

# Challenges: A study of Textile Industry in India

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## **Abstract:**

*The textile industry is one of the important industry which contributes to the employment and growth of an economy. It is the second largest employment provider industry after agriculture. The 'Make in India' initiative of the Government of India which was launched in 2014, aimed at supporting the industry by accelerating the investment, encouraging innovation, enhancing skill development and protecting intellectual property rights. Apart from taking this initiative the government also has to work upon the challenges that the industry is facing which is obstructing the industry's export earnings, output and ultimately the growth of the economy.*

**Key words:** *Textile industry, employment, growth, initiative, challenges.*

## **Introduction:**

The Indian textiles and apparels industry plays a pivotal role in contributing to employment generation, industrial output and export earnings. However, in the speed of becoming the second largest producer of textiles and in the world, it has to face several challenges for which it has to work hard not only retain position in the global map but also to improve it.

This study focuses on the textile industry, analyses where there is a potential for the industry to contribute to the dual objective of the Government's "Make in India" initiative and meet increasing domestic and export demand by overcoming the challenges that the sector has to face. The study will focus upon the challenges and to suggest the measures to overcome it.

## **Literature Review:**

**Bhaskaran (2013) studied** that the Indian textile industry was one the of the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment. The sectoremployed nearly 35 million people and after agriculture, it was thesecond-highest employer in the country and accounts for around 4 % of Gross Domestic Product, 14 % of industrial production, 18 % of employment in the industrial sector, and 16 % of the country's total exports earnings. For inclusivegrowth and sustainable development most of the Textile Manufacturers hadadopted the Cluster Development Approach for the textile clusters like Maharashtra; Ludhiana Tirupur Textile Cluster, Tamilnadu and Panipat Textile Cluster, etc. in India. It was concluded that for improving the performance and

for sustainable development, the textile industry should strengthen infrastructure, Technology, production interrelationships and marketing interrelationships to decrease cost, increase productivity and efficiency to compete in the world market

**Maiyo and Imo (2012)** found that with the Kenyan textile industry was one of the most important contributors to industrial development, liberalization of the country's economy in the early 90's and it resulted in great competition from imported clothing leading to closure of some textile industries. Kenya's textile industry was adversely affected due to manpower underdevelopment, high cost of production, competition both in the local and international markets, consumer preference for imported textiles and corruption. The purpose of this study was to study these crucial issues which obstructed the growth of Kenyan industry globally. And challenges that the industry was facing due to liberalization. Significantly, government support through reduction of operation costs and review of training courses in relevant institutions to meet industry needs and increase human development and training were important in increasing the industry's performance

**Abraham and Sasikumar (2011)** analyzed the implementation of the Agreement on Textile and Clothing (ATC) of the World Trade Organization (WTO), this agreement both threatens and provides opportunities to India's Textile and Clothing (T&C) industry in the wake of liberal international trade. Firms acquire greater international competitiveness through various cost cutting and efficiency enhancing strategies. It was concluded that increasing the share of low cost labour would improve the export performance of Indian textile industry. Further, the use of this means the need to perform better in the international market aggravated in the period after the implementation of the ATC. On the other hand, capital and technology based factors did not have any perceptible effect on the export performance of Indian firms in the international market.

**Shaikh et al., (2011)** highlighted the impact of Global Financial Crisis on textile industry clusters in Pakistan. A cross sectional data was collected from 25 textile industries by using simple random technique and data were analyzed using E-Views software. Structural questionnaire was the basic tool for measuring the performance of textile industry during the financial Recession in Pakistan. It was revealed that the industry was in urgent need of financial and technological investments. It was also revealed that the Global financial crisis had negative impact on the export of textile industry in Pakistan. The export of textile related products had decreased by 20 percent due to the decrease in textile demand. It was further revealed that textile industry was facing problems such as electricity and high taxes.

**Rajesh, B. (2001)**, Found that on the ongoing debate on the enactment of labour laws in India on one hand, by reducing trade barriers and seeking the help of FDI, on the other hand, going to face competition induced growth and attract FDI. Highlighting the issue of a need for an industry friendly labour laws to enable the textile industry to face emerging world competition. China had two sets of labour laws, one for old companies and the other for the new ones. To attract investments, they had made labour laws flexible for new companies. Therefore, it expresses a feeling that government should allow a certain number of labour to be replaced so that the new set of workers can handle new technology efficiently

### Objectives:

1. To evaluate the textile industry and to study the challenges faced by the industry in India.
2. To analyze the industry and to focus on contribution to Indian Economy.
3. To give suggestions to overcome the challenges of the textile industry in the country.

