

Role of Government Schemes in Indian Textile Industry

Abstract

The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and development of this industry has a direct bearing on the improvement of India's economy. The Government is constantly working to improve this area by their programmes and schemes. This study examines some various government schemes which is working for textile industry. Explaining the importance of textile sector, study focuses on the challenges and obstacles in their implementations.

Keywords: Employment, Programmes, Implementations, Challenges, Focuses.

Introduction

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 13 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganised sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale. The textile industry employs about 105 million people directly and indirectly. India's overall textile exports during FY 2017-18 stood at US\$ 37.74 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 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.

Market Size

The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 3 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP). The production of cotton in India is estimated to increase by 9.3 per cent year-on-year to reach 37.7 million bales in FY 2017-18. The total area under cultivation of cotton in India is expected to increase by 7 per cent to 11.3 million hectares in 2017-18, on account of expectations of better returns from rising prices and improved crop yields during the year 2016-17. Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles.

Review of Literature

Johnson and Ganguli (2003), According to the authors, there is a fairly close association between the export performance of Tirupur and the technological support received from South Indian Textile Research Association (SITRA). As stated by Ganguli, the impact of SITRA institution on performance of Tirupur clusters in India is considerable. Certainly this institution appears to be valued by many other industrial research organizations in India. The forms of economic activity at a point in time play



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an important role. As local economies undergo through development over time, it affects the firm's future opportunities.

Samar Verma (2002), the study has examined India's competitive performance in the US and EU markets for MFA (ATC) product categories that are important in Indian export basket, and has found that Indian exports to the EU and the US are, on the whole, export-competitive. It has also delineated the changing landscape in the international trading environment which is likely to significantly impact global textile and clothing trade. To enhance the competitiveness of the industry, the study has highlighted areas requiring government policy intervention. The study concludes that while there is little doubt regarding the immense potential that the Indian industry-specially garment sector- has, several policy reforms are needed urgently in order to unlock this latent capability. Besides, from the emerging nature of global trading environment, it appears that market access would become an increasingly important aspect of translating competitiveness into export performance.

Dr. D. Narasimha Reddy, (2009) According to Dr Reddy, More than 3 crore families are dependent on this sector for their livelihoods. Properly handled, with an emphasis on human resource development and a sector capable of absorbing them in productive employment, the presence of skilled weavers in an environment, where investment is expanding and the industrial world is ageing, would be a major advantage. It is also bringing to light the hollowness of growth strategies and is also questioning the established premises and models of business and product development.

Dr. D. Narasimha Reddy, (2010), another study he explained the strength of the handloom sector is its large and skilled labor. This is also the strength of the Indian textile sector. One needs to enhance this strength and address factors that weaken this strength. Modern economists should keep in mind the fundamental economic principle: maximum good for the maximum people. It is time that government recognized the value of the handloom sector in achieving sustainable development of the country. On its own, government would never be able to provide employment to such a large workforce. Going by the logic of liberalization, government in turn ought to formulate, promote and encourage policies which sustain this employment, and cannot work to its detriment. Despite adverse conditions, due to larger support from the consumers and being a livelihood option for millions of weavers, handloom sector has been surviving, and has the potential to be so.

Bisnoi (2012) described poverty alleviation and employment generation through Mahatma Gandhi national rural employment guarantee act. The study conducted primary data through structured interview method from Khota Mahawa village of babhani block of Uttar Pradesh and to analysis performance of MNREGA and socio-demographic information of beneficiaries both male and female.

Navaneet Gera (2012) published a systematic and short research paper and intended to understand the significant role textile industry, its share in total exports and future prospects. In the end, he suggested that the government should properly implement the policy in the textile sector, and for the better future of these industries, some part should be spent on the technical up gradation and R&D.

Shukla S. Shubhendu and Mishra Ashutosh (2013) in this study analysis employment generation and poverty alleviation in developing countries with poverty alleviation programmes and creation of employment opportunities with macroeconomic environment stability on the industry speed generation and more jobs in higher level through increasing productivity. Especially in rural areas the poverty alleviation programmes.

Dr.Anandharajkumar. P & Dr.suriyan.K (2014) In this study focus on poverty alleviation programme and protect marginalized with appropriate strategies especially rural areas Though there were so many programme implemented by both central and state governments in India but it never been decreased at a larger extent. One of the most importance roles of Poverty alleviation.

