



# **Significance and Future Prospects of Textile Exports in Indian Economy**

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### ABSTRACT

*Textile exports forms a significant role in Indian economy in terms of generating employment and earning foreign exchange. Developing economies like India have made transformational changes in Industry in technological ways through various innovative measures from low technology level to a producer of high technology products. The Indian textile industry is also highly diversified and is gradually moving to branded segments. The role of Government in the Industry cannot be underestimated and has given impetus to the Industry especially after removal of quota system MFA in year 2004. The research paper intends to understand the significant role of textile Industry, its share in total exports and future prospects.*

**Index Terms** — *Textile Exports, Textile Industry, Textile Board, Textile policy, MFA, Global Textile*

### INTRODUCTION

The significance of the textile industry is due to its contribution in the industrial production, employment, and also earns foreign exchange by way of exports. Though, India is recognized for textile goods from ancient times but the modern Industry emerged in India in the early nineteenth century when the first textile mill was established at Fort Gloster near Calcutta in 1818. However, the first cotton mill of Bombay was established in 1854 by a Parsi cotton merchant then engaged in overseas and internal trade. For a number of years since independence, Indian mills had to import cotton from Pakistan and other countries. Currently, it contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 17 per cent to the country's export earnings. It provides direct employment to over 35 million people. The sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

Textile industries have captured the entire world in a unique way. This is because it offers the great variety of fabric which is to be used on daily basis being it in different varieties. Garment manufacturing is the prominent one. Apart from it there are business fabrics, fashion material, shoes fabric etc. India is moving higher on the different levels of industrialization and in regard to the textile industry, which is now a pioneer industry here, actually started getting established between 1970 and 1992, more around 1992 which was the start of liberalization. Ample of

measures were taken by the government to protect the interest of the cotton farmers and labor force but they actually made the industry stand isolated and somehow hampered its prosperity. India is standing on the second position for the textile industries containing around nine million hectares of cotton coverage. For fiber, it comes on the third position for production and sixth position for production of yarn filament which is simply remarkable. All over, it covers approx one-fourth of the world trade in terms of production of cotton yarn.

It captures around twenty percent of the total industrial development and production. Certainly earlier textile industries were experiencing few shortcomings due to which there was a stagnant growth. As a solution to this problem, government modified some rules and regulations after which we can now witness the change in situation very clearly. One of the modifications was into the technical sector which required huge investments for change in machinery and its renovation both.

### **STRUCTURE OF INDIA'S TEXTILE INDUSTRY**

The textile sector in India is one of the largest in the world. The Indian textile industry can be divided into three segments:

1. Cotton Textiles
2. Synthetic Textiles
3. Other like Wool, Jute, Silk etc.

### **Importance of Textile Industry in India**

Textile industry in India occupies an important place in the economy. The Key Indicators of this importance are as shown below:

- Contributes 4% to the Gross Domestic Product & accounts for 17% of total Exports.
- Is the largest employment provider after Agriculture ( More than 82 million people direct/indirect)
- Market size of the Textile industry (exports & domestic) is about US\$ 105 billion at present.