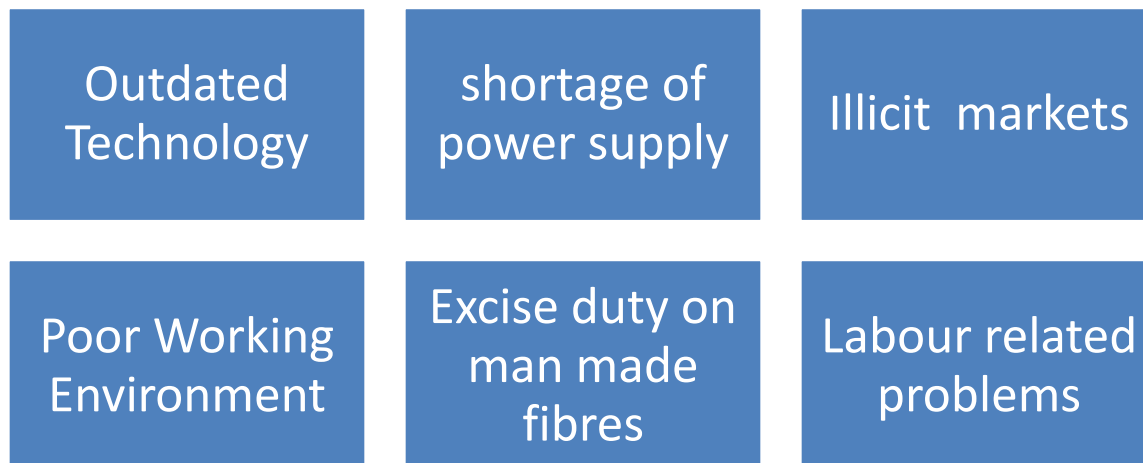
### Research Methodology:

The study in this paper is based on secondary data which is sourced from newspaper articles, journals, research papers and websites.

### Challenges faced by the Textile Industry in India.

India has grown rapidly in the recent years, driven by the development of new-age Industries. The rise in the purchasing power has also led to increase in the demand for a new level of quality of service. With the changing economic environment, it has become the need of an hour to focus on imparting and promoting the skills of the young population of India as there, there is still a shortage of skilled manpower to meet the increasing demands of the economy which is one of the challenge that the industry is facing. This study attempts to come up with the suggestions to minimize the existing challenges and propose solutions which could help to resolve the above mentioned problem. It is explained as follows:

### Challenges Faced by Textile Industry in India:



### **1. Outdated Technology**

Due to the lack of domestic manufacturers of the machinery of the textile industry there has been inability of the cloth manufacturers to replace old and worn out machinery for production. Moreover there is a waiting period of 2 to 3 years and by the time it is imported the machinery becomes outdated which affects the quality and productivity. Apart from this, due to lack of investment and research in the area of textile machinery, the industry is forced to import machinery to compete with other textile producing countries which increases the costs and productive efficiency. Although there have been schemes such as the Soft Loan Scheme for modernization of textile industry equipment, the problem has not been completely addressed. In fact, the rate of absorption of modern machinery and technology in the industry has been slow.

**Source [http://www.dsir.gov.in/reports/isr1/Textiles%20and%20Garments/2\\_0.pdf](http://www.dsir.gov.in/reports/isr1/Textiles%20and%20Garments/2_0.pdf)**

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### **2. Power Shortage**

Textile mills face acute power shortage. Frequent electricity cuts and staggering affect the industry tremendously, leading to loss of man hours and low production in the mills. According to a report by research firm Fibre2fashion, states like Tamil Nadu and Andhra Pradesh have lower textile production than their capability. The industry in Tamil Nadu faces daily losses worth 300 crores due to power shortages or irregular power supply. Small and medium scale textile enterprises are severely affected by power shortage and are forced to use manual machines, which produce lower quality products and are more costly to maintain which leads to longer working hours and also affects the health of workers. In addition, the continuous rise in oil prices made alternate arrangements costlier with the same consequences.

### **3. Illicit Markets**

Rapid advancement in technology and liberalisation of the economy has provided opportunities for misuse of existing brand values that have been cultivated and nurtured over a period of time. Counterfeiting has become an economic problem of international importance and has been growing in magnitude, affecting a wide range of sectors including textiles and apparels. According to a worldwide survey by OECD in 2008, the largest share (30%) of seizures of infringing items belonged to the textiles and apparels industry. According to Fibre2fashion the most popular counterfeit market in India is clothing, followed by shoes, watches, leather goods, and jewellery. Foreign luxury brands such as Louis Vuitton, Gucci, Burberry, Tiffany, Prada, Hermes, and Cartier are frequently pirated. Students and businessmen are the largest consumers of these products. Manufacturers of original products, face enormous losses due to counterfeit products. The common consumer, with limited knowledge, prefers to buy these counterfeit products due to cheap or discounted prices, usually 40% to 45% lower than original value, often willingly compromising on quality.

