faced by Textile Industry of Pakistan: Suggested Solutions

Walayat Shah¹, Usman Ali Warraich² and Kazi Kabeer³

ABSTRACT

Attempt has been made to investigate the challenges faced by the textile industry of Pakistan. A specific objective is to find out main reasons through qualitative study and suggest solution for further progress. Pakistan is largest manufacture and exporter of textile goods and the total exports earnings of textile industry of Pakistan is about \$ 13.8 Billion per year. The major markets of Pakistani textile goods is United State and European markets and its exports are about more than 63% of the total exports of the country and contributes 8.5% of Gross Domestic Product (GDP). This study reveals that the textile industry is the backbone of the economy of Pakistan mainly this sector is facing great challenges from last several years. The main challenges are energy crises, fluctuating yarn prices, shortage of gas supply and load shading, law and order situation, devaluation of Pakistani currency, lack of research and development (R&D) institutions, lack of modern equipment and machinery and production cost. It is recommended that the textile sector can play a vital role for the development of the economy if challenges and barriers remove on time. Although, several challenges are uncontrollable but it can be resolved by well define policies and procedures by government institutions and textile association bodies in Pakistan.

JEL. Classification: L6; L67; P23.

Keywords: Textile challenges, Shortfall production, Workforce, Marketing, Revenue, Pakistan.

1. INTRODUCTION

Pakistan is the fourth largest manufacturer of textile goods, According to APTMA (2009-2012) it contributes 52% of total exports which is about 12.36 Billion US Dollars, 46% of total manufacturing, 40% of total labor force 8.5% of total GDP (Gross Domestic Products) and 5% of the market capitalization. It is also important to mention here that the geographical location of Pakistan is the favorite for the international trade it shares northern border with China, eastern border shares to India, western border with Afghanistan and Iran and southwestern border to the Arabian Sea.

The material presented by the authors does not necessarily represent the viewpoint of editors and the management of the Khadim Ali Shah Bukhari Institute of Technology (KASBIT) as well as the authors' institute.

¹ Research scholar, Indus University, Karachi.

² HOD at Business Administration, Indus University, Karachi Email: warraich.u.a@gmail.com

³ Associate dean at Khadim Ali Shah Bukhari Institute of Technology, Karachi. Email: kabeer@kasbit.edu.pk

Acknowledgements: Paper was presented in "2nd International Conference on Global Development with Innovative Solutions-2012 (2nd ICGDIS-2012), on 15th & 16th December, 2012". Authors would like to thank the editors and anonymous referees for their comments and insight in improving the draft copy of this article. Author further would like to declare that this manuscript is original and has not previously been published, and that it is not currently on offer to another publisher; and also transfer copy rights to the publisher of this journal.

Received: 19-12-2012;

Revised: 20-12-2012;

Accepted: 30-12-2012;

Published: 31-12-2012:

For the economic development of Pakistan, textile sector of the country played a vital role for a long time, the main economic objective of any country either it is a developed country or a developing country should be to widen the sector which contributes such a great share in export and GDP as well the generating of tax revenue and providing employments to the workforce of the country (Sarwar 2012).

The development in this sector was remarkable in the past since four decades after independence of Pakistan. At the time of independence of Pakistan there were only two textile mills Okara Textile Mills, Okara and Lyallpur Cotton Mills which was located at Faisalabad, were in process (PACRA 2011). With the passage of time this sector started its development process gradually and finally Pakistan became 4th largest textile exporter but unfortunately textile sector of Pakistan faced very serious challenges such as energy crises, fluctuating yarn prices, shortage of gas supply and load shading for several days to the sector, law and order situation in the country, devaluation of Pakistani rupee, lack of (R&D) institutions in the country to improve the quality of raw material, lack of modern equipment and machinery, increasing cost of production due to high fuel prices etc due to all the above situations the producers and exporters of Pakistan are losing their competitive advantage in global markets.

The aim of this research study is to identify the prospects of challenges and difficulties faced by the textile industry of Pakistan and the clothing sector to find out some solutions which may help this sector to restart its journey towards the development process of the economy of the country. This research paper will also highlight the ongoing status of the textile industry of Pakistan.