## SWOT Analysis of Indian Textile Industry

Strength	Weakness
<ul style="list-style-type: none"> <li>• Abundant Raw Material availability</li> <li>• Availability of Low Cost and Skilled Manpower</li> <li>• Strong Entrepreneurship base</li> <li>• India is one of the largest exporters of Yarn in international market</li> <li>• The Apparel Industry is one of largest contributor to foreign exchange</li> <li>• Growing Economy and Potential Domestic and International Market.</li> <li>• Industry has large and diversified segments that provide wide variety of products.</li> <li>• Indian Textile Industry is an Independent &amp; Self-Reliant industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Technological Development</li> <li>• Industry is highly dependent on Cotton which depends on crop</li> <li>• Higher Indirect Taxes, Power and Interest Rates</li> <li>• Infrastructural Bottlenecks</li> <li>• Transaction Time at Ports and transportation Time</li> <li>• Indian Textile Industry is highly Fragmented</li> <li>• Rigid Govt. Labor Policy</li> <li>• There is Decline in Mill Segment.</li> <li>• Level of operation is small and thus unable to get Economies of Scale.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Large, Potential Domestic and International Market</li> <li>• Emerging Retail Industry and Malls provide huge opportunities</li> <li>• Increased Disposable Income and Purchasing Power of Indian Customer</li> <li>• Elimination of Quota Restriction leads to greater Market Development</li> <li>• Research &amp; Product development</li> <li>• Product development and Diversification to cater global needs</li> <li>• Market is gradually shifting towards Branded Readymade Garment.</li> <li>• Greater Investment and FDI opportunities are available.</li> </ul>	<ul style="list-style-type: none"> <li>• International labor and Environmental Laws</li> <li>• Continuous Quality Improvement is need of the hour</li> <li>• Dumping of foreign goods in domestic markets</li> <li>• Competition from other developing countries, especially China</li> <li>• Threat for Traditional Market for Power loom and Handloom Products and forcing them for product diversification.</li> <li>• Low-cost imported fabrics</li> <li>• Rupee Appreciation</li> <li>• Elimination of Quota system will lead to fluctuations in Export Demand</li> </ul>

## Objectives of Research

- To understand the significance of textile Industry in Indian economy.
- To understand the problems and threats of Indian textile Industry.
- To understand the role of Indian Govt. in textile Industry.
- To review the scenario of textile industry at Global level.

## Research Methodology

The research is both exploratory and descriptive in nature. The data has been collected from reliable secondary sources. Reference from various Journals, News as well as website pertaining to textile Industry has been taken in order to ensure complete reliability.

## Limitations of research

- The study is limited to Clothing & Textile Sector.
- The study carried out comprises secondary data from 2001 to 2012.

## Literature Review

Misra (1993) noted that the unorganized segment of India's textile sector comprises handlooms, power looms, small power-processors and traditional hand processors in addition to the numerous small-scale garment firms in the woven as well as hosiery subsectors. Power looms either operate on an independent basis or serve a master-weaver system, in which they just process the orders from the master-weaver providing the raw materials and charges based on the quantity of cloth produced. They acquire loans from non-bank sources, while handlooms in rural areas rely on no institutional sources such as village moneylenders, unlike the organized weaving mills, at a higher rate of interest and from undeclared, untaxed and often illegal income.

A study by Nordas (2004) suggested that China and India could capture 29% and 9%, respectively, of the EU markets and 50% and 15%, respectively, of the US market. However, the simulations of Anantha Krishnan and Jain-Chandra (2005) of the effects of MFA quota elimination using an applied general equilibrium model of the Global Trade Analysis Project (GTAP Version 6), and taking into account the current safeguard restrictions of China's exports to US and EU, are not optimistic for India. While India's exports will grow, with the expiration of safeguards on Chinese exports in 2008, growth will decline. Largely because of adverse terms of trade change (i.e. falling export prices due to competition) the welfare effect of the expiration of MFA is negative for India, with the welfare loss being smaller, with safeguards on China in place.

### **Indian Textile Industry-Market Size and Growth**

India earns about 27 per cent of its total foreign exchange through textile exports. The textile industry contributes nearly 14 per cent of the total industrial production of the country. Fabric production rose to 60,996 million sq meters in FY 2011 from 52,665 million sq meters in FY 2007. Production of raw cotton grew to 32.5 million bales in FY11 from 28 million bales in FY07, while production of man-made fibre rose to 1,281 million kgs in FY11 from 1,139 million kgs in FY07. Production of yarn grew to 6,233 million kgs in FY11 from 5,183 million kgs in FY07. India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020. Exports of textile grew to US\$ 26.8 billion in FY10 from US\$ 17.6 billion in FY06. India's textile trade is dominated by exports with a CAGR of 6.3 per cent during the same period. Foreign direct investment (FDI) inflows in textiles (including dyed, printed) from April 2000 to January 2012 stood at Rs 5,036.27 crore (US\$ 897.79 million).

