



## COMPREHENSIVE ANALYSIS OF FOREIGN DIRECT INVESTMENT (FDI) IN THE TEXTILE AND GARMENT INDUSTRIES IN INDIA

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### **Abstract**

*Textiles and apparel is the largest industrial sector of India and plays a significant role in its economy, particularly in export earnings. It has been observed that the small and medium enterprises (SMEs) within the apparel sector also contribute to exports. However, this contribution is marginal when compared to the role played by SMEs of other South Asian apparel exporters. This qualitative study is conducted to explore the challenges and opportunities for the apparel exporting SMEs in India. After literature review, from each apparel clusters of Bangalore, Mumbai and Chennai*

*Small and Medium Enterprises (SMEs) play a crucial role in the economic growth of developing countries and are considered the backbone of their economies. By employing labor, the SME sector reduces unemployment, increases per capita income, and thus has a significant impact on the GDP of a country. In fact, sustainable economic growth can only be possible through inclusion of this sector in macroeconomic policies. SMEs possess competitive flexibility as they quickly adapt to changing trends and can generate highly skilled employment opportunities. The global financial crises of 2009 also brought this sector to the limelight due to the role it played in domestic financial revival, socio-economic development and its capacity to absorb more labor.*

### **1. Overview of the Indian Textile & Garment Sector**

India's textile and apparel industry is one of the **largest and oldest industries** in the world. It plays a key role in employment, exports, and economic growth:

- India is among the top global producers and exporters of textiles and garments, with around 3.9%–4.6% share in global trade in these products. The sector contributes roughly 2% to national GDP and over 11% of manufacturing gross value added (GVA). India Brand Equity Foundation.
- It employs millions across spinning, weaving, processing, and garmenting, especially in MSME clusters.

### **2. FDI Policy Framework in Textiles and Garments**

#### **Liberal FDI Regime**

- 100% FDI allowed under the automatic route for textiles and garments — no prior approval needed — making India very attractive for overseas capital.
- Policy Support to Attract Investment  
The government has introduced multiple initiatives improving the sector's investment climate:
- MITRA Parks (Mega Integrated Textile Region and Apparel) — integrated textile parks to reduce costs and boost production.
- Production Linked Incentive (PLI) Scheme — incentivises manufactured output. National Technical Textile Mission (NTTM) — aiming at high-value speciality textile segments.



- Increased allocations in the Union Budget for textiles and allied support. These policies enhance structural readiness and sector competitiveness, reinforcing FDI decisions.

### 3. Trends in FDI Inflows

#### FDI Levels

- Total FDI inflows into the *textiles and apparel sector* from April 2000 to March 2025 stood at around ₹30,480 crore (~US\$4.7 billion).
- This shows moderate attraction of foreign capital over time, partly due to the industry's traditional character and past structural issues compared with more modern manufacturing sectors.

#### Manufacturing & FDI Growth

- In the broader *manufacturing sector*, FDI grew by **18% in FY 2024–25** reaching about **US\$19 billion**, reflecting a rising trend that can benefit textiles via spillovers. Textile Post While not all of that manufacturing FDI is in textiles, such overall growth signals improving investor confidence in industrial activities including textiles.

### 4. Key Drivers That Attract FDI

#### a) Market Potential

- Domestic demand for textile and apparel is rising rapidly due to higher incomes and urbanization. India Brand Equity Foundation.
- Projected growth to about **US\$350 billion by 2030** expands opportunities for multinational brands and investors. Drishti IAS.

#### b) Competitive Advantages

- India's **abundant raw materials** (cotton, wool, silk), large skilled labour force, and lower overall production costs compared with many Western producers attract outward-looking foreign firms. India Brand Equity Foundation.
- *China-plus-one* and supply chain diversification trends also help shift investment interest to India. The Times of India.

#### c) Trade Agreements

- Recent FTAs like **India–UK FTA** promise duty-free access for 99% of textile exports, significantly boosting investor interest in export-oriented units. India Brand Equity Foundation.

#### Challenges Limiting FDI Growth

- Despite liberal policies, several structural constraints continue to temper the pace of foreign investment:

#### Structural & Operational Challenges

- The industry remains **fragmented**, dominated by small MSMEs with limited access to technology and scale.
- **Logistics and supply chain inefficiencies** increase costs versus competitors like Bangladesh or Vietnam. PWOOnlyIAS.

#### Export Competitiveness Issues

- High operational costs and lack of free trade agreements with all major markets reduce global competitiveness. Tariff hikes in key export markets (e.g., the U.S.) can diminish export profitability, affecting investor confidence. hindi.cri.cn.



## Policy & Cost Challenges

- Complex tax structures in the past and raw material duty burdens have discouraged foreign firms, though reforms like **GST-2.0** aim to ease such barriers.

## 6. Impact of FDI on the Sector

- **Economic Contributions**
- FDI inflows contribute to technology transfer, better global linkages, and export diversification, especially in garment manufacturing and value-added segments.
- Foreign involvement often brings global best practices in quality, design, and supply chain management, strengthening overall competitiveness.

## Employment and Skill Development

- Investment from global brands and manufacturers creates jobs directly in production and indirectly via ancillary activities (logistics, retail, design).