1.1. Justification

The purpose of conducting this research is to find some purposive solutions to overcome the problems faced by the textile industry of Pakistan and this research is conducted for the fulfillment of the requirement of my degree, So, due to limited budget and time, so many aspects couldn't be covered thoroughly but still this study will help to solve many issues faced by the industry. Due to limited time during my semester (which was about only four months) as well as lack of budget) I couldn't gather the more widespread data to make this research most relevant and authentic however it will lead researcher to do farther work and study this sector in detail.

The study technique adopted in this research is Qualitative technique and this research is descriptive in nature because so many researchers have done a lot of work on the same sector and a huge amount of information is available already but some points are essential to consider and in depth study to overcome and solve the problems faced by the textile industry of Pakistan for its further sustention is required. The data used in the study is secondary data collected from the Statistical Bureau of Pakistan, State Bank of Pakistan and All Pakistan Textile Mills Association's official web site were also introduced some findings by self-observations and unstructured interviews form field expert were also included.

1.2. Organization of Paper

Section 1 is about introduction Section 2 literature review and Section 3 conclusion and recommendation of this paper.

2. LITERATURE REVIEW

Textile and clothing is the basic need of human being, the demand of textiles all over the world is about 18 trillion US dollars and it is expected to increase by 6.5% (Spinanger 1995). The Asia is the central source of providing textile goods to the European Union, United State of America and many other countries of the globe.

Pakistan is the foremost exporter of textile goods especially cotton textile products manufacturer and exporter in the world market currently Pakistani textile products lose its competitiveness in the global markets due to tough competition towards its competitors like India, Bangladesh and China (Spinanger 1995).

Textile exports of China worth is about 55 billion US dollars while Pakistan Exports worth 13.8 billion US dollars. In 2004 Ministry of textile industry has established the five year textile policy 2009-2014 and the aim was to increase the target of exports of textile goods from worth US \$ 13.8 billion to worth US \$ 25 billion at the end of the policy period the momentous news of that policy was to provide funds namely Textile Investment Support Fund as well as Technology Up gradation Fund. The main theme behind providing these funds was to improve technological lacking and to improve the infrastructure by providing new investments opportunities but unfortunately this policy could not materialized yet (PACRA 2011).

Due to inefficient finances for textile industry Ministry of Textile Industry failed to execute strategies and implementation of the policies (five year policy 2009-2014) the industry currently have huge imminent liabilities under schemes for the operational process but it has also challenges to execution as well as timely completion of the basic needs of industry (Amin 2012). The total amount of Rs. 24.75 billion was allocated which was against the permitted funding plan of Rs. 123 billion for 2009-12. On the other hand the worth of projects more than Rs. 6 billion are pending at planning commission for last two years, reasoning that the textile industry of Pakistan faces serious problems due to shortage of utilities like gas which is an important factor for the textile industry.

In March 2012, thousands of textile industry job holders or daily wage workers came out onto roads of Faisalabad city they burned tires, shouted slogans opposing government due to shortage of electricity and gas shortage to textile sector causing this 10% small sized and medium sized textile factories closed. Due to all these circumstances textile industry is unable to fulfill the domestic demand at least, the industry is unable to consume its domestic cotton to chase export orders on time.

As for as Pakistani textile competitors are concern they are enjoying subsidies and availability of basic needs for the industry like electricity and gas etc from government which is also a cause that putts Pakistani textile exports at inconvenience position in the global markets (Lall and Wignaraja 1995). It was also an important point in the summary of textile policy 2009 to 2014, that the textile industry of Pakistan should make free from load shedding and also exempted form gas shortfall it will be given the priority like fertilizer industry (Amin 2012).

The textile sector of Pakistan has strong interferences on the economy. This sector plays a vital role for the generation of employments to the workforce of the country. This sector is faced the shortage of power and gas it has lost \$ 1 billion worth exports in the first half the fiscal year 2012 and it may lose \$ 2 billion in the second half of the current year due to the shortage of the gas and electricity many industries shut downed its production units form Faisalabad and Karachi and moved to foreign countries it caused to increase the unemployment rate in the country. According to Muzimmil Sultan, President Faisalabad Chamber of Commerce and Industry “at least 200,000 workers lost their Jobs since last year”. According to APTMA’s chairman Mohsin Aziz the slump in textile exports size worth \$ 305 Million in dec-2011 was shocking the main reason of the drop of exports was the energy shortage.

Bangladesh is beneficiary of the LDC (least developed countries) having special entrance to European Union Markets the textile goods from Bangladesh have free duty access to European Union Markets under EBA (Everything but Arms) Scheme. This access is available for only least developed countries (LDS). This scheme makes the Bangladeshi textile products more competitive as compare to those

countries which are not getting the benefits of Everything but Arms Scheme including Pakistan (Sarwar 2012).

