



Overview of Textile Industry in India

KEYWORDS

India, Textile Industry, challenges, measures

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ABSTRACT *The textile industry is one of the oldest and most important industries in the Indian economy. According to CII report in 2012, it contributes about 4% of GDP and 14% of total industrial production, provides employment to 92 million skilled and unskilled workers, and contributes 12.5% of revenue from exports. But with the economic crisis in the countries where India normally exports its textile products, demand is strongly affected, and in return, instead of helping the industry to come out of this problem, the Government, through policies put obstacles in the progress of textile industry. Although the industry is expected to work hard, improve specific areas of weakness and enhance their competitiveness, to maintain and consequently improve ranking of Indian textile industry in the world, especially in times of liberalization and globalization, but without Government support it is highly impossible. In this paper, the researcher studies profile and challenges of the Indian textile industry, initiatives taken by the Government and recommends measures to enhance the competitiveness of the textile sector.*

1) INTRODUCTION:

Indian textile industry is one of the oldest and has an important place in the national economy. Textile industry has passed through various stages of a domestic small-scale industry, to reach at its present situation. At present, Indian textile sector is ninth in the world ranking. After 1947, there is tremendous growth in textile industry in India, which increased national income, employment and foreign earnings. India is primarily an agriculture based economy, but especially after liberalization in 1991, the service industry contributed more to Gross Domestic Product (GDP). At present, the contribution of agriculture to GDP is just 16%, whereas the contribution of manufacturing sector is 27%, and service sector it is 57%.

At present, the textile industry contributed about 4 percent of the gross domestic product (GDP), 14 percent of total industrial production, and provides employment to 92 million skilled and unskilled workers, and contributed 12.5 percent of revenue from exports (2012). This means after agriculture, the textile industry is the second largest employer in the country. An important feature of the textile industry in India is that, it is completely self-reliant in the entire value chain of cotton textile products. It enjoys the widest possible linkage; both forward and backward, and provide direct assistance to not only their livelihoods but also empowerment of weaker sections of the society. Substantial growth in textile industry has resulted in increasing availability of textile products both for domestic consumption and exports.

Thus, the per capita availability of cloth (cotton and man made), has increased from 32 meters in 2001-02 to about 43.1 meters in 2009-10. Household sector consumes the largest share in India's textiles and clothing (60 percent share), followed by the household sector (21% share), and then in the export sector (19% share). In terms of value, the textile and garment industry in India is estimated to be worth about \$ 78.0 billion in 2010, including export of US \$ 22.0 billion and the domestic market of US \$ 56 billion. The industry had grown from \$ 58 billion in the year 2006 at a CAGR of 7.69%. Segment wise, garments constitute 64% of the domestic market, followed by household fabrics (nearly 17%), technical textiles (14.3%) and home

textiles (4.7%). Due to limited demand and the south East Asian economic crisis the growth in exports slowed down, but after the measures taken by India textile ministry the exports have begun to increase. However, the industry has to work hard, improve specific areas of weaknesses and enhance its competitive strength, not only to improve retain but also improve the position in the textile map of the world, especially in times of liberalization and globalization.

In this paper, the researcher studies the profile and challenges faced by different segments of textile industry such as Cotton, Silk, Woolen, Readymade Garments, Handloom, and Jute Industry; initiatives taken by the Government and recommend measures to enhance the competitiveness of the textile sector.

2) PROFILE OF INDIAN TEXTILE INDUSTRY:

Brief profile of Indian textile industry is given under-

1. Dimensions: Textile industry includes manufacture of cotton textile; man made silk, woolen, Jute, other synthetic and blend of one or more fibers. 60% of the Indian textile Industry is cotton based. The artisans and weavers who are engaged in organised and household sectors spread across the country.

2. Size of the industry: The Indian Textile Industry today has approximately 1200 medium to large scale textile mills. 20% of these mills are located in Coimbatore in Tamilnadu state. The industry has 34 million cotton textile spindles for manufacturing cotton yarn which account for 70 percent of India's textile exports. Of the Indian textile yarn exports, almost 80 percent come from coarser yarns. Consequently, there is a need to upgrade the technology. The domestic knitting industry is characterized by small scale units with facilities for dyeing, processing and finishing. The industry is concentrated in Tirupur in Tamilnadu and Ludhiana in Punjab. Tirupur produces 60 percent of the country's total knitwear exports. Knitted garments account for almost 32 percent of all exported garments.

3. Contribution to the economy: Indian Textile Industry covers 61 % of the international textile market and 22 % of the global market. It is known to be the 3rd largest manu-

facturer of cotton across the globe. It claims to be the 2nd largest manufacturer as well as provider of cotton yarn and textiles in the world. It holds around 25 % share in the cotton yarn industry across the globe, and contributes to around 12% of the world's production of cotton yarn and textiles

4. Competency in cotton textiles: India is the Second largest producer of cotton in the world. Production of raw cotton in India has increased from 140 lakh bales in 2000-01 to 295 lakh bales in 2009-10. Cotton consumption in India has been increased from 173 lakh bales in 2000-01 to 250 lakh bales during 2009-10.

