

The Textile and Apparel Industry in India- An Overview and Prospects for Emerging India

Abstract

Indian Textile Industry is the second largest manufacture & exporter in the world after china. The industry's high growth potential given its inherent strengths such as abundant raw material, low labour cost and a thriving domestic and global market. The Government of India launched various schemes to strengthen the textiles sector India by making the sector globally competitive which have yielded results & these efforts are like to pay rich dividends for all the stakeholders in the years to come. The paper makes an attempt to study the performance of Textiles & Apparel Industry in India in the context of market and demand assessment in a fiercely competitive economic environment. The study also attempts to explain the SWOT analysis.

Keywords: Manufactures, Globally Competitive, Textiles And Apparels, Government Schemes.

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Introduction

The Global Textile and Apparel Industry is estimated at over US\$ 743 billion and has grown at a CAGR of 4% and is expected to grow at CAGR 6% to reach 1,230 billion by 2025. Of this, apparel accounts for 60% of the market and textile accounts for the balance 40%. The Apparel market is still largely dominated by the EU & USA. After them the next biggest markets are China, Japan, India and Brazil, with a cumulative share of approximately 27%.

The Textile and Apparel Industry can be broadly classified into two segments:

1. Yarn and Fibre (include natural and man-made)
2. Processed Fabrics (including woolen textiles, silk textiles, jute textiles, cotton textiles & technical textiles), Readymade Garments (RMGs) & apparel.

The world trade in the textile and clothing sector is currently estimated at US\$ 356 billion and is expected to grow to US\$ 600 billion by 2010. The bulk of the increase is expected to be in clothing, which is projected to grow from US\$199 billion to about US \$400 billion. India's textile and clothing exports to US and EU are now growing more rapidly than the growth rates achieved during the quota regime (Chandra, 2007). The growth is primarily driven by apparel and cotton textiles. Currently the industry shares 4.7 % in world market of textile and clothing and growing around 9-10% with Indian economy. (Lal, R, 2011).

Aim of the Study

The aim of this study is

1. To study the performance of Textiles & Apparel Industry in India
2. To study the scope for future growth in the Textile and Apparel Industry..
3. To explain the SWOT analysis

Research Methodology

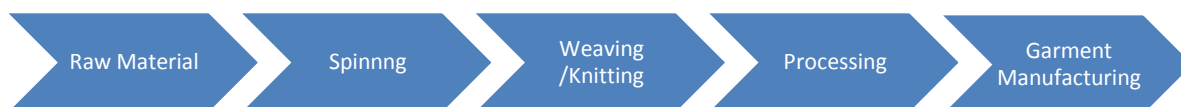
The current study is based on the secondary data which has been obtained from various books, websites, government reports, research journals. Internal assessment reports and the annual reports are also being studied to obtain the governance outcomes. The research methodology utilized in this research paper is descriptive and analytical.

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The Typical Textile Value Chain and the output at each level of the chain are illustrated below:

Figure 1: Textile Value Chain



Source: Figures are as per latest data available-as 2017-18, Ministry Of Textiles, Government of India

Figure 2: Output of each activity of Textile Value Chain



Source: Figures are as per latest data available-as 2017-18, Ministry Of Textiles, Government of India

The Textile and Apparel Industry-Indian Perspective

Indian Textile Industry plays an important role in Indian economy in terms of significant contribution to industrial production, exports and employment. The share of textile & apparel in India total export stands at a significant 15%. India has a share of 5% of the global trade in textile and apparel. Indian textile industry is the second largest manufacture & exporter in the world after china. The industry has high growth potential given its inherent strengths such as abundant raw material, low labour cost and a thriving domestic and global market.

Relevance of the Indian Textile Industry to the economy is substantiated by its contribution to 14% of industrial production, 9% of excise collection, 18% of employment in industrial sector, nearly 20% of the country's total export earnings, employment of nearly 35 million people (second highest employer in the country) and, 4% of the country GDP. The domestic market in India is projected to reach US\$ 250 billion by 2019 from US\$ 150 billion in July 2017

and India's exports of textiles and apparel is expected to increase to US\$ 82 billion by 2021 from US\$ 37.85 million in 2018. (Aggarwal, 2001)

Investment in Textiles and Apparel capacity expansion and technology up-gradation have also increased by 70% as compared with previous years is expected to increase to US\$ 82 billion by 2021 from US\$ 37.85 million in 2018. The per capita consumption of textiles and apparels products has been steadily increasing during the last few years and is expected to reach 32 meters by 2010 from the present level of 19.71 meters. Cotton remains the most significant raw material for the Indian textile industry (IBEF Report, 2018)

India has several advantages in the textile sector, including abundant availability of raw material and labour. Being the second largest player in the world cotton trade, India has the largest cotton acreage (about 9 million hectare) and is the third largest producer of cotton fibre in the world. It ranks fourth in terms of staple fibre production and polyester yarn production.