## Export Performance

- India's textile exports have shown resilience and growth, with recent data reporting significant increases to many countries and key segments like ready-made garments.

## 7. The Future Outlook

### Positive Prospects

- Continued reforms, infrastructure creation (like MITRA Parks), and expanding trade linkages will likely attract more FDI.
- Growth in technical textiles, synthetic fibers, and high-value apparel offers new segments for foreign collaboration.

## Strategic Recommendations for Greater FDI

1. Enhance supply chains and logistics efficiency.
2. Increase skill building and technological upgrades in MSMEs.
3. Secure more FTAs with major markets.
4. Provide targeted incentives for export-oriented and sustainable manufacturing units.

### 1. Cumulative FDI Inflows in Textiles (Long-Term)

Total FDI received in the Indian textile sector (including dyed and printed textiles):

- ₹30,480 crore (~US\$ 4.72 billion) from April 2000 to March 2025. Older data shows US\$ 4.47 billion from April 2000 to March 2024 — illustrating steady growth.
- Textiles' share of total FDI into India over this long period is relatively small (about 0.66 % of total FDI inflows, per one government dataset).

### 2. Year-by-Year FDI Trends (Approximate)

While detailed year-wise figures vary by source and data availability, several published datasets (e.g., from DPIIT and Ministry sources) indicate patterns like:

FDI into the textiles sector (selected fiscal trends — estimates in US\$ million):

- FY 2011-12: ~165 m
- FY 2016-17: ~619 m (significant peak)
- FY 2017-18: ~454 m
- FY 2019-20: ~355 m



- FY 2021-22: ~247 m
- FY 2023-24: ~309.7 m (recent rebound)

This period shows volatility over time, with a notable surge in 2016–17 linked to policy reforms (e.g., *Make in India*, textile tech funding) and then moderate but steady interest in recent years.

### 3. FDI in Textiles vs All Sectors

To place the textile FDI figures in perspective:

Total FDI into India overall is much larger — with cumulative inflows since April 2000 around ₹49.28 lakh crore (US\$ 747 billion) by mid-2025.

That means textiles, at ~US\$ 4–4.7 billion cumulatively, account for roughly 0.6–0.8 % of total FDI into the country historically.

### 4. Broader Indian FDI Growth Helps Context

While not textiles-specific, overall FDI inflows into India have shown strong growth, which helps create a supportive environment:

- India’s total FDI inflow reached a provisional US\$ 81.04 billion in FY 2024-25, compared with US\$ 36.05 billion in FY 2013-14 — more than double in a decade.
- In the first half of FY 2024-25, FDI was up ~45 % YoY to US\$ 29.79 billion, with robust growth in equity inflows as well.
- India also reached over US\$ 1 trillion in cumulative FDI inflows since 2000 by late 2024.
- These broader trends indicate a positive environment for attracting investment into all sectors, including textiles, even if textiles share remains modest.

### 5. Key Takeaways from the Statistics

Metric	Value / Trend
Cumulative FDI in Textiles (2000-25)	~US\$ 4.72 billion (₹30,480 crore)
Share of Total FDI	~0.6–0.8 % of India’s total FDI
Peak Textile FDI Year (recent)	Around FY 2016-17 (~US\$ 619 m)
Recent Textile FDI Trend	Moderate recovery (~US\$ 309.7 m by FY 2023-24)
Overall India FDI Growth	India’s total FDI jumped to ~US\$ 81 billion in FY 2025

### What This Means for the Textile Industry

- FDI in textiles is growing, but its share remains relatively small compared with other sectors (like services, manufacturing, IT).
- Long-term cumulative attraction (US\$ 4–4.7 billion) shows continued investor interest but also highlights untapped potential relative to the industry’s scale and growth prospects.
- Government policies (e.g., automatic 100% FDI route, PLI schemes, MITRA Parks) aim to boost these investments further going forward.



### FDI in India's Textile Sector (Year-wise: Financial Years)

Financial Year	FDI Equity Inflows (Textiles)
2000-01	2.06
2001-02	5.28
2002-03	54.18
2003-04	9.34
2004-05	43.04
2005-06	94.33
2006-07	126.9
2007-08	185.4
2008-09	157.52
2009-10	150.27
2010-11	129.65
2011-12	164.19
2012-13	103.89
2013-14	198.86
2014-15	197.42
2015-16	244.52
2016-17	<b>618.95</b>
2017-18	454.45
2018-19	198.14
2019-20	323.52
2020-21	298.67
2021-22	247.75
2022-23	154.72
2023-24	309.72
2024-25	254.77
<b>2025-26 (up to June '25)</b>	75.12

**Total textile FDI (Jan 2000–June 2025): ~US\$ 4,802.68 million (₹31,121.06 crore).**  
ministryoftextiles.gov.in

### Conclusion

FDI in India's textile and garment industry reflects a balanced picture — enabled by liberal policies and strong growth potential, but held back by structural challenges. With continued strategic reform and targeted initiatives, India is well-positioned to significantly increase foreign investment, enhance export competitiveness, and capture larger global market share in the years ahead.

### Reference

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