Revival of Indian Textile Industry (Exports) in Post Recession Period and a Overview of New Textile Policy

DR.Bhaskara B G
S.K.Kavitha Yadav

Research Supervisor, Associate Professor, Department of Commerce and Management, Vivekananda Degree College
Research Scholar, Assistant Professor, Dept. of Commerce and Management, Government First Grade College, Rajajinagar, Bangalore.

ABSTRACT

Indian textile industry has gone through the metamorphosis from being a cottage industry to the state supremacy. The industry is the second largest employer in India next to agriculture and also accounts for 12% share of the country's total exports. During the global recession 2008 the Indian textile and apparel industry was one of the worst hit with a steep fall in exports and harsh employee retrenchment and layoff policies which put the employees into great distress and insecurity. Since this industry is a foreign exchange earner there should be a conscious and willful effort from the government to boost the trade through favorable foreign policies and bilateral agreements with other countries. There was a gradual revival in 2010 after a devastating recession period. The industry is back into performance track by showing good increase in exports but still it is awaiting the government and ministry of textiles to address the various procedural bottlenecks and to frame favorable trade and foreign policy to gain significant market access. There is a positive zeal in the country as well as in textile industry after Narendra modi's government was sworn in center. This paper highlights the performance of textile industry during recession and post recession period and also focuses on the new textile policy to be framed by the new government, its impact on exports and also the road ahead for the industry.

Keywords: textile, recession, retrenchment, bottle necks, in security.

INTRODUCTION

The Indian textile industry is a personification of Indian culture. It has always occupied a place of honour in the industrial system of India. The spindles and the spinning wheels found in the excavation of the Sindhu Valley have proved that the textile industry is as old as Sindhu Valley civilization. India had traditionally been the cotton textile producing country. Cotton was grown, spun and cloth was woven in our country even much earlier than other countries started manufacturing it. Indian textiles were famous for their exquisite beauty and fineness. The Indian textile industry has two broad segments, namely handloom, handicrafts, sericulture, power looms in the unorganized sector and spinning, apparel, garmenting, made ups in the organized sector. The close linkage of the Industry to agriculture and the ancient culture, the traditions of the country make the Indian textiles sector unique in comparison to the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

Its role in the country's economic growth is significant. India's textile industry contributes about 14 percent to industrial product,4 percent to country's gross domestic product (GDP), 27 percent to its export earnings and is a source of direct employment over 35 million people which makes it the second largest provider of employment after agriculture .

Definition of Recession:

A period of general economic decline; typically defined as a decline in GDP for two or more consecutive quarters. A recession is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market. The global financial crisis of 2007 had cast its long shadow on the economic fortunes of many countries, resulting in what has often been called the 'Great Recession'. The old proverbial truth that the rest of the world sneezes when the US catches a cold appeared to be vindicated as systemically important economies in the European Union and Japan went collectively into recession by mid-2008and also affected developing economies like our's. The crisis came largely as a surprise to many policymakers, multilateral agencies, academics and investors.

OBJECTIVES

To elicit the impact of economic recession on Indian textile and apparel industry.

To analyze post recession performance of the industry

To understand the role of Indian government in textile industry

STATEMENT OF THE PROBLEM

The global recession of 2008 has a devastating impact on the performance and also on the survival of Indian textile industry. The various factors and policies which helped in the revival of the industry have to be highlighted so that such anomalies can be prevented in future. The post recession period has been growth oriented for the industry but yet various challenges, barriers and procedural bottlenecks have been faced by textile exporters which has been listed out and answered. The new government's dynamic policies and its impact on the export performance has to be researched to know the road ahead for the textile industry.

RESEARCH METHODOLOGY

The research is both exploratory and descriptive in nature. The data has been collected from reliable secondary sources; References are made from various journals, magazines and website pertaining to textile industry in order to ensure complete reliability.

LIMITATIONS

The study is limited to clothing and textile sector

The study carried out comprised secondary data from 2001-2015

LITERATURE REVIEW

Singh and Goel (2009) The study conducted seeks to assess the impact of the Global Economic Crisis (GEC) on India's textile and Apparel Industry. In this paper they have used firm level data to examine the growth, employment and exports behavior over 1998 through 2006. They have laid down a theoretical framework to analyze the possible channels and a supply side effect is hinted at.