*Source - Adapted from- <http://www.ibef.org/industry/textiles.aspx>*

### **Textiles and Clothing**

It is well known that as quotas under the Multi-Fiber Arrangement (MFA) were being phased out from 1995, China took advantage of the elimination of quota markets in the USA and the EU markets and rapidly increased its share in the two markets. After the MFA was completely phased out (in fact, in anticipation of it) on January 1, 2006, Chinese exports in both markets increased rapidly leading to what is in effect, a return to the bad old bilateral quotas of MFA! India did not, and in fact could not, take full advantage of the gradual phase-out because of domestic constraints, including in particular, the reservation of garments for production by small scale enterprises (the reservation was lifted only three years ago) and restriction on textile imports. In the post MFA scenario, given appropriate policy changes, India could do better and indeed gain global market shares, although perhaps not as much as China.

*Source – Adapted from Srinivasan, T.N. (2006) China, India and the World Economy*

**Indian Textile Industry:**





## Indian Textile Industry: Changing Profile

The Indian textile industry has embarked on an ambitious program of modernization and technological up gradation in recent years to transform the textile sector from a state of low technology level to a producer of high technology products. Technological up gradation in India has resulted in: -

- A shift from commodity based trading to high value added fashion garments.
- Vertical integration and horizontal consolidation of production process leading to lowering of manufacturing costs.
- Improved productivity gains
- Efficient supply chain management
- Development of Economies of scale.

## Role of Govt. (Indian) and Apparel Export Promotion Council (AEPC) in textile exports

The Government's role in the textile industry has become more reformists in nature. Initially, policies were drawn to provide employment with a clear focus on promoting the small-scale industry. The scenario changed after 1995, with policies being designed to encourage investments in installing modern weaving machinery as well as gradually eliminating the pro-decentralized sector policy focus. The removal of the SSI reservation for woven apparel in 2000 and knitted apparel in 2005 were significant decisions in promoting setting up of large-scale firms. Government schemes such as Apparel Parks for Exports (APE) and the Textile Centers Infrastructure Development Scheme (TCIDS) now provide incentives for establishing manufacturing units in apparel export zones.

The government of India has launched a number of crucial schemes like:

- 100% FDI is allowed through the automatic route.
- In 1999, Technology Up gradation Fund Scheme (TUFS) was launched to assist upgrading the textiles industry. TUFS provides for reimbursing 5% interest on the loans/finance raised from designated financial institutions for bench marked projects of modernization. IDBI, SIDBI, IFCI have been designed as nodal agencies for large and medium small scale industry and jute industry respectively. They have co-opted 148 leading commercial banks/cooperative banks and financial institutions like State Finance Corporations and State Industrial Development Corporation etc. The Scheme has been given further extension till 2011-12. A total of 18773 applications at a project cost of US\$ 24.91 billion have been sanctioned under TUFS up to March 31, 2008.
- De-reservation of readymade garments from the small-scale industries sector in 2000.

- 40 textile parks are being established under the Scheme for Integrated Textile Parks (SITP) which will bring in investment worth US\$ 4.38 billion.
- Textile Centre Infrastructure Development Scheme (TCIDS) is a part of the drive to improve infrastructure facilities at potential textile growth centers and therefore, aims at removing bottlenecks in exports so as to achieve the target of US\$ 50 billion by 2010 as envisaged in the National Textile Policy, 2000.

To provide the industry with world-class infrastructure facilities for setting up their textile units, Government has launched the Scheme for Integrated Textile Parks (SITP) by merging the Scheme for Apparel Parks for Exports (APE) and Textile Centre Infrastructure Development Scheme (TCIDS). This scheme is based on Public-Private Partnership (PPP) and envisages engaging of a professional agency for project execution. The Ministry of Textiles (MOT) would implement the Scheme through Special Purpose Vehicles (SPVs).