5. Top leading Companies: Some of the reputed names in the textile companies in India are: Raymonds, Arvind Mills, Reliance Textiles, Vardhaman Spinning, Welspun India, Morarjee Mills, Century Textiles, Ginni Filaments Ltd, Mafatlal Textiles, S. Kumar Synfabs, Bombay Dyeing Ltd, and many more.

6. Employment opportunities: in the textile industry Job opportunities available are of diverse in nature ranging from production, designing, distribution and sales. The need for manpower in textile industry is growing to keep space with the growing demand. Freshers are getting numerous job opportunities in the textile industry of India.

7. Cotton projection and exports: in the year 2003-04 area under cotton production in India was 76.30 lakh hectares, which recorded rise upto 119.78 lakh hectares in 2012-13. The production of cotton in the year 2003-04 was 179 lakh bales, which recorded rise upto 365 lakh bales in the year 2012-13. Production of cotton in the year 2003-04 was 399 kgs per hectore which rose upto 518 kg per hectore in 2012-13. Exports of cotton was 12.11 lakh bales in the year 2003-04 which rose upto 2009-10 upto 83 lakh bales. Contineous rise is observed in area, production and export except in year 2008-09, where the industry had to face adverse agro-climatic conditions, it succeeded in producing 290 lac bales of cotton comparing to 315 lac bales last year.

Year	Cotton production in india			Exports	
	Area (in lakh hectares)	Production (in lakh bales of 170 kgs)	Yield (kgs per hectare)	Quantity (in lakh bales of 170 kgs)	Value (in ` Crores)
2003-04	76.30	179.00	399	12.11	1089.15
2004-05	87.86	243.00	470	9.14	657.34
2005-06	86.77	244.00	478	47.00	3951.35
2006-07	91.44	280.00	521	58.00	5267.08
2007-08	94.39	315.00	567	88.50	8365.98
2008-09	94.06	290.00	524	35.00	3837.13
2009-10	103.10	305.00	503	83.00	10270.21
2010-11	111.42	339.00	517	76.50	N.A.
2011-12	121.78	353.00	493	129.57	N.A.
2012-13	119.78	365.00	518	101.43	N.A.

Source: Cotton Advisory Board

8. Pollution: Indian Textile Industry comes under the category of 'Orange' which represents marginally polluting units.

9. Investments in the Textile Industry: Around US\$ 5.35

billion of foreign investment is expected to be made in Indian textile sector over the next five years. The textiles industry has attracted foreign direct investment (FDI) worth US\$ 817.26 million between April 2000 and March 2010, according to data published by the Department of Industrial Policy and Promotion (DIPP).

10. Growth opportunities: According to market research times, the number of jobs in textile and allied industries would rise by 15% by the end of 12th five year plan. At the end of fiscal year 2010-11, there were 105 million people employed in India's textiles and allied sector. 15% addition means 15.81 million new jobs would be created, which would make total number of people employed in the sector 121.2 million.

3) CHALLENGES FACED BY TEXTILE INDUSTRY IN INDIA:

The challenges or problems faced by the textile industries in India are:

1. Cotton industry:

- i) Cotton production in India is uncertain. It fluctuates depending on weather conditions. This makes the raw material supply irregular.
- ii) Cotton produced in India is not of fine quality. For fine fabrics, India needs to import it from other countries.
- iii) Textile industries in India are suffering from inadequate power supply.
- iv) Indian cotton textile industries have been facing increased competition in the world markets, in particular from countries such as Japan, Korea, United States of America and Taiwan, both in cost and quality. This is largely due to low productivity and high costs. Cotton textile industries use machines that are old and outdated, inefficient and, therefore, uneconomic.
- v) Frequent strikes, boycotts by employees and adverse market conditions, and severe competition have made textile industry sick.
- vi) Invention of synthetic as a substitute for cotton has been resulting in the decline of cotton industry.

2. Silk industry:

- i) Artificial silk is the main problem in silk industry in India, because it is cheaper and of better quality.
- ii) Import from China of cheaper raw silk is harmful to the local sericulture.
- iii) Fluctuating prices of raw silk are badly affecting silk industry and silk growers.
- iv) Testing and calibration facility is not available in India, like in Japan.
- v) Silk industry needs protective measures for modernization of silk power looms

3. Woolen Textile Industry:

- i) On an average, an Indian sheep gives 0.86 kg wool per year, as against 4.08 kg yield by an Australian sheep. In addition, large quantity of wool produced in India is of poor quality and does not meet international standards; therefore, India has to import raw wool.
- ii) Woolen cloth industry in India is seasonal in nature.
- iii) Most of the machinery in the wool textile industry is outdated; as a result the products manufactured on such machines are not able to cope with ever-changing patterns and designs.

- iv) Barring few exceptions, Indian woolen cloths are considered to be of poor quality in international markets, leading to lower demand.

