

Indian Textile and Garment Industry- A Prospective Area for Investment in India

Mrs. Nidhi Khurana

Asst. Professor, St. Aloysius College (Auto) Sadar, Jabalpur M.P, Pin- 482001

Abstract: *The world is looking at India as it begins a new phase in its journey towards being a global economic powerhouse. 'Make in India' campaign covering 25 sectors, including the textile and garment industry, have been launched by Prime Minister Narendra Modi. The aim of "Make in India" is to promote India as a "Global Manufacturing Destination". Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment, and strengthens other sectors of the economy. Indian textile industry plays a significant role in creating employment, generating a substantial industrial output, and bringing revenue through export of garments and other textile products as it has the second largest manufacturing capacity globally. Today India is ranked among the top 3 attractive destinations for inbound investments. This paper gives an overview as to how the scheme of Make in India would provide a platform to Textile and Apparel industry to highlight their strength & capabilities, its contribution and retail growth and the initiatives taken by the government to promote the industry to make this sector an Investor's favorite choice.*

Keywords: *Employment, Indian textile and Garment, Investment, Government initiative, Market size.*

INTRODUCTION

The Indian textile industry has a significant presence in the economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. The prime minister of India, Mr. Narendra Modi, launched the "Make in India" campaign, to welcome domestic and international investors to create employment opportunities and lead the country towards economic growth. Under the campaign, the government of India has identified twenty five thrust sectors where potential investment and manufacturing of products can be fruitful. Railways, tourism and hospitality, wellness, leather, aviation, ports, chemicals, IT, pharmaceuticals, and textiles are some of them. The importance of textiles and clothing industry in terms of employment is evident from the fact that this sector supports the livelihood of 12.39 million

employees in the ginning, spinning, weaving, made-ups, and garment industries. With textiles and garments having a significant contribution to the GDP of the nation and the country boasting to be the second largest manufacturer of textile products, there are ample opportunities for investors to explore.

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale. According to the Indian Brand Equity Foundation (IBEF), the nation has the potential to reach global trade in textiles to about 8 percent and can be worth \$ 80 billion by 2020. India is the world's second largest producer of cotton and silk, and also the second largest textile manufacturer. Besides this, India enjoys a comparative advantage in terms of skilled manpower and cost of production over other major textile producers, which makes the country a preferred destination for investment. Moreover, the Government of India allows 100 percent foreign direct investment (FDI) under the automatic route in the textile sector, subject to all applicable regulations and laws, which effectively backs the Make in India programme for the textile and garment industry.

The fashion and textiles institute of Singapore, Hong Kong and China have a number of research papers based on technological progress in the field of fashion, apparel and textiles in almost all the leading peer reviewed journals of significant impact factors. The volume of research reflects the amount of R&D happening in these fields and the money that is being pumped in towards progress of technology in fashion institutes. Even relatively economically weaker countries like Bangladesh are also going to follow a similar path. We thus have to first of all shed the idea that a fashion and textiles institute is a place only for design and fashion marvels. We have to accept the reality that without

technological progress (specialization), nothing can see development, not even apparel, design and fashion. Textile industry is a major cause of concern when it comes to ecology and industrial pollution. Thus, in order to innovate in fibres in India, our focus should primarily be development of fibres from natural resources that are abundantly available in India. Their easy availability can keep their cost low, and their natural properties will in most cases make their processing an eco-friendly one.

REVIEW OF LITERATURE

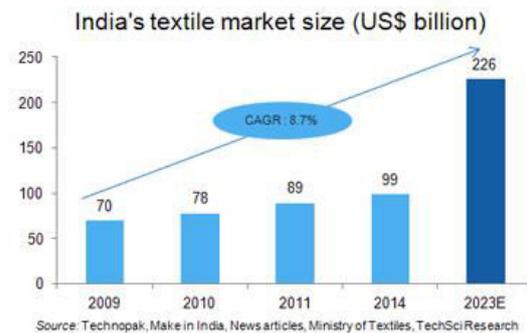
Modern production and distribution of garments has created a “the global assembly line” (Carr, Chen and Tate 2000). Power has shifted from producers to traders and retailers. Buyers set the terms for what is to be produced, by whom, where, when, and at what price (McCormick and Schmitz 2001). According to the survey conducted, the respondents were asked about the promising sectors of investment in the coming times which according to them are Agro and food processing industry, Auto components & automotive industry, Drugs & pharmaceuticals, Engineering, FMCG industry, Gems and jewellery, Infrastructure, Leather and leather products, Services sector and Textile and readymade garments.