The year 2000 was also marked by initiatives of setting up apparel parks; 2002 and 2003 saw a gradual reduction in excise duties for most types of fabrics while 2004 offered the CENVAT system on an optional basis. The Union Budget of 2005-2006 announced competitive progressive policies, whose salient features included:

- Reduction in corporate tax rate from 35% to 30% with 10% surcharge
- Reduction in depreciation rate on plant and machinery from 25% to 15%
- Inclusion of polyester texturisers under the optimal CENVAT rate of 8%

To meet the challenges of the post-MFA setup, the Government of India initiated a reforms process which aimed at promoting large capital investments, pruning cumbersome procedures associated with the tax regime, etc. The Textile Vision 2010 was born as a result of interaction between the government and the industry which envisages around 12% annual growth in the textile industry from US\$ 36 billion now to US\$ 85 billion by 2010. Additionally, Vision 2010 also proposed the creation of an additional 12 million jobs through this initiative.

## Data Analysis

Textiles, handlooms and handicrafts **made-in-India** are exported to over 100 countries. In fact, USA has become the largest buyer of **Indian textiles and apparels**. Readymade garments (RMG) made-in-India form almost 41% of total Indian textile exports. RMG exports were worth US\$ 9.06 billion in 2007-08. During April 2008-February 2009, RMG exports reached a figure of US\$ 8.59 billion, an increase of 4.86 per cent over the corresponding period of 2007-08.

Also, apparel has grown into the second largest retail category in the country. Interestingly, the local apparel retailing industry is reportedly around US\$ 2.7 billion and despite recession it is likely to grow at 5-7% in 2009-10.

**Table 1: Textile Export from India (US \$ million)**

	1990-91	2000-01	2009-10	2010-11	2010-11 (Apr-Sept)	2011-12(Apr-Sept)
Textile Fabrics & Manufactures (Excl Carpets handmade)	3807					
Cotton Yarn, Fabrics, Made ups etc	1170	3509	3685	5506	2642	3238
Readymade Garments of all textile materials	2236	5577	10707	11196	5095	6579
Coir Yarn and Manufactures	27	48	160	152	74	97

Source DGCI&S Kolkata

**Interpretation** – Table 1 shows that the export of readymade garments has increased from \$2236 Million US Dollars in 1990-91 to \$11196 Million US Dollars in 2010-11 which is a significant growth. Whereas the exports of cotton, yarn has gone up from \$1170 Million US Dollars in 1990-91 to \$5506 Million US Dollars 2010-11.

### Trading partners

Leading trading partners of India are Malaysia, Australia, Kazakhstan, USA, South Africa, Romania, Argentina, Egypt, Germany, Finland, and Turkey.

**Table 2: Textile Exports - Top 10 countries (April-September 2009-10 and April-September 2010-11)**

Sl. No.	Country	Crore			US \$ Million			% Share April-September 2009-10	% Share April-September 2010-11 [P]
		April-September 2009-10	April-September 2010-11 [P]	% Growth	April-September 2009-10	April-September 2010-11 [P]	% Growth		
1	U S A	9315.54	10318.92	10.77	1916.79	2242.33	16.98	18.95	19.89
2	UAE	4206.50	4039.88	-3.96	866.97	878.07	1.28	8.57	7.79
3	U K	3957.05	3422.78	-13.50	814.15	744.28	-8.58	8.05	6.60
4	Germany	3618.04	3067.69	-15.21	743.99	666.57	-10.41	7.35	5.91
5	Bangladesh	976.44	1966.92	101.44	201.11	428.07	112.85	1.99	3.80
6	France	1910.15	1558.49	-18.41	392.88	338.71	-13.79	3.88	3.00
7	Italy	1508.13	1473.51	-2.30	310.95	319.88	2.87	3.07	2.84
8	Spain	1590.79	1468.65	-7.68	327.42	319.18	-2.52	3.24	2.83
9	China P RP	896.37	1438.12	60.44	184.74	313.15	69.51	1.83	2.78
10	Turkey	911.28	1272.73	39.66	187.77	277.72	47.90	1.86	2.46
	<b>Total (Top ten)</b>	<b>28890.29</b>	<b>30027.69</b>	<b>3.94</b>	<b>5946.77</b>	<b>6527.96</b>	<b>9.77</b>	<b>58.79</b>	<b>57.89</b>
	<i>Others</i>	<i>20239.70</i>	<i>21852.24</i>	<i>7.97</i>	<i>4169.01</i>	<i>4747.62</i>	<i>13.88</i>	<i>41.21</i>	<i>42.11</i>
	<b>Total Textiles</b>	<b>49129.99</b>	<b>51879.93</b>	<b>5.60</b>	<b>10115.78</b>	<b>11275.58</b>	<b>11.47</b>		

