



Emerging trends, opportunities and challenges in textile industries in India

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Abstract

The Indian textile industry is highly fragmented and labor-intensive. The textile industry is being dominated by unorganized sector and Small and medium industries. The foreign investors are not investing in the textile sector which is also one of the areas of concern. The government policies and tax structure are not favoring this industry textile industry is highly competitive and the present situation demands the companies to benchmark their products with the best in the world and try to upgrade the quality and production processes. The paper tries to provide insights into the Indian textile industry. The article attempts to explain the emerging trends opportunities, challenges.

Keywords: textile industry, foreign investors, emerging trends, opportunities and challenges

1. Introduction

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. Indian textile industry currently estimated to be US \$108 billion and expected to reach US \$209 billion in the year 2021. The industry is the second largest employment generator after agriculture by employing 45 million people directly and 60 million people indirectly ^[1].

The Indian textile industry presently contributes around 14 percent to industrial production, and 4 percent to GDP, 17 percent to the country's exports, and 21 percent employment. India has abundance of natural resources like cotton, jute and silk. Indian products are preferred for their fine designing, embellishment and craft. From the ages the Indian fabric designers and weavers are recognized as one of the best in the world. At present industry is growing at 9-10 percent with Indian economy. Indian textile industry currently possesses a share of 4.7% in world market of textiles and clothing ^[2].

Export of clothing from India is increasing world over due to the versatility of different products. The major retailers include JC Penney, Nautica, Dockers, Bed, Bath and Beyond, Target, Kohl's Liz, Calvin Klein, Sprit, Marks & Spencer, GAP, United Colors of Benetton, Mango, Zara and Dillard's etc. European Union and USA the largest markets for textile and apparel with a share of 36% and 14% respectively. Among the nations, China is the largest supplier of textile and apparel in the world with a major share of 40%. It is distantly followed by countries such as India, Italy, and Germany etc. each with an approximate share of 5% in the global textile and apparel exports ^[1].

The global luxury industry has seen steady growth over the past 16 years ^[3] and it is commonly believed to be one of the most appealing and profitable industries in the world. In addition to its economic value, luxury fashion brands help develop the best fashion products for the market. They are

leaders in the fashion world and drive a lot of mass-market imitators. Moore and Birtwistle (2005) focused on Gucci to study the nature of "parenting advantage" in luxury fashion. They reviewed Gucci's annual reports and other secondary information sources and identified the "ten-year renaissance" in Gucci. They argued that there is an intra business group synergy in Gucci and this synergy is crucial for saving Gucci from the financial crisis that it faced at that time. They also established a multidimensional luxury fashion branding model which identifies various critical components and their interactions for luxury fashion brands. They believed that their proposed model can help luxury fashion brands to better shape the branding strategies and develop a competitive edge. Fionda ^[4] adopted a qualitative multiple-case study approach to investigate the most important dimensions for the success of luxury fashion brands. They studied 12 international luxury fashion retailers and collected data via both semi-structured interviews with managers of the target companies and reviews of some secondary sources

2. Emerging trends

Sustainability today has become a necessity driven by consumer awareness and preference for sustainable products, compliance norms, and a realization that to secure the future it is important to act today. Life cycle approach to sustainability in textile and apparel industry entails ensuring the three facets of sustainability social, economic and environmental. These are being addressed in the following stages: Fibre production, textile manufacturing, garment manufacturing, distribution, retailing, consumption, and aftermarket.

The Government policy has changed from earlier objective of maintaining the incipient export growth momentum to increasing production and productivity in cotton and cotton yarn, enhancing value addition in garmenting and apparel sectors, promoting rich heritage of handlooms and handicrafts, institutional strengthening in jute sector, and enhanced

acreages under mulberry production and safeguarding employment opportunities.