Alcorta and Nixson (2011) analyses the impact of the global economic crisis of 2007-2010 on the manufacturing sector of a sample of 11 low and middle income economies, and examines in detail its impact on three manufacturing sub-sectors – textiles and garments, the automotive industry They found that within the context of globalization, the evolution of the financial crisis is outlined and its impact on the global economy identified, and the main transmission mechanisms by which the crisis spread to the developing world discussed.

Mr. R C M Reddy, Co-Chairman, FICCI Textiles Committee (2015)"Textile industry has potential to contribute to Make in India in view of employment intensity and export potential. It is also a very powerful tool for inclusive growth since most of the workforce is women, below poverty line and rural. A holistic approach is needed to consolidate and strengthen the industry covering its entire value chain.

IMPACT OF RECESSION ON INDIAN TEXTILE INDUSTRY

The textile industry was very badly affected by the global slowdown of 2008. During that period there were various local problem also faced by exporters such as dramatic increase in raw cotton prices due to natural calamity, export of cotton to neighbouring countries decreased the availability of raw cotton. Due to sluggish demand situation in European markets our exporters had to bear the burn in the form of delayed payments, defaults, order cancellation, reduced order and had to also face losses. The employees of garment industry had to face tough time and witness higher level of work stress, emotional stress, job insecurity, delayed salary and layoffs. There was no zeal in buying behavior among the consumers. They opted for low priced qualitative products rather than branded ones. All the subsidiary industry such as machinery, accessories, stores, ancillaries, dye and chemicals were severely hit.

Production of textiles of various varieties (qty. In million kgs)

Year	Cotton Yarn		Blended Yarn		100% Non-Cotton Yearn		Total Qty.	Growth Rate (%)
	Qty.	% Share	Qty.	% Share	Qty.	share		
2001-2002	2212	71	609	20	280	9	3101	-2
2002-2003	2177	71	584	19	319	10	3080	-1
2003-2004	2121	69	589	19	342	11	3052	-1
2004-2005	2272	70	585	18	366	11	3223	6
2005-2006	2521	73	588	17	349	10	3458	7
2006-2007	2824	74	635	17	355	9	3813	10
2007-2008	2978	74	677	17	378	9	4003	5
2008-2009	2899	74	655	17	361	9	3914	-2
2009-2010	3073	73	706	17	408	10	4187	7
2009-2010(Apr-Aug)	1255	73	290	17%	167	10%	1712	2
2010-2011(Apr-Aug)	1334	74	298	17%	172	10%	1803	5

Source DGCI&S, Kolkatta

It indicates that growth rate of all these three segments of textiles have descended during 2008-09 mainly due to economic slowdown across the globe. Subsequently, the growth rate has picked up since the latter part of 2009.

Domestic sales growth and profit of cloth companies

Year	Sales Growth of Cloth Companies (%)	PBDIT Growth of Cloth Companies (%)	PAT (%)
Dec-2001	3.6	-14.4	-2.1
Dec-2002	-14.5	-34.6	-5.6
Dec-2003	5.7	32.7	-2.1
Dec-2004	-0.7	-15.4	-4.6
Dec-2005	13.5	70.2	4
Dec-2006	10.6	8.5	4.3
Dec-2007	14.6	13.6	4.1
Dec-2008	21.6	21.9	3.9
Dec-2009	12.8	24.4	2.6
Dec-2010	20.5	39.1	2.5

Source: ministry of textiles

To overcome and sustain recession various crucial strategy formulation measures were undertaken by manufactures such as risk management techniques, cost effectives marketing strategies, lean manufacturing, new market penetration, efficient logistics management, stringent HR policies etc. Beyond all this there was revival seen in 2010 which had brought cheers to the marketers.