Source: DGCI&S, Kolkata

**Interpretation** –The major trading partners of India's textile exports are USA, UAE and UK forming around 35% of total textile exports in 2010-11.

**Table 3: Share and Percentage Growth of Textile Goods**

	Percentage Share				Percentage Change			
	2009-10	2010-11	2010-11 (Apr-Sept)	2011-12 (Apr-Sept)	2009-10	2010-11	2010-11 (Apr-Sept)	2011-12 (Apr-Sept)
<b>Total Textiles</b>		8.7	9.6	8.7	-1.2	17.1	----	27.0
<b>Cotton Yarn, Fabrics, Made ups etc</b>	2.1	2.2	2.5	2.2	-10.5	49.4	66.7	22.6
<b>Readymade Garments</b>	6.0	4.5	4.8	4.4	-2.1	4.6	-5.5	29.1

Source DGCI&S Kolkata

**Interpretation** –The share of readymade garments in India’s textile comprises of 4.5% in 2010-11 which is approximately 50% of India’s total textile exports.

**Table 4: Share and Percentage Growth of Textile Goods (US \$ million)**

	2009			2010		
	World	India	India’ share	World	India	India’ share
<b>Textile Yarn, fabrics, made-up articles</b>	217575	9111	4.2	258841	12833	5.0
<b>Woven Cotton Fabrics</b>	24048	875	3.6	28364	1050	3.7
<b>Woven fabrics of man made fibre</b>	31638	1909	6.0	36220	1987	5.5
<b>Woven fabrics other than of cotton or man made fibres</b>	8907	396	4.4	9907	518	5.2

Source-United Nations 2009 International trade statistics year book, UN-2010

**Table 5: Textiles Export during 2007-08 to 2011-12 (Till Dec.11) (Item-wise)  
(Eleventh Five Year Plan Period - 2007-2012) Value –Rs Crores**

