



International Journal of Home Science

ISSN: 2395-7476
IJHS 2020; 6(1): 292-297
© 2020 IJHS
www.homesciencejournal.com
Received: 26-11-2019
Accepted: 29-12-2019

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Global aspect of Indian textile industry and their challenges and opportunities: A review

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Abstract

The textile industry occupies a unique place in our country. One of the largest textile industry in the world, earns around more than one fourth of foreign exchange from export of textiles products. The Indian textile companies are now aggressively upgrading their technology to compete in the global market. India retains a strong and sustainable position among the top five exporter of textiles in the world. Textile industry is undergoing a major reorientation towards non clothing applications of textiles, known as technical textiles. The Indian textile export basket consists of a wide range of items exported to more than hundred countries.

Textile boosts Indian economy but with difficult challenges, like high production costs, in-friendly labour law, logistic disadvantages, rising transaction cost, declining in mill sector, globalization etc., The textile industry has been badly affected by the global recession. To overcome this situation Indian government is turning its attention to removing the bottlenecks that hinder its growth and has taken some important relief measures & favourable policy initiatives. After economic slowdown Indian economy is returning back on its path of progress. Thus much of India's economic growth will rise and poverty will be reduced. The good sign, however, is the positive indications of increase in consumer confidence & demand in the developed economies.

Keywords: technical textiles, foreign exchange, logistic disadvantages, transaction cost, global recession.

1. Introduction

The textiles and apparel industry contributes 5% to India's GDP and accounts for 14% of industrial production, and 11% of the country's export earnings. The textiles and apparel industry in India is the second-largest employer in the country providing employment to 45 million people.

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. India's overall textile exports during FY 2017-18 stood at US\$ 39.2 billion in FY18 and is expected to increase to US\$ 82.00 billion by 2021. India's textile and apparel exports stood at US\$ 38.70 billion in FY19 and is expected to increase to US\$ 82.00 billion by 2021 from US\$ 11.92 billion in FY20.

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 decentralised 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.

Indian textiles industry is one of the leading and oldest industries in Indian economy dating back several centuries. The overall growth of the Indian textile industry can be attributed to the globalization. Today, the Indian textile industry employs around 38 million personnel directly and it accounts for 21% of the total employment generated in the economy. Globalization of the Indian textile industry has also facilitated introduction of modern and efficient manufacturing machineries and techniques textile manufacturing and exports.

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This industry covers a wide range of activities ranging from generation of raw materials such as jute, wool, silk and cotton to greater value added goods such as ready made garments prepared from different types of man made or natural fibres. It has over 5-6% per cent share in GDP and shares 35% of the gross export income besides adding 14% of value addition in merchandizing sector.

2. GDP V/S Indian Textile Industry

The Indian textile industry contributes around 5 per cent to country's gross domestic product (GDP), 14 per cent to industrial production and 11 per cent to total exports earnings. The industry is also the second-largest employer in the country after agriculture, providing employment to over 51 million people directly and 68 million people indirectly, including unskilled women. The textile industry is also expected to reach US\$ 223 billion by the year 2021.

The textile industry in India is claimed to be the biggest revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides direct employment to around 38 million people, which has made it one of the most advantageous industrial sectors in the country. Some of the important benefits offered by the Indian textile industry 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 initiation and development of globalization and Indian textile industry took place simultaneously in the 1990s. The Indian textile industry, until the economic liberalization of Indian economy was predominantly an unorganized industry. The economic liberalization of Indian economy in the early 1990s led to stupendous growth of this Indian industry. The Indian textile industry is one of the largest textile industries in the world and India earns around 27% of the foreign exchange from exports of textiles and its related products. Further, globalization of India textile Industry has seen a paradigm increase in the 'total industrial production' factor of this Industry, which presently stands at 15%. Furthermore, the contribution of the Indian textile Industry towards the gross domestic product (GDP) of India is around 5% and the

numbers are steadily increasing. The process of globalization and Indian textile industry development was the effect of rapid acceptance of 'open market' policy by the developing countries, much in the lines of the developed countries of the world.

The globalization of the Indian textile sector was the cumulative effect of the following factors -

- Huge textile production capacity
- Efficient multi-fiber raw material manufacturing capacity
- Large pool of skilled and cheap work force
- Entrepreneurial skills
- Huge export potential
- Large domestic market
- Very low import content
- Flexible textile manufacturing systems

The Indian textile industry consist of the following sectors

- Man-made Fiber
- Filament Yarn Industry
- Cotton Textile Industry
- Jute Industry
- Silk and Silk Textile Industry
- Wool & Woolen Industry
- Power loom Sector

3. Production and Exports

India has been experiencing strong performance in the textile industry, across different segments of the value chain, from raw materials to garments. Domestic production has been growing, as well as exports.