The successive governments took initiative and declared stimulus packages to boost textile industry which also acted as a facilitator to revive industry and this resulted in the upward surge of textile production and sales then after. The various incentives were as follows:

- Additional allocation of Rs 1,400 crores to clear the entire backlog of Technology Upgradation Fund Scheme (TUFS).
- All items of handicrafts were included under 'Vishesh Krishi & Gram Udyog Yojana (VK&GUY)'.
- Interest subvention of 2% up to 31.3.2009 subject to a minimum of 7% per annum on pre and post-shipment export credit (since extended to 20.9.09 in the Union Budget 2009 - 10).

➢ Guarantee cover under Credit Guarantee Scheme doubled to Rs 1 crore with cover of 50%.
➢ Duty Drawback on knitted fabrics enhanced retrospectively from 1.9.2008.
➢ An ambitious Skill Development Programme had been formulated to train 30 lakh workers over a period of 5 years with an outlay of Rs. 2,200 crore.
➢ In a 'Look East Policy', new markets had been tapped to promote exports, besides consolidating existing markets like EU and US. As part of the initiatives, mega textile shows had been held to capture new markets in Japan, South Asia, Australia, Latin America and South Africa.
➢ 25,000 Artisan Credit Cards had been issued to artisans under the Credit Guarantee Scheme and over 1.65 lakh additional applications have been forwarded to concerned banks for consideration.

While the recession is surely a major setback in the progress of human development, it also provides for a prospect for introspection and an opportunity for reform. However, preventive or precautionary measures must also be put into place so that the industry is in a better spot to handle any downturns in the future. The economy gradually saw revival in 2010 and in the post recession period the performance of the industry has been favourable.

Textiles & Clothing Exports Trend

Trend during the period 2011-12 (P).

In rupee terms, during 2011-12 (P) there has been a surge in exports of Handloom product (68.51%), Coir & Coir Manufactures (40.49%), Cotton Textiles (37.23%), manmade textiles (25.99%), RMG (24.80%), Wool & Woolen textile (20.97%) and Jute (4.72%).

In US$ terms the surge during 2011-12 (P) registered in Handloom product (60.09%), Coir & Coir Manufactures (33.46%), Wool & Woolen textile (14.93%), Man-made textiles (19.69%), RMG (18.56%), Cotton Textiles (30.37%) and Jute (-0.52).

Trend during the period 2012-13 (P)

The total textile exports during 2012-13 (P) were valued at Rs 172494.71 crore as against Rs 159570.55 crore during the financial year 2011-12, registering an increase of 8.10 percent in rupee terms.

In US dollar terms, the same was valued at US$31705.53 million (2012-13, P) as against US$33310.21 million during the corresponding period of financial year 2011- 12 registering a decline of 4.82 percent.

©**Trend during the period 2013-14**

The export of woolen items in 2012-13 was 7617.23crore and in 2013-14 it was 8829.21 crore, readymade garments exports in 2012-13 was 1288.58 crore and in 2013-14 it was 1453.85 crore, exports of jute products in 2012-13 was 655.50 crore and 2013-14 it was 412.8 crore silk yarn fabrics exports in 2012-13 was 845.95 crore and in 2013-14 was 856.37 crore.

SWOC ANALYSIS

STRENGTH

- Abundant Raw Material availability
- Availability of Low Cost and Skilled Manpower
- Strong Entrepreneurship base
- India is one of the largest exporters of Yarn in international market
- •The Apparel Industry is one of largest contributor to foreign exchange
- Growing Economy and Potential Domestic and International Market.
- Industry has large and diversified segments that provide wide variety of products.
- Indian Textile Industry is an Independent & Self-Reliant industry.

WEAKNESS

- Lack of Technological Development
- Industry is highly dependent on Cotton which depends on crop

- Higher Indirect Taxes, Power and Interest Rates
- Infrastructural Bottlenecks
- Transaction Time at Ports and transportation Time
- Indian Textile Industry is highly Fragmented
- Rigid Govt. Labor Policy
- There is Decline in Mill Segment.
- Level of operation is small and thus unable to get Economies of Scale.

OPPORTUNITY

- Large, Potential Domestic and International Market
- Emerging Retail Industry and Malls provide huge opportunities
- Increased Disposable Income and Purchasing Power of Indian Customer
- Elimination of Quota Restriction leads to
- greater Market Development
- Research & Product development
- Product development and Diversification
- to cater global needs
- Market is gradually shifting towards Branded Readymade Garment.
- Greater Investment and FDI opportunities are available.