- It is now attracting larger capital flows and foreign direct investment by providing fiscal stimulus, increased the plan allocation from Rs 4,090 crore to Rs 4,500 crore, encompassing an enhanced allocation of Rs 3,140 crore for Technology Up gradation Fund Scheme (TUFS).
- **Technology Up gradation Fund Scheme (TUFS):** This scheme started by the Government aims towards the modernization of the textile industry. Subsidy was released on August 06, 2009, in a single tranche, for the first time, with the amounts credited to the bank accounts of all beneficiaries in 3 working days reconstituting an effective addition to the stimulus packages announced by the Government.
- **E-Marketing:** E-marketing platforms have been developed by the Central Cottage Industries Corporation of India (CCIC), and the Handicrafts and Handlooms Export Corporation of India (HHEC). More than 1000 contemporary designs with technical details and regional language interface have been hosted for free download on the website of National Centre for Textiles Design (NCTD).
- **Common Effluent Treatment Plant (CETP):** An allocation of one time grant of Rs. 200 crore has been made, for the first time, to 20 Common Effluent Treatment Plants installed by dyeing units in Tirupur in Tamil Nadu to ensure zero liquid discharge.
- **Marketing Initiatives:** Niche handloom and handicraft products are provided a marketing platform via 'Handloom Week' in December 2009. These marketing Initiatives of crafts -mela and 'pradarshinis' are held in all states periodically.
- **Cotton Sales Depots:** Cotton Sales Depots were set up at Coimbatore and Rajapalayam in Tamil Nadu. In India, a major portion of garments are being made in the state of Tamilnadu. It has a strong production base and account for about one – third of textiles production in the country and accounts 37.5 percent of India's total production. Textile mills are concentrated in Coimbatore, which is the Manchester of South India, Rajapalayam, Karur and Erode. Tamilnadu has around 1,400 textile mills of which spinning mills alone accounts to 650 with an installed spinning capacity of over 13.0 million spindles. Tamilnadu accounts for about 30 percent of India's export of textiles products. In the garments sector, Tamilnadu has more than 4,500 registered exporters who are concentrated mainly in Chennai and Tiruppur. While Chennai is specializing in export of woven garments, Tiruppur has emerged as a major centre for knitted garments.
- **The Scheme for Integrated Textile Parks (SITP):** 90 % Government grants have been released for 17 Parks; Infrastructure Development has completed in 5 Parks and production has commenced in 17 Parks out of the 40 parks under implementation in Public Private Partnership mode.
- **National Textile Corporation (NTC):** NTC has modernized 17 mills. Of these, 4 mills in Coimbatore (Tamil Nadu) and 3 mills in Mumbai.
- **Skill Development:** An ambitious Skill Development Programme has been formulated to train 30 lakh workers

over a period of 5 years with an outlay of Rs. 2,200 crore.

- **Indian School of Textiles and Business:** To provide professional education, including
- Research and consultancy, covering the entire spectrum of textiles, an Indian School of Textiles and Business is been setup by upgrading the existing. Sardar Vallabh Bhai Patel Institute of Textile Management (SVPITM) at Coimbatore, Tamil Nadu.
- **Export Promotion:** Despite the global slowdown, share of textile and clothing exports in total merchandise exports increased to 12.36% (US\$17.37 million) from 11.03% in 2008-09. In a 'Look East Policy', new markets have been tapped to promote exports, besides consolidating existing markets like EU and US. As part of the initiatives, mega textile shows have been held to capture new markets in Japan, South Asia, Australia, Latin America and South Africa.
- **National Institute of Fashion Technology (NIFT):** Twelfth Centre of National Institute of Fashion Technology (NIFT) was inaugurated at Kangra in Himachal Pradesh. Two new NIFT centers to come up at Bhubaneswar and Jodhpur and a specialty centre at Coimbatore.
- **Skill Up gradation of Handicraft Artisans:** 1,00,155 Artisans were given assistance to
- upgrade skills and build capacity under the Ambedkar Hastshilp Vikas Yojana, the Human Resource Development and the Design & Technology Up gradation Schemes.
- **Technology change:** Carbon-centric to watercentric, energy access to energy efficiency, printed papers to digital development, increased international campaigns, increased pressure from consumers and legislation, increased innovation and creativity at various supply chain steps.
- **Welfare Schemes:** Under Handloom Weavers Comprehensive Welfare Scheme, 16.11 lakh weavers and ancillary workers were provided Health Insurance coverage and 5.10 lakh with life insurance coverage. Under the Rajiv Gandhi Shilpi Swasthya Bima Yojana, 7.33 lakh artisans were provided with health insurance coverage.
- **Migrant Labour:** Industry experts said migrant workers have lot of employment opportunities in their hometowns following fast-paced development of infrastructural projects there. They also have ample opportunities to earn money in different government schemes like NREGA.
- Devesh Patel, president, Katargam Weavers Association, told TOI, "There will be a shortage of workers and we have to increase the wages in order to attract the skilled workers to our units. The cost of living in the city is very costly for the migrant workers compared to their hometowns. Most of them are looking out for jobs in their native places to cut down on the expenses."