Table 1: Production of Man-Made Fibre, Filament Yarn, Spun Yarn and cloth (In Millions):

S. No	Product/Years	Units	2013-14	2014-15	2015-16	2016-17	2016-17 (Apr-Jan)	2017-18(P) (Apr-Jan)	% Variation
1	Man-made Fibre	kg	1307	1344	1347	1364	1149	1123	-2.3
2	Man-Made Filament Yarn	kg	1293	1248	1164	1159	963	996	3.4
3	Cotton Yarn	kg	3928	4055	4138	4056	3372	3399	0.8
4	Blended & 100% Non-Cotton Yarn	kg	1381	1433	1527	1606	1344	1370	1.9
5	Total (Spun Yarn) 3+4	kg	5309	5488	5665	5662	4716	4769	1.1
6	Cloth (Mill Sector)	Sq.mtr	2531	2486	2315	2264	1899	1806	-4.9
7	Cloth(Decentralized Sector)	Sq.mtr	60093	61846	62269	61630	50846	53974	6.2
8	Total	Sq.mtr	62624	64332	64584	63894	52745	55780	5.8

Source: Office of Textile Commissioner, Ministry Of Textiles, Government of India

After 2016, Make in India campaign was launched by Gol to attract manufacturers and FDI. Under Union Budget 2018-19, Gol allocated around Rs 7,148 crore (US\$ 1.1 billion) for the textile industry. During April 2000 to June 2017, the textile industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 2.55 billion (Make in India Report, 2016-17). 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 Textile Market at Each Stage of the Production Cycle Fibre

Cotton-fibre-India is a major cotton producer and is the third largest cotton producer in the world, with highest area under cultivation. India's cotton area accounts for about 25% of global cotton area. As per Cotton Advisory Board (CAB) estimate, cotton production in India during 2017-18 is expected to produce 377 lakh bales of 170 kg from 122 lakh hectares with a productivity of 524 kg lint/ha. During

the current year 2017-18, Gujarat, Maharashtra and Telangana were the major cotton growing states covering around 71% (86.4 lakh hectare) in area under cotton cultivation and 65% (246 lakh bales) of cotton production in India (Annual Report, CAR., 2017-18).

Man-Made Fibre

The man-made fibre & yarn industry comprises fibre and filament yarn manufacturing units of cellulosic origin. India is the 2nd largest producer of manmade fibre & filament, globally with production of around 2.11 million kg in 2016-17.

Yarn

The spinning industry is the most modern and internationally competitive segment of India's textile value chain, producing yarn as coarse as 6s to as superfine as 160s, both in singles and multiples. Yarn-Production increased 3.12 percent annually between 2011 and 2017 (production grew to 5,667 million Kgs in FY17 from 4,712 million Kgs in FY11).

Fabric

Fabric production in India has grown at a CAGR of 1% since 2011-12. Cotton fabrics have the majority share of 60% while manmade fabrics and blended fabrics have a share of 23% and 17%, respectively. In contrast to the spinning sector, the weaving sector remains highly fragmented and small scale and characterized by the use of technology ranging from handlooms, power looms, to state of the art looms for weaving and units for knitting. The number of shuttle-less looms both new and second hand has been steadily increasing in the country during the past couple of years.

Processing

The power -processing sector is highly decentralized in nature and is sub-divided into the composite processing units, the semi-composite units and the independent processing units. As of 2005, a total number approx 2,510 processing units were operating in India (Indiastat.com). These processing units process across the textiles value chain being fibre, yarn, woven fabric, knitted fabric and garments and made-ups.

Garment Manufacturing

Unlike other segments of textile industry, apparel sector in India is relatively nascent (About 93% of the apparel firms that existed in 1990 did not exist before) and is characterized by large number of independent, small-scale firms. While it is not unusual for apparel manufacturing to be relatively small-scale and independent from the upstream segments of the textile supply chain, India's apparel firms tend to be smaller and more labour intensive than other major exporting countries.