Mohd Kashif and Mohd Shoeb in (2016), in their study elaborate the importance of flagship initiative Make-In-India campaign. And various disciplines of this scheme have been explained in detail. The main purpose of this study is to analyse the role of Make in India campaign in the development of Textiles and Garments Industries in India. Secondary Sources of data has been used for this research study.

Objectives of the Study

1. To analyze, why Government incentives are important for textile sector?
2. To study the various investment and Government initiatives for textile industry.
3. To identify the problems and challenges in implementation of the schemes.
4. To provide the recommendations.

Data Collection

The present study is based on the secondary data. The data has been collected from the journals, newspapers, various publications and websites of Govt. of India.

Limitations of Study

The limitations of the study are that this study is based on secondary data. No primary data is being collected.

Why the Government Incentives are necessary?

It is known from the information given in the introduction, the textile industry is very important for the Indian economy. The most important point associated with this is that it provides more employment in society. In the field of providing employment in India, the textile industry is the second place after agriculture not only in the current scenario but the history is the witness that the manufacturing work of textile in India has only come from the Indus Valley Civilization. As we know, poverty and employment are like the canker wounds occupied by Indian society. Poverty and unemployment are also

the root of other disparities in Indian society. If these problems are resolved then others problems like malnutrition, illiteracy, sanitation problem will also be solved. For this first responsibility of the government and policy makers is to remove poverty and unemployment. The Indian textile industry which already includes the labour force in large figure itself, investing in it will always be better proven in the future. With the investment, priorities and incentives, Indian economy can overcome poverty and unemployment. And the goal of employment & prosperity can be easily accomplished.

Investment

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\$ 2.82 billion during April 2000 to December 2017. Some of the major investments in the Indian textiles industry are as follows:

1. The Cabinet Committee on Economic Affairs (CCEA), Government of India has approved a new skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of Rs 1,300 crore (US\$ 202.9 million) from 2017-18 to 2019-20.
2. Future Group is planning to open 80 new stores under its affordable fashion format, Fashion at Big Bazaar (FBB), and is targeting sales of 230 million units of garments by March 2018, which is expected to grow to 800 million units by 2021.
3. Raymond has partnered with Khadi and Village Industries Commission (KVIC) to sell Khadi-marked readymade garments and fabric in KVIC and Raymond outlets across India.
4. Max Fashion, a part of Dubai based Landmark Group, plans to expand its sales network to 400 stores in 120 cities by investing Rs 400 crore (US\$ 60 million) in the next 4 years.
5. In May 2018, textiles sector recorded investments worth Rs 27,000 crore (US\$ 4.19 billion) since June 2017.
6. 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.

Government Initiatives

The Government of India has launched the following initiatives to strengthen textile production and encourage this industry to cater to the domestic and international market efficiently.

1. The Union Ministry of Textiles, and Union Ministry of Power, Government of India, along with Energy Efficiency Services Ltd (EESL), has launched a technology up gradation scheme called SAATHI (Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries) for reviving the power loom sector of India.
2. The Government has planned to connect as many as 5 crore (50 million) village women to charkha (spinning wheel) in next 5 years with a view to provide them employment and promote

khadi and also, they inaugurated 60 khadi outlets which were renovated and re-launched during the completion of KVIC s 60th anniversary and a khadi outlet.

3. The Textiles Ministry will organise 'Hastkala Sahyog Shivirs' in 421 handloom-handicrafts clusters across the country which will benefit over 1.2 lakh weavers and artisans.
4. The Gujarat government's decision to extend its textile policy by a year is set. It is believes to attract Rs 5,000 crore (US\$ 50 billion) of more investment in sectors across the value chain. The government estimates addition till now of a million units of spindle capacity in the spinning sector and setting up of over 1,000 units in technical textiles.
5. The Textile Ministry of India earmarked Rs 690 crore (US\$ 106.58 million) for setting up 21 ready made garment manufacturing units in seven states for development and modernisation of Indian Textile Sector.
6. The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of Textiles Industry - Readymade garments and Made ups - from 2 per cent to 4 per cent.
7. The Government of India plans to introduce a mega package for the powerloom sector, which will include social welfare schemes, insurance cover, cluster development, and upgradation of obsolete looms, along with tax benefits and marketing support, which is expected to improve the status of power loom weavers in the country.
8. Technology Up gradation Fund Scheme (TUFS):- has infused investment of more than USD 41.33 billion in the industry. Support has been provided for modernization and up gradation by providing credit at reduced rates and capital subsidies.
9. Scheme for Integrated Textile Parks (SITP):- Scheme will provide funding for infrastructure, buildings for common facilities like design & training centre, warehouse, factories and plant & machinery, till now 74 textiles parks have been approved and are at various stages of implementation with 18 parks operational, 32 under implementation. The investment of USD 692 million is sanctioned by the government which will create 66,000 jobs.
10. Integrated Processing Development Scheme (IPDS):- IPDS is being implemented to make Indian textiles more competitive and environment- friendly.
11. Integrated Skill Development Scheme (ISDS):- ISDS plans to bridge that skill gap by training 1.5 million people for which USD 300 million has been allocated by the government.
12. Amended Technology Up gradation Fund Scheme for textiles industry (ATUFS):- ATUFS is designed to provide incentives to entrepreneurs and business owners for upgrading technologies. ATUFS facilities are expected to receive an investment of USD 15 billion and create 3 million jobs in the country.