4. Ready made Garments:

- i) The garment industry in India is facing stiff competition from countries like China, Bangladesh, and Vietnam. For example, currently China's garment exports are about 10 times more than India.
- ii) Pressure on the Indian garment industry for lowering costs to survive in the cut-throat competition is increasing.
- iii) Irregular monsoon is affecting the supply of raw materials such as cotton required for garment making.

5. Handloom industry:

- i) The Government policies are putting more and more obstacles in the way of hand-loom industry.
- ii) Proposed National Fiber Policy is the main obstacles in the progress of craftsmen.
- iii) By charging tax on cotton, the Government has taken hand-loom products out of reach of common man.
- iv) International celebrities prefer fancy Indian hand-loom and crafts, but Indian people do not care for it.
- v) Indian people are passionate about art and craft, but they buy them only after they are offered by foreign marketers.
- vi) The good hand-loom products are only for the wealthy people. Common customers are buying cheap imitations from China.
- vii) Today business people have become market-oriented, and are not thinking of culture, skills, revival but of survival in global competition.
- viii) Inadequate incentives to boost confidence of hand-loom weavers.

6. Jute Industry:

- i) Indian Jute Industry is facing tough competition from synthetic packaging materials from the developed countries of Europe and North America.
- ii) Jute industries in India are facing a very tough competition from Bangladesh, the Philippines, Japan and Brazil.
- iii) Due to synthetic substitutes in domestic and international markets, the demand for jute products is reducing in global market.
- iv) Old and outdated machines have led to decline in production of jute products.
- v) After the independence, Jute producing areas went in Bangladesh which has resulted in a severe shortage of raw jute in India.
- vi) Although successful efforts to increase the supply of raw jute are made, they are still inadequate.

4) INITIATIVES BY THE GOVERNMENT OF INDIA:

Measures taken by the Government to promote textile industry are as follows:

1. The Government has promoted a number of export promotion policies in the textile sector.
2. The government has allowed 100 percent FDI in Indian textiles sector under automatic route.
3. The Government has started different schemes for the welfare and development of the handloom industry and weavers. Under Reform and Reconstruction (RRR) package, financial assistance of Rs 1019 crore, were approved by the Government, and has released Rs 741 crore.
4. The Government is encouraged by turnaround in tex-

tiles exports, and set up a US\$ 60 billion target for the current financial year, a jump of over 30 per cent from the previous financial year.

5. Cabinet Committee on Economic Affairs (CCEA) has approved an Integrated Processing Development Scheme (IPDS), with a corpus of Rs 500 crore to make textile processing units more competitive and eco-friendly.
6. Integrated Skill Development Scheme to impart employable skills in different segments (textiles, apparel, handlooms, handicrafts, sericulture, jute etc.) to train approximately 26.75 lakh persons over a span of 5 years, and to fill the huge skill gap of workforce.
7. The Government intends to launch a venture capital fund of Rs 100 crore (US \$ 16.60), to provide equity support to start-ups in the textile sector, in order to encourage new ideas in this sector.
8. In 12th Five-Year Plan, Rs 700 crore has been allocated for the development of technical textiles.

5) MEASURES OR SUGGESTIONS:

The textile and clothing industry expects The Indian Government to come up with following measures providing growth to the sector as follows:

1. The Government should make enhanced budget allocation for the development of the sector.
2. The Government should introduce new schemes for technical textiles.
3. The Government should withdraw or reduce 10% excise duty presently levied on branded garments, as this duty is bit harsh on the domestic garment retail industry.
4. Technology Up gradation Fund Scheme (TUFS) started for the expansion and modernization of the textile and clothing sector should be strengthened.
5. Finance extended to seed companies should be treated as priority sector lending by banks.
6. Income of seed companies should be treated as agriculture income to promote seed research for cotton.
7. Reduce customs duty from 7.5% to 5% on certain textile intermediates and inputs for technical textiles.
8. The Government should extend the benefits under section 35 (2AB) of the IT Act which allows a deduction of 150% of the expenditure incurred on in-house R&D facility. It should also consider the sampling costs as a part of R&D expenses and allow necessary deduction on the same.
9. The Government should increase the investment limit in plant and machinery of SME units from the existing Rs.10 crores to Rs.25 crores.
10. Activate special economic zones and facility centers for quality testing of textile products.
11. Creation of Market Intelligence Database and ban on Imports of Secondhand (Worn) Clothing is necessary.
12. Price deregulation particularly in cotton textile industry is necessary.
13. The export credit may be made available for all textile products at low interest rate.

6) CONCLUSION:

Considering the challenges faced by the different segments of textile industry, the ministry of textiles has been taking several initiatives and measures, since many years. These initiatives are expected to support industry to come out from a crisis, and grow. At present, there are indications of speedy recovery of the textile industry, due to change in Government. In spite of the escalation in raw material prices, most segments of the textile industry have

started growing, as indicated by recent export figures. It is hoped that the textile industry would regain its past glory in the coming decade.

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