2.1. Power and Energy Crisis

Power and energy is an essential factor for the production process, for further sustenance of textile sector, energy sector should be improved. It is very difficult to continue production process without energy. As for as Pakistani textile sector is concern it is faced 8 to 10 hours electric load shading per day and 2 to 4 days Gas load shading per week.

2.1.1. Electricity Crisis

The power supply totally detached in Punjab and other places of the industrial areas of Pakistan. Due to that the production process has been stopped on a large scale industrial unit that outside the industrial estates in particular province as power shortfall gap crossed 5000 Mega Watts.

The industrialists of Punjab were going on strike and shutting down there production in agitation, the textile worker came on the roads to protest against electricity load shading in all key textile hubs across the Punjab. Mr. Shahzad Ali Khan Chairman All Pakistan Textile Mills Association Punjab and central chairman Mr. Ahsan Bashir educated that the textile industry of Punjab became in heavy pressure due to energy crisis and industry is directed towards forced closure, they told that the load shedding of electricity has amplified to 8 hours per day. The electricity distribution to textile industry has arrived at an alarming level and it is disturbing strongly to the industrial potential of earning which is about \$ one billion each month and also providing vacancies to millions of workers in Punjab.

According to chairman All Pakistan Textile Mills Association Punjab Shahzad Ali Khan addressed that total demand of electric power in Pakistan is less than 11000Maga Watts, it is not much difficult to meet the target of the demand, and the target can be met by thermal generation but still textile industry is faced long duration load shedding, started from May 2012 and it is increasing on daily basis. Today the circumstances became worst and it became difficult to continue the production process for textile industries of Pakistan.

2.1.2. Gas Shortage

There is also gas shortening to the textile industry. The supply of Gas for confined generations already cut down to 6 hours a day in a week for the domestic level customer. In the beginning the textile industry has been exempted from gas load shading but unfortunately recently that facility is not much available, in winter the demand of gas increases from domestic users of gas due to that it causes the shortage of gas to the textile units (MoT 2009-10).

If all CNG stations of the country diverted to LPG and the gas is converted to the large scale industries like textile industry of Pakistan and the Fertilizer industry, an industrial forum to prove the importance of gas supply to industries for the growth of country has put forward a proposal but due to the social and political situations it couldn't materialized. However government of Pakistan should take corrective and preventive actions to solve the energy crisis faced by the textile industry of Pakistan (PACRA2011).

2.2. Increasing Raw Material Prices

Increasing yarn and raw material prices is also a gigantic challenge for the textile industry of Pakistan. The main cause of increasing raw material prices is that the grower of cotton or farmers of raw material,

like cotton are unable to get of their material and middle man enjoys benefits and they are not given the reasonable prices for the raw material may times in Sindh and Punjab farmers burned there cotton to record a strike and the middle man is enjoying the benefits due to that the industry is bearing the costly raw material that's why they started to grow the substitute of cotton like sugarcane etc. In this cause the government and the concerning institutions of government should study the case to solve the problems like this so that the Pakistani textile industry could compete in the global market as a major player because the cost of product is dependable on the prices of raw material (Chaudhry and Hamid 1988).

2.3. Law & Order Situations in the Country

Since 2007, approximately 2118 people of the state have killed in sectarian violence, and 4025 have been injured. Government has consistently failed to protect the lives as well as property of people of Pakistan.

In Karachi on average at least six people were killed per day according to a local newspaper during the firing and cause target killing. Street crimes, snatching from people, kidnapping for ransoms all these issues disturb the business environment especially to compete in the global market with Pakistani competitors. The government should take enormous actions to protect the state and economy of Pakistan. Many industrialists closed their units and moved to neighborhood countries to save there selves from ransoms and many other such kind of issues.

Table 01: Sectarian Violence in Pakistan: 2007-2012

Year	Incidents	Killed	Injured
2007	341	441	630
2008	97	306	505
2009	106	190	398
2010	57	509	1170
2011	30	203	297
2012	163	469	525
Total*	794	2118	4025

*Data till December 16, 2012

Source: (SV 2012)

2.4. Lack of R&D Institutions

There is a very tough competition in global markets. The market needs high quality product on reasonable price. To improve the quality of Pakistani textile products the industry should consider on the quality of raw material by the help of research and development institution. Any forum (like APTMA or any other concerning institution) should do work with the help of R&D Institutions to improve the quality of Pakistani cotton by arguing or by providing ideas to the cultivators of cotton to improve the fiber quality (Faini 1995). Once the quality improved the product can easily compete in international markets.