3.1. Production of Fabrics

Production of Fabrics increased by 9.25 per cent in 2018-19 and upto November 2019, by 8.20 per cent over the corresponding period of the previous year.

Product	2014-15	2015-16	2016-17	2017-18	2018-19
Yarn (Lakh Kg)	518.54	562.02	521.95	527.81	510
Febric (Lakh Meter)	171.70	190.34	201.81	191.58	190
Cotton (Lakh bales of 130 kg each)	38.6	332	245	370	361
Jute (Thousand bale, 1 bale=1580 Kg)	7200	6500	9200	7600	

4. Exports

The Indian textile industry contributes substantially to India's export earnings. Indian Textile Industry is the 2nd largest manufacturer and exporter in the world. The share of Textile & Clothing (T&C) in India's total exports stands at a significant 12 per cent in 2018-19. India has a share of 5 per cent of the global trade in Textile and Apparel. The export basket consists of wide range of items containing cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and variety of garments. India's textile products, including handlooms and handicrafts, are exported to more than hundred countries. However, USA, EU Member States, Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc are the major importers of our textile goods. The Industry has also importance from the employment point of view as well. It employs 4.5 crore

people directly and 6 crore people in allied sectors, including a large number of women and rural population. The sector has perfect alignment with government's key initiatives of Make in India, Skill India, Women Empowerment and Rural Youth Employment. The export details of Textile & Apparel is as under:

India: Exports of Textiles and Clothing to the European Union (2015-2019)				
Value in million US\$	2015-16	2016-17	2017-18	2018-19
India Textile & Apparel	35,995	35,372	35,666	36,627
Handicrafts	3,293	3,639	3,573	3,804
Total T&C including Handicrafts	39,288	39,011	39,239	40,431
India's overall exports	262,290	275,852	303,376	329,536
% T&C Exports of overall exports	15%	14%	13%	12%

Source: Foreign Trade Statistics of India (Principle Commodities and Countries) DGCI&S, Kolkata

Exports of Textile and Clothing products including Handicrafts from India have slightly increased to 40.4 billion US\$ during the year 2018-19 from 39.2 billion US\$ during 2017-18, registering a growth of 3 per cent. The share of Textile and Apparel in overall exports basket of India was 12 per cent in 2018-19 as compared to 13 per cent in 2017-18. During 2018-19, Ready-made Garments (RMG) accounted for almost 40 per cent of the total textile exports. Apart from this, major contributing segments in export are Cotton Textiles (31%), Manmade Garments (14%), Carpets (4%) and Handicrafts excluding handmade carpets (9%). Total Textile and Clothing exports during 2018-19 are valued at 404 billion US\$ with a share of 12 per cent India's total exports of 3295.3 billion US\$ during the same period. India is a major textile and Apparel exporting country and enjoys trade surplus. Bulk of import takes place for re-exports or for Industry requirement of raw materials.

5. SWOT analysis of Indian Textile Industry

Today the world textile industry is worth \$400 billion and is likely to grow by 25 percent between 2012 and 2019 and Asian region will largely contribute in this regard. (www.economywatch.com). India being the second largest producer of cotton in the world has great opportunities to make the most of it on a much bigger portion, for this industry's growth. Though China enjoys sustained rapid expansion in exports due to many competitive advantages, India is still giving a cut throat competition to China in production as well as in exports. Therefore the Indian textile industry should boldly respond to this challenge. This section will now elucidate India's strengths, weakness, threats and opportunities, based on the primary and secondary researched by the author. It will help in focusing on these key factors which are affecting Indian textile industry and will provide a comprehensive platform in examining the performance and future prospects.

5.1. Strengths

India is one of the largest exporters of yarn in international market and contributes around 25% share of the global trade in cotton yarn.

- Growing economy and potential domestic and international market.
- The Apparel Industry is one of largest foreign revenue

contributor and holds 12% of the country's total export.

- Availability of large varieties of cotton fibre and has a fast growing synthetic fibre industry.
- Availability of low cost and skilled manpower provides competitive advantage to industry.
- Abundant raw material availability that helps industry to control costs and reduces the lead- time across the operation.
- Industry has large and diversified segments that provide a wide variety of products.
- Indian textile industry is an independent & self-reliant industry.

5.2. Weaknesses

- ❖ Higher indirect taxes, power and interest rates.
- ❖ Lack of technological development that affect the productivity.
- ❖ Industry is highly dependent on cotton.
- ❖ Lacking to generate economies of scale.
- ❖ Declining in mill segment.
- ❖ Infrastructural bottlenecks and efficiency.
- ❖ Unfavourable labour laws.

