

## ROLE OF TEXTILE INDUSTRY IN INDIAN ECONOMY

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### Introduction

India's textiles sector is one of the oldest industrial sector in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textiles industry is labour intensive and is one of the largest employers. The industry realized export earnings worth US\$ 41.4 billion in 2014-15, a growth of 5.4 per cent. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The textile industry employs about 40 million workers directly and 60 million indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms, hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

### Market Size

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

The Indian textile industry has the potential to reach US\$ 500 billion in size. The growth implies domestic sales to rise to US\$ 315 billion from currently US\$ 68 billion. At the same time, exports are implied to increase to US\$ 185 billion from approximately US\$ 41 billion currently.

Some of the important benefits offered by the textile industry in Indian economy are as follows:

- India covers 61 percent of the international textile market

- India covers 22 percent of the global market
- India is known to be the third largest manufacturer of cotton across the globe
- India claims to be the second largest manufacturer as well as provider of cotton yarn and textiles in the world
- India holds around 25 percent share in the cotton yarn industry across the globe
- India contributes to around 12 percent of the world's production of cotton yarn and textiles

The Role of Textile Industry in India GDP had been undergoing a moderate increase till the year 2004 to 2005. But ever since, 2005-06, Indian textiles industry has been witnessing a robust growth and reached almost USD 17 billion during the same period USD 14 billion in 2004-05. At present, Indian textile industry holds 3.5 to 4 percent share in the total textile production across the globe and 3 percent share in the export production of clothing. The growth in textile production is predicted to touch USD 19.62 billion during 2006-07. USA is known to be the largest purchaser of Indian textiles.

#### Investments

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 1.85 billion during April 2000 to March 2016.

Some of the major investments in the Indian textiles industry are as follows:

- Trident Group, one of the leading manufacturers and exporters of terry towel, home textile, yarn and paper in India, has entered into a partnership with French firm Lagardere Active Group, to launch a premium range of home textiles under the renowned French lifestyle brand Elle Décor in India.
- Raymond Group has signed a Memorandum of Understanding (MoU) with Maharashtra government for setting up a textile manufacturing plant with an investment of Rs 1,400 crore (US\$ 207.53 million) in Maharashtra's Amravati district.
- Reliance Industries Ltd (RIL) plans to enter into a joint venture (JV) with China-based Shandong Ruyi Science and Technology Group Co. The JV will leverage RIL's existing textile business and distribution network in India and Ruyi's state-of-the-art technology and its global reach.
- Giving Indian sarees a 'green' touch, Dupont has joined hands with RIL and Vipul Sarees for use of its renewable fibre product Sorona to make an 'environment-friendly' version of this ethnic ladies wear.
- Grasim Industries has invested Rs 100 crore (US\$ 14.82 million) to develop its first fabric brand, 'Liva', which it will distribute through 1,000 outlets as part of a plan to stay in sync with changing consumer behaviour.

- Snapdeal has partnered with India Post to jointly work on bringing thousands of weavers and artisans from Varanasi through its website. “This is an endeavour by Snapdeal and India Post to empower local artisans, small and medium entrepreneurs to sustain their livelihood by providing a platform to popularise their indigenous products,” said Mr Kunal Bahl, CEO and Co-Founder, Snapdeal.
- Welspun India Ltd (WIL), part of the Welspun Group has unveiled its new spinning facility at Anjar, Gujarat - the largest under one roof in India. The expansion project reflects the ethos of the Government of Gujarat’s recent ‘Farm-Factory-Fabric-Fashion-Foreign’ Textile Policy, which is aimed at strengthening the entire textile value-chain.
- American casual fashion retailer Aéropostale, Inc. has inked a licensing agreement with Arvind Lifestyle Brands Ltd to open standalone stores in the country. Aéropostale will open 30 stores and 25 shop-in-shop locations over the next three years.

#### Government Initiatives

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

Some of initiatives taken by the government to further promote the industry are as under:

- The Union Cabinet has cleared a Rs 6,000 crore (US\$ 889.44 million) package for the textile sector, aimed at attracting investments worth Rs 74,000 crore (US\$ 10.95 billion) generating 10 million jobs and increasing textile exports by US\$ 30 billion in the next three years.
- The Department of Handlooms and Textiles, Government of India, has tied up with nine e-commerce players and 70 retailers to increase the reach of handlooms products in the Indian market, which will generate better prices and continuous business, besides facilitating direct access to markets and consumers for weavers.
- The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalising guidelines for the revised Textile Upgradation Fund Scheme (TUFS).
- The Government of India has started promotion of its ‘India Handloom’ initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products.
- The Ministry of Textiles launched Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years (from 2010-11 to 2011-12 in the 11th five year plan and 2012-13 to 2014-15 in 12th five year plan) with a total fund outlay of Rs 200 crore (US\$ 29.6 million). The objective of TMTT is to promote technical textiles by helping to

develop world class testing facilities at eight Centres of Excellence across India, promoting indigenous development of prototypes, providing support for domestic and export market development and encouraging contract research.

- The Government of India is expected to soon announce a new National Textiles Policy. The new policy aims at creating 35 million new jobs by way of increased investments by foreign companies, as per Textiles Secretary Mr S K Panda.
- Subsidies on machinery and infrastructure.
- The Revised Restructured Technology Up-gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS.
- Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to Rs 40 crore (US\$ 6 million). Under this scheme the technical textile units can also avail its benefits.
- The major machinery for production of technical textiles receives a concessional customs duty list of 5 per cent.
- Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2 per cent of freight on board (FOB) value of exports
- The Government of India has implemented several export promotion measures such as Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme for increasing share of India's textile exports.
- Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries.
- Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export PromA Memorandum of Understanding (MoU) has been signed between India and Kyrgyzstan seeking to strengthen bilateral cooperation in three fields -Textiles and Clothing, Silk and Sericulture, Fashion

#### Conclusion:

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The organised apparel

segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period.

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