**Source: Economic impact of Counterfeiting and Piracy, OECD 2008**

**Counterfeiting of Brands in India, Fibre2fashion, Nandita Abraham**

#### 4. Labour Related Problems

India has an extensive youthful populace holding on to join the workforce. The textile industry has a lot to offer to these activity searchers attributable to its work serious nature and ability to retain work into little units. However, as different ventures, the textile industry in India additionally faces a few problems identified with work, which are examined in the accompanying sections. First of all the textile industry is highly fragmented which includes various processes from spinning to garmenting. It is very much essential to see the safety and health concerns of the workers working in this industry. child labour is another problem associated with this industry. According to a report by the India Committee of the Netherlands (ICN), in 2007, more than 400,000 children under the age of 18 were found to be employed in cotton seed farms in the states of Gujarat, Andhra Pradesh, Tamil Nadu and Karnataka. More than half of these children were younger than fourteen often below the official minimum.

**Source: Safety and health issues in the textile industry, Fibre2fashion.com ibid, India Committee of the Netherlands, 'Child Bondage Continues in Indian Cotton Supply Chain**

Along with modernisation, there is a need for skilled workers in the industry, who can run the machinery efficiently and understand modern production processes. Thus the skill requirement increases with technological upgradation. In India, due to the fear of increase in requirement of skilled labour, many firms in the industry are hesitant to expand their scale of operations or enter into high end segments with cutting edge technology. Currently, there is a massive gap between the availability of skilled manpower and the requirements of the industry, particularly in the weaving, dying, processing and garment segments. According to an analysis by ICRA Management Consulting Services and National Skill Development Corporation,<sup>53</sup> the expected shortfall in skills in the textile and clothing industry is estimated to be 26.2 million people in 2022.

**Source: Shirish Khare, Senior correspondent, Tehelka magazine, 2013**

**Human Resource and Skill Gap Requirements (2022), IMaCS, Aon Hewitt, NSD**

#### 5. Poor Working Environment

The type of work environment in which employees operate determines the way in which such enterprises prosper. The basic facilities such as toilets, drinking water, ventilation and fans are not available, working areas are engulfed in darkness and layers of grease lay underfoot. According to a Fibre2fashion study in most textiles units in India workers face a number of problems such as unsuitable furniture, improper ventilation and lighting, and lack of efficient safety measures in case of emergencies. Workers in such units are at risk of developing various diseases such as musculoskeletal disorders, osteoarthritis of the knees etc.

**The Textile and Apparel Industry in India, Pankaj Chandra, Indian Institute of Management, Ahmedabad**

**<http://indiatogether.org/surat-human-rights>**

**Safety and health issues in the textile industry, Fibre2fashion**

## 6. Excise Duty on Man-Made Fibres

An industry research report states that factors like rise in disposable income, growing consumer class, rising urbanisation, increasing retail penetration are likely to increase the share of Man-Made Fibres (MMFs) like polyester and viscose in the market by around 2017. Weavers and textile processors in Surat expect an increase in consumption of MMFs in the domestic market at a compounded annual growth rate of 5.2% at the end of 2015-16. The challenge however for the textiles and apparels industry lies in the fact that while globally, there is no distinction made between cotton and MMF, but in India there is a differential tax treatment for the two segments. Excise duty on natural fibres like cotton, wool and flax is nil, manmade fibre, filament and yarn attract duty as high as 12.5%. China, Pakistan, Sri Lanka, Indonesia and Thailand follow fibre neutral policies where excise duty on cotton/cotton yarn and MMF/MMF yarn textiles are at the same levels. MMF being a high technology and high investment area requires an enabling and better fiscal environment. Reduction in excise duty on MMF will stimulate growth of the industry by attracting investments leading to completing the value chain and higher production and exports, thereby generating additional employment.

**Source: Man-made fibre consumption to increase in next three years, Times of India, June 7, 2013**[http://www.fibre2fashion.com/news/textileneews/newsdetails.aspx?news\\_id=173921&page=1](http://www.fibre2fashion.com/news/textileneews/newsdetails.aspx?news_id=173921&page=1)

### Suggestions and Conclusions:

Certain suggestions and conclusions are suggested to overcome the challenges faced by Textile Industry.

The Government had launched the Technology Up-gradation Fund Scheme (TUFS) from 1st April, 1999 to give the industry the facility of timely credit and capital at internationally comparable rates of interest for upgrading its technology and improving its competitiveness but less benefits are taken by the industrialist so the suggestion is to take maximum advantage to improve the efficiency and productivity. Further, uninterrupted power supply is necessary to support the textiles and apparels industry in India which comprises several small and medium scale units. . Anti-counterfeiting measures in India are not effectively implemented, further aggravating the problem. Usually the cost of a duplicate product is always cheaper than the original one as are result of which the original manufacturers are at a loss and this affects the innovation and investment too so strict actions should be taken by the government. Labour issues and poor working environment need utmost attention. According to research from Fibre2fashion, lower excise on manmade fibres has triggered tremendous growth in the MMF industry. According to the Textile Ministry, although there has been substantial reduction in excise duties on manmade fibres during the last 10 years, but still it is high. Any reduction in excise duties on MMF and MMF textiles will have a positive impact on the growth of MMF consumption and ultimately impact the textiles and apparels industry as a whole.

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