3. Opportunities

The fundamental strength of Indian textile industry is its strong production base with wide range of fibers/yarns. These are natural fibers such as cotton, jute, silk and wool and synthetic/man-made fibers like polyester, viscose, nylon and

acrylic. In producer-driven value chains, large, usually transnational, manufacturers play the central roles in coordinating production networks. Textile industry is capital- and technology-intensive comparable with automobiles, aircraft, computers, semiconductors and heavy machinery industry. Buyer-driven value chains are those in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing countries. This pattern of trade-led industrialization has become common in labor-intensive, consumer-goods industries such as garments, footwear, toys, handicrafts and consumer electronics. Large manufacturers control the producer-driven value chains at the point of production, while marketers and merchandisers exercise the main leverage in buyer-driven value chains at the design and retail stages. Apparel is an ideal industry for examining the dynamics of buyer-driven value chains. The relative ease of setting up clothing companies, coupled with the prevalence of developed-country protectionism in this sector, has led to an unparalleled diversity of garment exporters in the third world. Apparel is an ideal industry for examining the dynamics of buyer-driven value chains.

The global apparel market size is expected to reach US \$2.6 trillion in 2025 growing by a projected rate of 4%. The major growth drivers of the global apparel market will be the developing economies, mainly China and India, both growing in double digits. China will become the biggest apparel market adding more than US \$378 bn. in market size by 2025, while India will be the second most attractive apparel market adding around US \$121 bn. by 2025 ^[1].

A large and growing domestic demand coupled with increasing spending power of people in these two countries will result in the combined addition of around US \$500 bn. in the global apparel market size by 2025. The combined apparel market size of China and India i.e. US \$795 bn. is expected to exceed combined market size of EU and USA i.e. US \$775 bn, by 2025. India is one of the fastest growing economies with the GDP growth of 7.2 percent in the last quarter of 2017-18. This growth also boosts the purchasing power and propel the demand for the textile products ^[2].

4. Challenges

The Indian textile industry is highly fragmented and is being dominated by the unorganized sector and small and medium industries. The changing government policies at the state and central government levels are posing major challenges to the textile industry. The tax structure GST (Goods and Service Tax) make the garments expensive. Another important threat is raising interest rates and labor wages and workers' salaries. There is higher level of attrition in the garment industry. Although central government is wooing the foreign investors the investment is coming in the textile industry. In India places such as Bangalore, Mumbai, New Delhi and Tirupur are the hubs of textile garment industries. These manufacturers have ability to produce the entire range of woven wear and knitwear at low cost with reasonably good quality within the short notices. The Indian textile industry has its own limitations such as accesses to latest technology and failures to meet global standards in the highly competitive

export market. There is fierce competition from China, Bangladesh and Sri Lanka in the low price garment market. In the global market tariff and non-tariff barriers coupled with quota is posing major challenge to the Indian textile Industry. The environmental and social issues like child labor and personal safety norms are also some of the challenges for the textile industry in India ^[8-12].

5. Conclusion

Textiles industry and its Labour relations are undergoing profound changes. The retail market has opened and the producers' control over the product market has increased. Improved schemes of credit and skill development for workers have the potential to increase the contribution of textiles in the GDP. The Government and the industry needs to collaborate and establish a plan of action that addresses key issues and identifies and removes barriers to growth and sourcing strategies. Innovations in Supply chain management, professional services, branding will soon be key to sustainable growth in the textile industry. The worker welfare schemes and new compensation policies are to be executed to retain workers. The textile industry is undergoing changes whereby the management, workers and all stakeholders need be ready to competition for sustainability.

The Indian textile industry requires support from both the Central and State governments to become competitive in the Global market. The Skill India and Make-in India programs of Central government headed by Prime Minister Sri Narendra Modi is helping the industry in getting required skilled manpower and good market for textile products. It is high time for the textile industry to upgrade their technology and implement ERP to streamline supply chain and enhance customer relations management activities. These measures are enabling the industry in becoming competitive in the global market. 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 last decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market.

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. The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period

The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalising guidelines for the revised Textile up gradation Fund Scheme (TUFS). The Indian cotton textile industry is expected to showcase a stable growth in FY2017-18, supported by stable input prices, healthy capacity utilisation and steady domestic demand.

High economic growth has resulted in higher disposable

income. This has led to rise in demand for products creating a huge domestic market. The domestic market for apparel and lifestyle products, currently estimated at US\$ 85 billion, is expected to reach US \$160 billion by 2025. The Indian cotton textile industry is expected to showcase a stable growth in FY2017-18, supported by stable input prices, healthy capacity utilization and steady domestic demand.

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