



## AN ANALYSIS OF GROWTH AND DEVELOPMENT OF TEXTILE INDUSTRY IN INDIA

**Dr. P.N. Pathak**

*Assistant Professor, Department of Commerce, MLK (PG) College, Balrampur.*

### **Abstract**

*This article examines the growth and development of the textile industry in India covering a decade from 2007 to 2016. In addition, the researchers compared the eleventh five year period of performance of the Indian textile industry tenth five year plan with performance plan period, in order to know the progress over the years. The growth and development of the industry is measured in terms of production, exports and imports. For the purposes of the study, paired sample t test is used in order to compare the tenth and eleventh floor is the period of the performance plan that is. The results reveal statistically reliable difference between the tenth and eleventh floor average values of the three parameters selected in the technical textile sector, which leads to a conclusion that the growth of the sector has improved significantly during the eleventh five years plan.*

**Key Words:** *Technical Textiles, Production, Export, Import, Five Year Plan, India.*

### **Introduction**

The Textile Industry occupies a vital place in the Indian economy and contributes substantially to its exports earnings. Textiles exports represent nearly 30 per cent of the country's total exports. It has a high weight age of over 20 per cent in the National production. It provides direct employment to over 15 million persons in the mill, power loom and handloom sectors. India is the world's second largest producer of textiles after China. It is the world's third largest producer of cotton-after China and the USA-and the second largest cotton consumer after China. The textile industry in India is one of the oldest manufacturing sectors in the country and is currently it's largest. The Textile industry occupies an important place in the Economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The textile industry encompasses a range of industrial units, which use a wide variety of natural and synthetic fibres to produce fabrics. The textile industry can be broadly classified into two categories, the organized mill sector and the unorganized mill sector. Considering the significance and contribution of textile sector in national economy, initiative and efforts are being made to take urgent and adequate steps to attract investment and encourage wide spread development and growth in this sector.<sup>1</sup> 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 11 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The industry realised export earnings worth US\$ 41.4 billion in 2014-15, a growth of 5.4 per cent, as per The Cotton Textiles Export Promotion Council (Texprocil). 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 Indian textiles industry is extremely varied, with the hand-spun and handwoven 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.<sup>2</sup>

### **Textile Industry in India**

The textile industry occupies a unique place in our country. One of the earliest to come into existence in India, it accounts for 14 per cent of the total industrial production, contributes to nearly 30 per cent of the total exports and is the second largest employment generator after agriculture. The Indian textile industry is one of the largest in the world with a massive raw material and textile-manufacturing base. Indian economy is largely dependent on the textile manufacturing and trade in addition to other major industries about 27 per cent of the exchange earning are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14 per cent to the industrial production and 3 per cent to the gross domestic product of the country. Around eight per cent of the total excise revenue collection is contributed by the textile industry. So much so, the textile industry accounts for as large as 21 per cent total employment generated in the economy.<sup>3</sup> Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw material production like cotton and related trade and handling can be stated to be around another 60 million.



### **Objectives of the Study**

- To search upon the overall growth and development of Indian Textile industry during Tenth and Eleventh five year plan.
- To make a comparative analysis of the Indian Textile industry between Tenth and Eleventh Five year plan in terms of Production, Export and Import.
- To explore whether production, export and import of Textile industry have changed significantly or not between Tenth and Eleventh five year plan.