5.3. Threats

- ❖ In export, elimination of quota system will lead to fluctuations.
- ❖ Geographical demerits.
- ❖ Balance between price and quality, demand and supply.
- ❖ Continuous quality improvement.
- ❖ International environmental laws.
- ❖ Competition from other developing countries, especially China.

6. Opportunities and Challenges

6.1. Opportunities

India's strong performance and growth in the textiles sector is aided by several key advantages that the country enjoys, in terms of easy availability of labour and material, buoyant and large market demand, presence of supporting industries and supporting policy initiatives from the government. These advantages can be exhibited within the framework given in the figure below, and are further discussed in the subsequent sections.

The textile industry is dynamic to the core. With dismantling of quotas in 2005 the competitive global scenario this industry has changed evidently. This dynamism can be well explained by conducting industry analysis using Porters model.

The five competitive forces are

- The bargaining power of buyers
- The bargaining power of suppliers
- The threat of substitutes
- The threat of new entrants
- The rivalry among existing competitors

6.1.1. Abundant availability of Raw Materials

Cotton

Cotton is the predominant fabric used in the Indian textile industry – nearly 60 per cent of the overall consumption in textiles and more than 75 per cent production in spinning mills is cotton. India is among the world's largest producers of cotton with nearly 125 lakh hectares under cultivation and an annual crop of around 6 million tonnes. In the year 2017-18, India produced nearly 370 lakh bales of 170 kg each cotton.

Wool

India's wool industry is primarily located in the northern states of Punjab, Haryana, and Rajasthan. These three states alone account for more than 75 per cent of the production capacity, with both licensed and decentralised players. There are more than 700 registered units in the sector and more than 7000 power looms and other unorganised units. The woollen industry provides employment to approximately 1.2 million people. India's raw wool production in 2018-2019 was over 221 million kg. The large players in the sector have made significant inroads into the world market, as a result of supply tie-ups and joint ventures with important brands in EU and other developed countries.

Silk

India with the production of 31906 MTs of silk is the second largest producer of silk in the world after China, contributing about 18 per cent to global production. The value of silk fabrics produced in India in 2018-2019 was over US\$ 2.91 billion. India also exported over US\$ 190 million of silk goods and over US\$ 357 million of silk yarn, fabrics and made ups. Growing demand for traditional silk fabrics and exports of handloom products have spurred growth in silk demand.

Jute

Jute industry occupies an important place in India's economy, being one of the major industries in the eastern region, particularly in West Bengal. It supports nearly 4 million farming families, besides providing direct employment to 0.37 million industrial workers and livelihood to another several lakh people in the tertiary sector and allied activities. Nearly 1 million hectares of land is under jute cultivation. India exported about 0.34 billion US\$ during 2017-18.

Handloom

The handloom sector is based on Indian traditional crafts. It employs nearly 7.5 million people and contributes 13 per cent to cloth production. Handlooms receive preferential policy treatment as they are highly labour intensive and viewed as a source of employment and supplementary income for 6-7 million people in over 3 million weaver households. The value of exported handloom goods during 2017-18 was 10.26 billion US\$.

Low costs

India has significantly lower raw material costs, wastage costs and labour costs when compared to other countries. A recent study estimated India's labour costs (total employment cost for labour across industries) to be amongst the lowest (2.024 Euro) in the world, a sixth of even China's (13.88 Euro)

Manufacturing flexibility

The fragmented industry structure and small average scale of operation in India's textile industry has created the capability for enhanced flexibility in production. Indian firms are Corporate Catalyst India A report on Indian Textiles Industry used to handling small-runs, and have skilled manpower with the ability and willingness to work on complex designs. Therefore India has the ability to produce not only large orders but also smaller and complex orders. In contrast, the textile industry in other countries like China are more industrialized, and production lines are mostly geared to handle relatively simple designs that can be easily broken

down and mass-produced. The flexibility offered by India's textile industry can be a significant advantage for the fashion industry, which typically demands small lots of complex designs. India also offers flexibility in its ability to handle different materials such as cotton, wool, silk and jute, with equal skill. These advantages also enable the Indian industry to produce high value customized apparel that is increasingly finding demand in several exports markets.

Lower lead times

India is one of the few developing countries today with a fully developed textile value chain extending from fibre to fabric to garment exports. The presence of capabilities across the entire value chain within the country is an advantage as it reduces the lead time for production and cuts down the intermediate shipping time. Indian textile firms have leveraged this advantage to integrate their operations, either forward or backward. For example, Arvind Mills, the largest producer of blends and denim in the country and the third largest denim producer globally, supplies fabric to virtually every major clothing brand in the world, such as Levi's, Gap, Dockers and so on. Three years ago it integrated forward into garment manufacturing (jeans and T-shirts), investing more than \$30 million in ten new factories.