S N	Item	2007-08	2008-09	2009-10	2010-11 [P]	April- Dec'10 (P)	April- Dec'11 ( P )	% variation
<b>A.</b>	<b>Cotton Textiles</b>	<b>27599.81</b>	<b>21795.40</b>	<b>27016.21</b>	<b>38038.19</b>	<b>28634.74</b>	<b>36372.99</b>	<b>27.02</b>
	<i>% Share</i>	30.97	22.63	25.48	31.16	32.69	32.49	
1	Cotton Raw Incl. Waste	8,865.39	2865.86	9537.08	12981.04	9241.24	12649.65	36.88
2	Cotton Yarn, Fabrics & Madeups	18,734.42	18929.54	17479.13	25057.15	19393.50	23723.33	22.33
<b>B.</b>	<b>Manmade Textiles</b>	<b>12785.02</b>	<b>15090.76</b>	<b>18783.13</b>	<b>21125.13</b>	<b>14832.31</b>	<b>20155.40</b>	<b>35.89</b>
	<i>% Share</i>	14.35	15.67	17.71	17.31	16.93	18.01	
1	Manmade Staple Fibers	1,121.72	1172.01	1690.68	1998.11	1403.67	1863.72	32.77
2	Manmade Yarn, Fabrics & Madeups	11,663.30	13918.75	17092.45	19127.02	13428.64	18291.68	36.21
<b>C.</b>	<b>Silk Textiles</b>	<b>2646.75</b>	<b>3107.78</b>	<b>2819.46</b>	<b>2708.02</b>	<b>1991.23</b>	<b>1731.81</b>	<b>-13.03</b>
	<i>% Share</i>	2.97	3.23	2.66	2.22	2.27	1.55	
1	Natural Silk Yarn, Fabrics & Madeups	1,540.93	1664.82	1411.12	1578.40	1188.76	728.45	-38.72
2	RMG of Silk	1,093.67	1437.73	1383.42	1095.10	772.54	971.32	25.73
3	Silk Waste	12.15	5.23	24.92	34.52	29.93	32.04	7.05
<b>D.</b>	<b>Wool &amp; Woolen Textiles</b>	<b>1783.13</b>	<b>2199.49</b>	<b>2224.14</b>	<b>1955.31</b>	<b>1403.73</b>	<b>1952.13</b>	<b>39.07</b>
	<i>% Share</i>	2.00	2.28	2.10	1.60	1.60	1.74	
1	Wool Yarn, Fabrics & Madeups	373.58	456.52	424.94	478.04	335.42	541.39	61.41
2	RMG of Wool	1,409.55	1742.97	1799.20	1477.27	1068.31	1410.74	32.05
<b>E.</b>	<b>Ready Made Garments</b>	<b>36497.79</b>	<b>47112.77</b>	<b>47608.39</b>	<b>48355.57</b>	<b>33158.14</b>	<b>43983.50</b>	<b>32.65</b>
	<i>% Share</i>	40.95	48.92	44.89	39.62	37.86	39.29	
1	RMG of Cotton	30,335.79	38522.72	38070.33	37687.51	25637.26	32720.07	27.63

	including Accessories							
2	RMG Manmade Fiber	3,912.26	4721.94	5745.29	6489.07	4572.00	7042.85	<b>54.04</b>
3	RMG of Other Textile Material	2,249.74	3868.11	3792.77	4178.99	2948.88	4220.58	<b>43.12</b>
	<b>Total Textiles (A - E)</b>	<b>81312.50</b>	<b>89306.20</b>	<b>98451.33</b>	<b>112182.22</b>	<b>80020.15</b>	<b>104195.83</b>	<b>30.21</b>
	% Share	91.24	92.73	92.84	91.91	91.36	93.09	
<b>F.</b>	<b>Handicrafts</b>	<b>5844.12</b>	<b>4949.23</b>	<b>4548.91</b>	<b>5445.45</b>	<b>4316.63</b>	<b>3605.65</b>	<b>-16.47</b>
	% Share	6.56	5.14	4.29	4.46	4.93	3.22	
1	Carpets (Excluding silk) Handmade	3,725.80	3506.37	3441.74	4444.96	3568.48	2931.54	<b>-17.85</b>
2	Handicrafts (Excluding Handmade Carpets)	2,046.21	1384.19	1066.58	984.65	734.53	655.89	<b>-10.71</b>
3	Silk Carpets	72.11	58.67	40.59	15.84	13.62	18.22	<b>33.82</b>
<b>G.</b>	<b>Jute</b>	<b>1319.36</b>	<b>1375.78</b>	<b>1033.09</b>	<b>2076.34</b>	<b>1597.69</b>	<b>1633.45</b>	<b>2.24</b>
	% Share	1.48	1.43	0.97	1.70	1.82	1.46	
1	Floor Covering of Jute	317.56	251.63	281.07	336.93	265.75	189.20	<b>-28.81</b>
2	Other Jute Manufactures	322.22	491.64	300.19	505.58	369.04	570.06	<b>54.47</b>
3	Jute Yarn	215.14	216.92	144.20	533.90	430.60	202.29	<b>-53.02</b>
4	Jute Hessian	464.44	415.59	307.63	699.93	532.30	671.91	<b>26.23</b>
<b>H.</b>	<b>Coir &amp; Coir Manufactures</b>	<b>644.87</b>	<b>680.70</b>	<b>759.66</b>	<b>689.18</b>	<b>498.98</b>	<b>727.82</b>	<b>45.86</b>
	% Share	0.72	0.71	0.72	0.56	0.57	0.65	
<b>I.</b>	<b>Handloom Products</b>	<b>0.00</b>	<b>0.00</b>	<b>1252.81</b>	<b>1662.89</b>	<b>1,151.58</b>	<b>1,771.47</b>	<b>53.83</b>
	% Share		0.00	1.16	1.36	1.31	1.58	
	<b>Grand Total Textiles Exports</b>	<b>89120.85</b>	<b>96311.91</b>	<b>106045.80</b>	<b>122056.08</b>	<b>87585.04</b>	<b>111934.22</b>	<b>27.80</b>
	<b>Total Exports</b>	<b>6,55,863.52</b>	<b>840755.06</b>	<b>845533.64</b>	<b>1148169.56</b>	<b>780023.16</b>	<b>1034316.48</b>	<b>32.60</b>
	% Textile Exports	13.59	11.46	12.54	10.63	11.23	10.82	
	<b>% Growth of Textiles over previous year</b>		<b>8.07</b>	<b>10.11</b>	<b>15.10</b>			