Government Initiatives

Considering the immense contribution of the textile industry to Indian economy and its potential it holds for expansion of employment opportunities and exports earnings, Government of India has been attaching highest importance to the overall development of the sector. The Indian government has come up with a number of policy support and incentives for the textiles sector. Gol has formulated National textile policy in the year 2000, with a vision to

develop a strong and vibrant textile industry that can produce cloth of good quality at acceptable price to meet the growing needs of the people and increasingly contribute to the provision of sustainable employment and the economic growth. Gol has launched various schemes like TUFFS, SITP, TMTT to strengthen the textiles sector India by making the sector globally competitive which have yielded results and these efforts are like to pay very rich dividends for all the stakeholders in the years to come. Government of India also allowed 100 percent FDI in the Indian textiles sector under the automatic route.

SWOT analysis of the Indian Textile and Apparel Industry

Strengths

As discussed above, the country's strengths can be encapsulated as follows:

1. Stronger raw material base leads to its availability in abundance. Largely attributable to quite a dominant position in cotton cultivation and production. India is also amongst the largest producing countries of man-made fibres.
2. Lower labour cost advantage is another attribute, which imparts strength to the industry. Labour costs in India, are as low as 75% cents per hour in comparison to 100 % in China. However, they are higher than labour costs in some competing countries like Sri-Lanka and Bangladesh.
3. Presence of activities across the textile value chain as in spinning, weaving, knitting, processing and garment manufacturing in India has led to cost efficiencies on account of synergies. The presence of activities across the value chain aids the local manufactures by sourcing required material locally, thereby reducing the lead-time and investment in inventories.
4. A growing domestic market enables manufactures to mitigate risks while allowing them to build competitiveness in the global markets.

Weaknesses

The major weaknesses of the industry are as follow:

1. Due to high level of fragmentation in the industry, the manufacturers are not able to fully capitalize on existence of the entire value chain in the country.
2. Low labour productivity renders Indian manufactures uncompetitive to a certain extent. The labour productivity in India is much lower than in competing China, this aspect partially offsets the low labour cost advantage.
3. Rigid labour laws have been plaguing all industries, particularly those that are labour intensive in nature. The textile and apparel industry specifically face problems as they employ mostly female employees, who are not allowed in night shifts. However, recently, the government has permitted female workers in the textile sector to work in the night shifts.
4. Technological obsolescence in the industry has necessitated in significant technology investments to achieve good quality of output

acceptable in global markets. The fragmented nature of the industry has precluded it from accessing necessary technology for its up-gradation.

Opportunities

The Indian textiles and apparel sector has significant opportunities to grow as described below:

1. The abolition of quotas post January 1, 2005, has fueled growth of exports from India and the country is likely to emerge as one of the top sourcing destinations in the world.
2. The imposition of restrictions on imports from China on certain categories of garments presents a tremendous opportunity to India.
3. Research and development across the value chain of activities along with additional investment in technology is aiding Indian manufactures to move up the value chain and capture a larger bit of the global market share.
4. The Textiles sector has witnessed a spurt in investment during the last five years. With an ever -increasing consuming class and positive demographics, the domestic market itself would provide strong way to the textile and apparel industry going forward.

Threats

The following threats are facing by the Textiles and Apparel Industry

1. As the international markets are now open owing to lifting up of quota restrictions, the domestic players may compete intensely on prices. Accordingly, players with economies would have a greater bargaining power.
2. In international markets, innovations that yield competitive advantage anticipate both domestic and foreign needs. Apart from China, India faces increasing competitiveness pressure from other low cost countries like Sri-Lanka, Bangladesh, Vietnam and Pakistan.
3. Non-tariff barriers such as stringent quality norms, packing rules, compliances to various social and environmental compliances are posing strong challenges to manufactures in India.

Conclusion

Post abolition of quota regime, the Global Textile Industry is witnessing strong growth as well as cataclysmic changes in its architecture. Textile manufacturing operations are increasingly shifting from US and Western Europe to low cost countries in Asia. Large Indian Textiles players have begun acquiring manufacturing operations as well as brands in the developed markets and the Indian industry is planning significant investments over the next few years.

However it is imperative for the SMEs to actively participate in the growth for the industry to realize the market potential. Despite various Government incentive and schemes the textile industry is finding itself in problem because there is huge investment and environmental issues and also facing tough competition from other countries. Individual SMEs are finding it extremely difficult to overcome their constraints in isolation and the collective energies of the SME sector would need to be harnessed for the Indian Textile to make strong strides in the global market. Government's 'Make in India' initiative, concerted efforts by government and industry bodies will go a long way in paving a smooth path for its success.

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