CHALLENGES

- International labour and Environmental Laws
- Continuous Quality Improvement is need of the hour
- Dumping of foreign goods in domestic markets
- Competition from other developing countries, especially China
- Threat for Traditional Market for Power loom and Handloom Products and forcing them for product diversification.
- Low-cost imported fabrics
- Rupee Appreciation
- Elimination of Quota system will lead to fluctuations in Export Demand

THE PRESENT SCENARIO

The Indian textiles industry, currently estimated at around US $108 billion, is expected to reach US $ 141 billion by 2021. The industry is the second largest employer after agriculture, providing direct employment to over 45 million and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to GDP, and 14 per cent to overall Index of Industrial Production (IIP). The Indian textile industry has the potential to grow five-fold over the next ten years to touch US$ 500 billion mark on the back of growing demand for polyester fabric, The US$ 500 billion market figure consists of domestic sales of US$ 315 billion and exports of US$ 185 billion. The current industry size comprises domestic market of US$ 68 billion and exports of US$ 40 billion,

Under the inspiring leadership of the visionary **Prime Minister Shri Narendra Modi** the new Government at centre, Ministry of Textiles have taken a number of new initiatives for the development ,exploration of the growth potential of the industry and for placing Indian textile industry as a key player in the global textile market. Further based on the "make-in-India" initiative, the organized textile industry has been assisted with specific stress on 'skill, scale, speed' and 'zero-defect, zero-effect' for scaling up employment, production and export. The administrative mechanism and procedures are being revised based on "minimum government – maximum governance" for improving ease of doing business.

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:

- Duty free entitlement to garment exporters for import of trimmings, embellishments and other specified items increased from 3 per cent to 5 per cent. This initiative is expected to generate an additional RMG exports estimated at Rs 10,000 crore (US$ 1.61 billion).
- 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.
- The proposal for imposing duty on branded items was dropped providing relief to the entire value chain.
- The Ministry of Textiles has approved a 'Scheme for promoting usage of geotechnical textiles in North East Region (NER)' in order to capitalize on the benefits of geotechnical textiles. The scheme has been approved with a financial outlay of Rs 427 crore (US$ 69.12 million) for five years from 2014-15.
- The Ministry of Textiles, Government of India plans to enter into an agreement with Flipkart to provide an online platform to handloom weavers to sell their products.
- The foundation stone of the Trade Facilitation Centre and Craft Museum was laid by Mr. Narendra Modi, Prime Minister of India at Varanasi.
- Detailed arrangement for purchase of cotton from the farmers by the Cotton Corporation of India Ltd (CCI) under the Minimum Support Price Operation was monitored. 343 purchase centers were finalized in consultation with the State Governments after meetings with officers of CCI and the cotton producing states, resulting in streamlining of operations.
- Integrated Skill Development Scheme to impart employable skills in different segments (textiles, apparel, handlooms, handicrafts, sericulture, jute etc.) to train approximately 26.75 lakh persons over a span of 5 years, and to fill the huge skill gap of workforce
- The Government intends to launch a venture capital fund of Rs 100 crore (US $ 16.60), to provide equity support to start-ups in the textile sector, in order to encourage new ideas in this sector.

Due to these supportive measures of the government the textile sector has witnessed a spurt in investment and have registered a growth of 17.6 per cent in the period April-December 2014. But there are various barriers and challenges yet faced by the textile exporters which has to be attended by the government as a priority to uplift the global image of our Indian textile industry which will in turn boost the foreign exchange inflow into the economy.