2.5. Lack of Modern Equipment and Machinery

It is also necessary that Pakistani textile industry should be equipped with the modernized machinery to develop quality product and for the innovation of existing products to bust the sale in existing markets and to find new markets all over the globe (MoT 2009-10).

2.6. Increasing Cost of Production

Production cost of textile industry has increased due to rising interest rates and rising inflation as well as declining value of Pakistani currency (Anderson 1992). It became a gigantic challenge for the textile industry of Pakistan to compete and survive in the international markets (MoT 2009-10).

2.7. Lack of New Investments

The textile industry of Pakistan is faced enormous challenges of stumpy production caused by its superseded textile equipment and machines. To take over this issue the industry needs new investments. There is not any new heavy investment in this sector for a long time. Due to current circumstances of Pakistan nobody is interested to invest in Pakistan. Reasoning to that it seems difficult for Pakistani textile to compete in the international markets (MoT 2009-10).

3. CONCLUSION AND RECOMMENDATIONS

After detailed review of the literature, personal observation and informal interviews is concluded that the government should take corrective and preventive actions to solve above mentioned problems especially electricity crisis faced by Punjab textile industry as well as Sindh textile industry. Also do good practices to tackle the challenging situation in an efficient manner.

It is also recommended that government should focus on the development of textile sector via giving relief on tax and import or export duty. Furthermore, provide the electricity to textile organization at low rate for specific period of time which helps to establish the industry.

If government failed to do than millions of textile workers would become jobless and it may be a great cause to increase the unemployment ratio of Pakistan. Government should consider seriously on all mentioned issues and solve the problems as soon as possible to protect the textile industry of Pakistan.

REFERENCES

- MoT. 2009-10. Ministry of Textile, Government of Pakistan, Year Book. (Retrieve on: <http://www.textile.gov.pk/gop/index.php?q=aHR0cDovLzE5Mi4xNjguNzAuMTM2L21vdGkvdXNlcmZpbGVzMS9maWx1L1B1YmxpY2F0aW9uL1l1YXJCb29rMjAwOS0xMC5wZGY%3D> July 15, 2012)
- Amin, T. 2012. Textile Industry of Pakistan Faced Serious Problems due to Scarcity of Funds. Business Recorder, (Retrieve on: <http://www.brecorder.com/cotton-a-textiles/625/1220427:textile-industry-faced-serious-problems-due-to-scarcity-of-funds/?date=2012-07-25>)
- Anderson, K. (ed.) (1992) *New Silk Roads: East Asia and World Textile Markets*. Cambridge: Cambridge University Press.
- Chaudhry, S. A., and J. Hamid. 1988. *Foreign Trade Barriers to Exports: Pakistan*. In *Foreign Trade Barriers to Export Growth*. Manila: Asian Development Bank.
- Faini, R. .1995. Demand and Supply Factors in Textile Trade. In G. B. Navaretti et al. (ed.) *Beyond the Multifibre Arrangement: Third world Competition and Restructuring Europe's Textile Industry*. OECD Paris, 45–60.

PACRA. 2011. Textile Sector Study. Retrieve on:
http://www.pacra.com.pk/pages/research/web_sector_study/textile/Textile_Mar_11.pdf

Lall, S., and G. Wignaraja. 1995. In G. B. Navaretti et al. (eds) *Building Export Capabilities in Textiles and Clothing: Case Studies of German and Italian Companies Exports*, op. cit., 221–236.

Sarwar, S. 2012. APTMA Makes Pakistan Self-sufficient in Cotton. *Daily Times*, (Retrieve on: http://www.dailytimes.com.pk/default.asp?page=2012%5C05%5C07%5Cstory_7-5-2012_pg7_5)

Spinanger, D. 1995. The Spillover of Export Capabilities in the Textile and Clothing Industry: The Case of Hong Kong. In G. B. Navaretti et al. (ed.), op. cit. 237–249.

SV.2012. Sectarian violence. (Retrieve on: www.satp.org/satporgtp/countries/pakistan/database/sect-killing.htm, Access on Oct 20, 2012).