13. 'Make in India' is an initiative launched by the Government of India to boost multi-national, as well as national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. After the launch of this scheme, India received US \$63 billion in FDI surpassing United States of America and Peoples Republic of China. The main aim of this scheme is to create jobs and development of skill in 25 sectors of the economy. The initiative also aims to manufacture products of higher quality standard and to reduce the impact on environment. The initiatives also hope to attract more capital and technological investment in India.
14. Implications of Goods and Services Tax (GST):- for Indian textiles sector GST will result in 'Fibre-neutrality effect' on the Indian textiles sector, according to the Ministry of Textiles, that means all manmade and natural fibre will be treated equally from the tax point of view.

Key Provisions by Budget 2018-19

Mr. Sanjay Jain, chairman CITI, welcomes the budgetary allocation for textile sector of Rs, 7,148 crore in the union budget 2018-19.

Problems and Challenges in Implementation of the Schemes

As explained in the above mentioned, initiatives from the government, this makes it evident that in the current scenario both the help and encouragement for the textile industry are available; there can be strong potential in this area. But still there are many challenges to curtail the functioning. The challenges is that those who generate problems in implementing government scheme. For example—

1. Lack of information related to government schemes.
2. Significant delays in implementation of government schemes.
3. Unable to get the funds allocated to the appropriate institution or person at the appropriate time.
4. The sources of data are not available properly.
5. Government system and its implementation are complex and difficult.
6. The development of traditional technology and lack of modern technology.
7. Traditional markets and interest disappear.

As recently I visited some areas of Kanpur district of Uttar Pradesh, where there is a big hub for clothes manufacturing, there entrepreneurs do not know about the SAATHI scheme, Hastakala sahayog shivir, those who have been applied for 1year. When asked about the TUFs scheme, it was found that they did not receive any such funds. The flagship scheme Make-In-India is probably made for metro cities only. The provision of GST used to be so difficult that it was beyond the mind of ordinary entrepreneurs to understand them. There are many such reasons due to entrepreneurs cannot get the benefits of the schemes. And they are operating the industry by their own capital and labour.

Recommendations

All the recommendations below are related to problems and challenges. Whose reforms can open new dimensions of achievements?

1. Government should provide better and reachable information sources.
2. The implementation of the schemes should be at the right time.
3. Funds should be allocated fairly and at the right time.
4. The figures should be obtained from the correct sources.
5. The implementation of government schemes should be understood by the general entrepreneurs.
6. Policies should be made in favor of workers.
7. Technological up gradation should continue on time to time.

Conclusion

The Indian textile industry stands to benefit immensely from the ambitious initiatives. The vision of these schemes has the potential to repair the segments perception and the country's involvement in the world textile scenario. India is the only country in the world that offers the unique combination of democracy, demography, and demand. This combined with the newest international strategy of the government will lead to more job creation, boosting the national economy and give the Indian economy global recognition. The textile sector has the capability to contribute highest to the Indian economy by providing more employment and contributing to the overall GDP. 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. High economic growth has resulted in higher disposable income. Disposable income of a person is depends on his employment. The resulting, demand will increase and J.M. Clark's accelerator rule will begins. This has led to rise in demand for products creating a huge domestic market. In textile industry, the government can bring revolutionary change in employment sector through schemes and programmes. Where by the evils of poverty, illiteracy and malnutrition will end automatically.

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