### **Review of Literature**

Marimuthu, (2008), in his presentation entitled "Business Opportunities for Nonwovens & Technical Textiles in India" has focused on growth factors for India to become next largest market for technical textiles and nonwovens. Ramkumar, (2009) in his article entitled "Technical Textile Why is the next phase of the Indian textile industry" reveals importance of the technical textile industry in India for the supply of economic stability markets, growing domestic and export. Ramkumar, (2009) in his article titled "convincing case for the textile sector the technical in India", said the Indian textile industry needs a new IT (Indian textile industry) revolution to encourage, support and growth. The author describes the reasons which force to energize the technical textile industry in India. Ramkumar, (2009) author of a article on "cluster development technical fabrics is the way to growth", which states that India It needs to focus on three important areas to accelerate economic growth, namely services, manufacturing and agriculture. Marimuthu, (2010) paper on "Why should technical Textiles grow in India" analyzes reasons that will enhance growth in the technical textiles sector in India. Singh, (2010) in an article "India to grow faster in technical textiles," he says accelerated growth of the Indian economy will be favorable for technical textiles. Ramkumar, (2011) He writes an article on "technical fabrics: A growing need for Indian Textile industry" that indicates the need to the textile techniques and for its expansion in India. Chaudhary and Shahid, (2012) in their article "technical textiles in India: The business perspective," it examined the India market's technical textiles for the last ten years that is from years 2014-2015.

### **Growth of Textile Industry**

The textile policy of 1985 and the economic policy of 1991 accelerated the economic growth during 1990s. Textile sector growth has been led by the spinning and the manmade fibre industry. The number of cotton/ manmade fibre textile mills rose from 1035 in 87-88 to 1741 by December 1997. The number of spinning mills number rose to 1461 in December 1997 from 752 in 87-88. Liberalisation led to the installation of open-end rotors and setting up of Export Oriented Units (EOU). Currently India has the second highest spindleage in the world after China. Aggregate production of cloth during 1996-97 was 34,265 million sq. metres, an increase of nine percent over 1995-96. India's contribution in world production of cotton textiles was about 12 per cent a decade back, while currently it contributes to about 15 per cent of world cotton textiles. India has the second-largest yarn-spinning capacity in the world (after China), accounting for roughly 20 percent of the world's spindle capacity. India's spinning segment is fairly modernized; approximately 35 to 40 percent of India's spindles are less than 10 years old. During 1989-98, India was the leading buyer of spinning machinery, accounting for 28 per cent of world shipments. India's production of spun yarn is accounted for almost entirely by the "organized mill sector," which includes 285 large. Man-made fibers, wool and silk segment grew by modest 4.5 per cent per annum during the 5-year period 2000-01 to 2005-06. During the first year of quota-free global trade, production increased leaps and bounds.<sup>4</sup> Textiles production increased 10 per cent over 2004. The growth was fuelled by a 22 per cent rise in production of other textiles (including apparels). Cotton textile also posted an increase of nine percent.

### **Textile Trend Analysis**

India is the world's second largest producer of textiles and garments after China. It is the world's third largest producer of cotton-after China and the USA - and the second largest cotton consumer after China. The textile and garment industry in India is one of the oldest manufacturing sectors in the country and is currently the largest. The textile and garment industry fulfils a pivotal role in the Indian economy. It is a major foreign exchange earner and, after agriculture, it is the largest employer with a total workforce of 35 mn. In 2005 textiles and garments accounted for about 14 per cent of industrial production and 16 per cent of export earnings. In cotton yarn production India has made a mark in the world textile scenario. It is the largest exporter of the cotton yarns in the world. Besides yarn exports, India's growing garment industry is working as a driving force to improve the yarn quality and to increase the production of cotton yarn. During 2004-05, production of fabrics touched a peak of 45,378 million square meters. In the year 2005-06 up to November, production of fabrics registered a further growth of 9 per cent over the corresponding period of the previous year. Textile exports during April-November 2005 were at US\$ 9,309.81 million, up 8.21 per cent from US\$ 8,603.33 million during the corresponding period of the previous year. The first year of the non-quota regime for textiles has seen Indian exports to the US grow by 27 per cent year