*P - Provisional*

Source- Foreign Trade Statistics of India (Principal Commodities & Countries) DGCI&S, Kolkata

## Global Scenario of Textile Industry at a Glance

India's share in global exports is only 4% compared to China 13.75% percent. In addition to China, other developing countries are emerging as serious competitive threats to India. Looking at export shares, the countries like Korea, Taiwan, Mexico and Turkey are ahead of India as shown in Fig-1. The reason for this development is the fact that India lags behind these countries in technology, quality of products and also lags behind in terms of investment levels and supply chain management practices. If India were competitive in some key segments it could serve as a basis for building a modern industry, but there is no evidence of such signs, except to some extent in the spinning industry. Thus, a structural change is the need of the hour in order to be competitive in textile Industry with rest of the world.

In this emerging scenario, wide spread application of technology is required not only to upgrade and innovate the quality of products but also to reduce overhead costs. The developed countries are focusing on niche products like protective clothing, clothing for medical use by developing competitiveness in novel "nanotechnology" coatings, greater adoption of Product Life-cycle

Management (PLM) Systems, in order to deliver new "fast fashion" paradigms, while at the same time remaining steadfastly committed to lower production costs.

The textile industry in the developed countries is also restructuring itself in a manner so as to take advantage of product innovation. Some of the products, now being developed are jackets that cool the wearers down, warm them up, and send out soothing vibrations, textiles with healing and caring properties and protection from harmful radiation. Intelligent Textiles, Smart Clothing are receiving unprecedented attention and are in the realm of possibilities.

Immense opportunities are also being seen in the entire gamut of Technical Textiles given the range and diversity of raw material, processes, products and applications that they encompass. "Technical textiles" have been breaking new grounds due to their cost effectiveness, durability, versatility, user friendliness, and eco-properties. In fact, it is estimated that around 40% of all textiles made in Germany are now covered under the field of "Technical Textiles".

While the developed countries are seeking to upgrade their presence in the textiles and clothing sector by moving in to the field of technical textiles, the developing countries are equally concerned about the need to adapt themselves to the changing requirements of the consumers and move up the value added supply chain by adopting innovative technologies and redefining the product mix.