Favourable demand conditions – large, growing domestic market

Demographic trends in India are changing, with increase in disposable income levels, consumer awareness and propensity to spend. According to NCAER data, the Consuming Class, with an annual income of US\$ 980 or above, is growing and is expected to constitute over 80 per cent of the population by 2018-19. There is a change in the consumer mindset that has led to a trend of increased consumption on personal care and lifestyle products as well as branded products. These trends offer great growth opportunities for companies across various sectors, including textiles. Supporting the increasing demand for consumption is the revolution taking place in India's retail sector. Organized retail is playing a key role in structuring the Indian domestic market, reinforced by the rapid rise of supermarkets, malls, theme stores and franchises across urban India. India thus presents a large and vibrant market for textiles and apparels, with a potential for sustained growth.

Strong presence of related and supporting industries

India's textile industry is supported by well established supporting industries and institutions that provide inputs and expertise to the industry in terms of design, engineering and machinery.

Product development/ design

India has built adequate infrastructure throughout the various stages in textile development, that is, design, sourcing, merchandising and production. Apart from institutes such as NIFT (National Institute of Fashion Technology) and Apparel Training Institutes, there are several colleges, including the Indian Institutes of Technology and National Institutes of Technology that offer courses in Textile Engineering. Thus, India has the infrastructure in place to produce qualified and skilled manpower in areas of textile design and engineering. Indian firms have leveraged this strength to develop a competitive advantage – the ability to contribute to the design, not only in preparing samples and prototypes, but also in translating concepts into varieties of finished designs, as well as introducing designs of their own. Several Indian firms have

their own design departments and in the last five years have begun to work closely with overseas designers and/or agents. High value, up-market specialty buyers such as Gap, Banana Republic and J. Crew value such expertise and have been leveraging this while buying from India.

Textile machinery

The Indian textile engineering industry, which began as an offshoot of the textile industry, is today reckoned as the largest segment in the country. Indian textile machinery manufacturers are able to produce at competitive prices sophisticated machines of higher speed and production capability. The textile industry also gets significant support from the well developed IT capabilities of Indian firms.

Industry competition – promotes innovation

Despite a large and growing market, the presence of a large number of small scale players makes the Indian textile Industry highly competitive. A number of MNCs have also entered India in different areas. The high level of competition in the industry impels the firms to work to increase in productivity and innovation. India today is one of the lowest cost manufacturers of quality textiles, not only due to its inherent strengths, but also because industry rivalry has prompted firms to focus on quality improvement, cost reduction and productivity increase.

6.2. Challenges

The Indian textile industry faces a host of constraints:

- Fragmented structure with the dominance of the small scale sector
- High power costs
- Rising interest rates and transaction costs
- Unfriendly labour laws
- Logistical disadvantages in terms of shipping costs and time pose serious threats to its growth
- Foreign investments are not coming in as the overall factors influencing the industry are not investment friendly

In many instances Indian export consignments faced non tariff barriers in the US market, mainly in the form of shipments being subjected to rigorous labelling and marking requirements, security parameters and document verification at US ports and issues relating to compliance with labour and environmental norms. The main forms of restrictions that have been raised, with respect to some Indian shipments in the US, are in the form of norms violating US child labour policies, sanitary measures in the Indian suppliers' workplace, suspected use of azo-dyes and security checks of consignments.

7. Conclusion

India is the second prime textile industry in the world after China. India is the world's fourth - largest financial system, the third - largest in Asia and the second largest among promising nations. The Indian market reflects significant diversity in income levels and lifestyles. India's per-capita GDP is one of the lowest between the developing countries, a significant division of the population has extensively higher income. The Indian Textile Industry has a huge presence in the economic life of the country. Apart from providing one of the essential necessities of life i.e. cloth, the textile industry contributes 2.3% to India's GDP and accounts for 13% of industrial production, and 12% of the country's export earnings. The textiles and apparel industry in

India is the second-largest employer in the country after agriculture and providing employment to 45 million people. So there are various opportunities knocking the doors of this industry with which it can be the market leader worldwide. Therefore, to effectively tackle the weaknesses of this sector the country needs to put high investment in R&D to launch new products and by reducing transaction cost per unit. It also needs to move towards middle or high end market from low end market scenario basically to improve their international standards. Another focus area is organizing the human resource. For higher productivity it is imperative that the workforce should be skilled and educated. India should also reduce its dependency on the US market, as it will help it to diversify the possibility of risk. Above mentioned all the factors will help the country to become a highly competitive player in global textile market.

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