on year to US\$ 4.6 billion, according to data released by the Office of Textiles and Apparels (OTEXA), USA. In keeping with the trend of textile companies increasing capacity and adding new manufacturing units, the last week of 2005 saw a substantial number of firms, both new and existing, queuing up to file an intent to manufacture document with the Department of Industrial Policy and Promotion (DIPP). Out of 161 companies that had filed Industrial Entrepreneur Memoranda (IEM) in the last week of December, textile firms accounted for more than a quarter of all new applications. In fact, in the last six years, an estimated US\$ 6.7 billion has been invested in the textiles sector, aided by the Technology Up gradation Fund (TUF) scheme. The TUF scheme expires in March next year (2007) and the quotas on China will be lifted in 2008. Hence, companies will continue to add capacities over the next year. Also, according to CRISIL, the sector is likely to rise over US\$ 3.5 billion from the capital markets in the next few years. Schemes to strengthen investment in textile during the tenth plan cover Rearranging spinning capacity at present nearly 38 million spindles are already existed. About 10 million old spindles required to be scrapped, and another 15 million spindles to be modernized. Adding on, about 3 million new spindles have to be set up during the tenth plan period.<sup>5</sup>

- Percentage Vision of India 2010 for Textiles
- Textile economy to grow to \$85billion by 2010
- Creation of 12 million new jobs in textile sector.
- To increase India's share in world trade to six per cent by 2010.
- Achieve export value of \$40 billion by 2010.
- Modernisation and consolidation for creating a globally competitive industry.

### **Trends in Spinning**

The spinning industry is the most modern and internationally competitive segment of India's textile industry. Yarn production increased 4.5 per cent annually between 1990 and 2004, as rapid gains by independent spinners more than offset declining production from composite mills. Reflecting trends in domestic demand, the most rapid growth has been in the production of blended and 100-per cent manmade yarns. Between 1990 and 2004, production of manmade and blended yarns grew at annual rates of 8.6 per cent and 9.1 per cent, respectively.

### **Production of Yarn**

In India production for the textile group of industries showed a surge in the entire sector. There was a significant increase in respect of textile products 16.4 per cent and cotton textiles 8.5 per cent yarn production increased by 5.1 per cent due to increase in cotton yarn manmade filament yarn production nevertheless, there was a decline in respect of blended and 100 per cent Non-cotton yarn and manmade fibers. The share of textile sector in FDI was 1.02 per cent (in terms of amount) during 2005-06 as against 4.29 per cent in the year 2004-05.

### **Export of Textile in India**

World trade in textile in 2003 of which textile accounted for 43 per cent (US\$169bn) and developed countries accounted for little over one third of world export in textile. The quota countries, USA, EU, and Canada accounted for 44 per cent of India's textile exports. In the overall basket of cotton textile products in India, the share of cotton Madeups has gone up from US\$174.03 million in April 2005 to US\$181.10 million during April 2006, registering a growth of 4.07 per cent. In the case of cotton yarn there has been a growth of 11.92 per cent, while in the case of cotton fabrics, there has been a decline of 2.53 percent.

### **Advantages to Indian Cotton Textile Industry**

In addition to availability of large labor force with required skills at a comparatively cheap rate, Indian Textile Industry has a great advantage in that India is the third largest cotton producing country in the World. Moreover, India has the largest area under cotton in the world. Further the average cotton yields per hectare were as low as 310 kgs per hectare as against countries like China, Brazil and Australia where yield levels are over 1000 kgs per hectare and world average yield of 728 Kgs per hectare, no doubt in the previous two years, yield levels have gone up to 435 kgs. /hectare. The Indian Cotton Textile Industry can therefore, bank up on the domestic production of cotton to meet its raw material requirements. This is a major source of strength for the Indian Cotton Textile Industry. Of course, China and Pakistan are also major cotton producing countries and the cotton textile Industry in those countries also enjoy the same advantage as Indian Cotton Textile Industry.<sup>6</sup>

### **Market Size**

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's gross domestic product (GDP), and 14 per cent to overall Index of Industrial Production (IIP). The Indian textile industry has the potential to reach



US\$ 500 billion in size according to a study by Wazir Advisors and PCI Xylenes & Polyester. The growth implies domestic sales to rise to US\$ 315 billion from currently US\$ 68 billion. At the same time, exports are implied to increase to US\$ 185 billion from approximately US\$ 41 billion currently.