Barriers and challenges

- Internal barriers within India include transportation and distribution difficulties, inadequate market information, corruption, lack of awareness about changing EU legislation and new buyers, as well as difficulties experienced in establishing contact with new buyers in foreign markets. The external barriers that Indian firms face in their exporting activity emanates from the EU legislative and non-legislative market access requirements and are a result of the foreign regulations, standards and requirements.
- Indian cotton textile industries have been facing increased competition in the world markets, in particular from countries such as Japan, Korea, United States of America and Taiwan, both in cost and quality. This is largely due to low productivity and high costs. Cotton textile industries use machines that are old and outdated, inefficient and, therefore, uneconomic.
- Import from China of cheaper raw silk is harmful to the local sericulture.
- Testing and calibration facility is not available in India, like in Japan.
- On an average, an Indian sheep gives 0.86 kg wool per year, as against 4.08 kg yield by an Australian sheep. In addition, large quantity of wool produced in India is of poor quality and does not meet international standards; therefore, India has to import raw wool.
- The garment industry in India is facing stiff competition from countries like China, Bangladesh, and Vietnam. Today business people have become market-oriented, and are not thinking of culture, skills, revival but of survival in global competition.
- Jute industries in India are facing a very tough competition from Bangladesh, the Philippines, Japan and Brazil. iii) Due to synthetic substitutes in domestic and international markets, the demand for jute products is reducing in global market.

Suggestions

The textile and clothing industry expects The Indian Government to come up with following measures providing growth to the sector as follows:

- The Government should make enhanced budget allocation for the development of the sector.
- The Government should introduce new schemes for technical textiles.
- The Government should withdraw or reduce 10% excise duty presently levied on branded garments, as this duty is bit harsh on the domestic garment retail industry.
- Reduce customs duty from 7.5% to 5% on certain textile intermediates and inputs for technical textiles.
- The Government should extend the benefits under section 35 (2AB) of the IT Act which allows a deduction of 150% of the expenditure incurred on in-house R&D facility.
- The Government should increase the investment limit in plant and machinery of SME units from the existing Rs.10 crores to Rs.25 crores.
- Activate special economic zones and facility centers for quality testing of textile products.
- Creation of Market Intelligence Database and ban on Imports of Secondhand (Worn) Clothing is necessary.
- Price deregulation particularly in cotton textile industry is necessary
- The export credit may be made available for all textile products at low interest rate.
- The government should also support in promotion and marketing brand India in foreign markets.

With the objective of overcoming the barriers and effectively facing the challenges of the industry and also by giving due weightage to the suggestions by the industry experts the government has drafted a new textile policy which would be approved in cabinet in the month of July.

New textile policy

The new textile policy is on the anvil and it will lay the roadmap for the sector for the next 15 years. The new national textiles policy aims at creating 35 million new jobs by attracting foreign investments. The policy will be announced in July after the Cabinet approval. According to PTI, the ministry has also sought Rs 12,000 crore for the Technology Upgradation Fund (TUF) scheme for the ongoing 12th Plan (2012-17), The draft textile policy expects the domestic size of the textiles and garments industry to grow to $350bn — with the overall size of the industry expanding to $650bn — from the present $100bn. The panel believes that it is possible for exports to grow at 20pc annually over the next decade. The panel has suggested that the government must amend stringent labour laws, making them more flexible, to encourage hiring of workers by producers. The Indian textile industry provides direct employment to 35m people, which the panel feels can be doubled to 70m over the next 10 years. The policy would aim to attract about $120bn in investment, including foreign direct investment. Government would provide the necessary infrastructure — including creation of new mega textile parks — ensure easy connectivity to ports and promote innovation and R&D. The policy would also wants India to diversify its export basket, tapping new markets including Japan, China, Brazil and Russia

Road Ahead

While the recession is surely a major setback in the progress of human development, it also provides for a prospect for introspection and an opportunity for reform. Preventive or precautionary measures must also be put into place so that the industry is in a better spot to handle any downturns in the future. 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. **The new Government at centre,** Ministry of Textiles have taken a number of new initiatives for achieving the main objectives of making the development participative and inclusive**, "***sabka saath, sabka vikaas*", giving particular attention to the under privileged regions and disadvantaged segments of the society giving holistic approach which is needed to consolidate and strengthen the industry covering its entire value chain.

BIBLIOGRAPHY

Ministry of Textiles, "Annual Report", 2008-09, pp-5.

Global Recession and Its Impact on Indian Financial Markets; Nidhi Choudhari Manager Bank of India, Kolkata. Article

Asian Economic Review- (2011)

http://www.epb.gov.bd (2011-2012)

FICCI Textiles Committee report (2015)

www.min of textiles.com

www.DGCI&S Kolkata