A noteworthy feature of these emerging trends in international trade is that the developed countries even though exiting from direct manufacturing, continue to dominate it by controlling the retail end of the supply chain. The cost and price structure globally is being characterized by higher potential for profit from innovation, marketing, and retailing rather than production, assembly, finishing and packaging. Multiple store retailers are already selling 70% of the clothing in Western Europe and 85% in the US.

The developing countries on the other hand, are becoming manufacturing hubs for textile products, and are increasingly getting themselves integrated with the global market place and offering capabilities not only in production capacities, but also in product development and efficient Supply Chain management.

With the removal of the Quota system, in the year 2005, the textile and clothing industry is undergoing structural changes worldwide with production lines further shifting distinctly towards low cost producing countries with flexible production systems, to match the growing retail power.



**Figure 1: Global Share of textile Industry**

## Emergence of Local Brands

Indian Market Another interesting feature of the Indian Market is the emergence of local brands. All the leading textile and apparel firms have introduced domestic brands and are increasingly positioning themselves within the various segments in the domestic market. Prior to 2000, there were around 5-6 brands in India, prominent amongst them being Zodiac, Monte-Carlo, Raymond, Bombay Dyeing.

The market size of branded wear has since expanded on account of the continued increase in purchasing power, rapid increase in the consuming class, coupled with reduction in import tariffs. The competition has thus intensified in the Indian market with all the major producers of textiles and clothing products in India now working towards building local brands.

Some of the brands built in recent years are "Pantaloon", "Killer" Jeans, "Easios", "Tibre", "Colour Plus", "Trigger" etc. Many of these brands have now reached a stage where they can look towards gaining a regional, if not a global presence.

In order to gain global acceptance several Indian companies are investing overseas and acquiring International brands. For example, in the Home Textile market, Welspun industry has purchased "Christys", a UK Towel Brand; GHCL has acquired "Dan River" and "Rosebys", Creative Garments has purchased "Portico" brand to facilitate entry into the US and EU markets; Alok Industries has purchased "Hamsard", a UK based retail chain.

## Recommendations

Indian economy has to make serious efforts to strengthen the textile Industry for flourishing both in domestic and international markets.

- India needs to invest in R&D to reduce per unit costs, transaction costs and to develop new products.
- The Government needs to revisit the existing incentive to textile machinery manufacturers and consult the industry leaders for further improvement.
- The Government needs to take a planned policy decision to shut down non-performing and non-competitive manufacturing units.
- Setting up of Training facilities all across India
- Brand India and Market exploration and promotion of textile sector.
- FDI in textiles need to be encouraged in a big way.
- Setting up of design centers to encourage design and product development
- Creation of new management institutes for textiles and apparel and favorable climate for large scale investment.
- Setting up of overseas acquisition projects in thrust markets like USA and EU.
- Infrastructure development and measures for improving productivity and efficiency.

## Conclusion

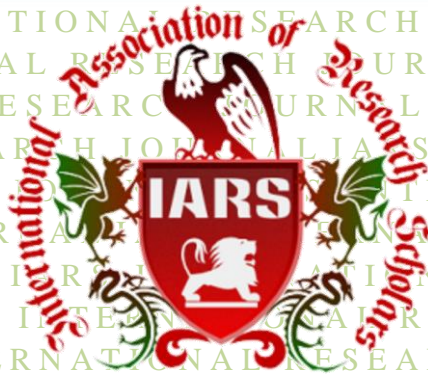
A great deal of work has been done by Indian trade and industry and has achieved significant role in terms of GDP, exports, employment and generation of foreign exchange. Role of government has been supportive to textile and clothing Industry whereas post MFA has not been good in comparison to china. The share of readymade garments has been about 4% for which efforts are to be made. Role of Govt. Could be in setting up better infrastructure facilities, R&D centers for Europeans, Americans and so on. Indian Govt. and industry need to pay collective efforts for training centers, technology up gradation, reducing the taxes and duties. Industry need to improve its raw material base and export high value-added products of international standard. Innovative ways for transforming and modernization of Industry is the need of the hour and public-private partnership can add value to the sector.

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