### **Investments**

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\$ 1.77 billion during April 2000 to September 2015. Some of the major investments in the Indian textiles industry are as follows: Reliance Industries Ltd (RIL) plans to enter into a joint venture (JV) with China-based Shandong Ruyi Science and Technology Group Co. The JV will leverage RIL's existing textile business and distribution network in India and Ruyi's state-of-the-art technology and its global reach. Giving Indian sarees a 'green' touch, Dupont has joined hands with RIL and Vipul Sarees for use of its renewable fibre product Sorona to make an 'environment-friendly' version of this ethnic ladies wear. Grasim Industries has invested Rs 100 crore (US\$ 15 million) to develop its first fabric brand, Liva', which it will distribute through 1,000 outlets as part of a plan to stay in sync with changing consumer behaviour. Snapdeal has partnered with India Post to jointly work on bringing thousands of weavers and artisans from Varanasi through its website. "This is an endeavour by Snapdeal and India Post to empower local artisans, small and medium entrepreneurs to sustain their livelihood by providing a platform to popularise their indigenous products," said Mr KunalBahl, CEO and Co-Founder, Snapdeal. Welspun India Ltd (WIL), part of the Welspun Group has unveiled its new spinning facility at Anjar, Gujarat - the largest under one roof in India. The expansion project reflects the ethos of the Government of Gujarat's recent 'Farm-Factory-Fabric-Fashion-Foreign' Textile Policy, which is aimed at strengthening the entire textile value-chain.<sup>7</sup> American casual fashion retailer Aéropostale, Inc. has inked a licensing agreement with Arvind Lifestyle Brands Ltd to open standalone stores in the country. Aéropostale will open 30 stores and 25 shop-in-shop locations over the next three years.

### **Government Initiatives**

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. Some of initiatives taken by the government to further promote the industry are as under: The Government of India has started promotion of its 'India Handloom' initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products. The Ministry of Textiles launched Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years (from 2010-11 to 2011-12 in the 11th five year plan and 2012-13 to 2014-15 in 12th five year plan) with a total fund outlay of Rs 200 crore (US\$ 30 million). The objective of TMTT is to promote technical textiles by helping to develop world class testing facilities at eight Centres of Excellence across India, promoting indigenous development of prototypes, providing support for domestic and export market development and encouraging contract research. The Government of India is expected to soon announce a new National Textiles Policy. The new policy aims at creating 35 million new jobs by way of increased investments by foreign companies, as per Textiles Secretary Mr S K Panda.<sup>8</sup>

### **Subsidies on Machinery and Infrastructure**

The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS. Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to Rs 40 crore (US\$ 6 million). Under this scheme the technical textile units can also avail its benefits. The major machinery for production of technical textiles receives a concessional customs duty list of 5 per cent.<sup>9</sup> Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2 per cent of freight on board (FOB) value of exports. The Government of India has implemented several export promotion measures such as Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme for increasing share of India's textile exports. Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries. Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export Promotion Councils. The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports resulting in faster clearance of import and export cargo.<sup>10</sup> The Ministry of Textiles has approved a 'Scheme for promoting usage of geotechnical textiles in North East Region (NER)' in order to capitalise on the benefits of geotechnical textiles. The scheme has been approved with a financial outlay of Rs 427 crore (US\$ 64.1 million) for five years from 2014-15.



### **Conclusion**

The Indian textile industry has an overwhelming presence in the economic life of the country. In the selected textile companies, Gangotri Textile Limited, Ambika Cotton Mills Limited, performances were satisfactory and the remaining companies will improve their performance. The present business world has more competition because the world has become a global village. So the companies' objectives should be not only to earn high profit but also to run the business with social or moral obligation and maximum utilisation of ideal resource properly. At last the companies are achieving maximum target. 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.

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