RESEARCH METHODOLOGY

The study is based on secondary data. The required data has been collected from various sources i.e. research paper, publications from Ministry of Textiles and articles that are available on internet.

MARKET SIZE

The textile industry is the second largest employer after agriculture, providing readymade garments and cotton textiles dominate textile exports. Readymade garments was the largest contributor to total textile and apparel exports from India in Fiscal Year 2015. The segment had a share of 40 per cent in overall textile exports. Cotton and man-made textiles were also major contributors with shares of 31 per cent and 16 per cent, respectively. The size of India's textile market in 2014 was US\$ 99 billion. The market is expected to expand at a Compound Annual Growth Rate of 9.6 per cent over 2014–23.



STATISTICS

- The sector contributes 14% to Industrial production, 4% to India's GDP, constitutes 13% of the country's export earnings and 14 percent to overall Index of Industrial Production (IIP)
- With over 45 Million people, employed directly and 60 million people indirectly, the industry is one of the largest sources of employment generation in the country.
- The domestic textile and apparel industry in India is estimated to reach USD 100 Billion by 2016-17 from USD 67 Billion in 2013-14.
- Exports in textiles and apparel from India are expected to increase to USD 65 Billion by 2016-17 from USD 40 Billion in 2013-14.
- The total fabric production in India is expected to grow to 112 Billion square metres by 2016-17 from 64 Billion square metres in 2013-14.
- India's fibre production in 2013-14 is 7 Million Tonnes and is expected to reach 10 Million Tonnes in 2016-17.

INVESTMENT IN INDIAN TEXTILES

The textiles sector has witnessed a spurt in investment during the last five years. Several foreign companies have invested in India. These include textile machinery manufacturers Rieter and Trutzschler; and apparel retailers like Zara and Mango (both from Spain), Promod (France), Benetton (Italy), Esprit, Levi's and Forever 21 (all from the US). 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."
- 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.

American casual fashion retailer Aéropostale, has made 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 TOWARDS MAKE IN INDIA

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 percent Foreign Direct Investment in the Indian textiles sector. Some initiatives 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 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 the Secretary Dr. S. K Panda, Union ministry of Textiles.
- Subsidies on machinery and infrastructure
 - ❖ The Revised Restructured Technology Upgradation 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.
 - ❖ 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.
- 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.
- A Memorandum of Understanding (MoU) has been signed between India and Kyrgyzstan seeking to strengthen bilateral cooperation in three fields -Textiles and Clothing, Silk and Sericulture and Fashion.

REASONS TO INVEST IN INDIA

- India has the second largest manufacturing capacity globally.
- The Indian textile industry accounts for about 24% of the world's spindle capacity and 8% of global rotor capacity.
- India has the highest loom capacity (including hand looms) with 63% of the world's market share.
- India accounts for about 14% of the world's production of textile fibre and yarn and is the largest producer of jute and the second largest producer of silk and cotton.
- A strong production base of a wide range of fibre/yarn from natural fibres like cotton/jute, silk and wool to synthetic/man-made fibres like polyester, viscose, nylon and acrylic.
- Increased penetration of organised retail, favourable demographics and rising income levels to drive textile demand.
- India enjoys a comparative advantage in terms of skilled manpower and cost of production over major textile producers.

- Abundant raw material and increasing demand for exports to boost fibre production.
- Abundant availability of raw materials such as cotton, wool, silk and jute.

CONCLUSION

Textile plays a major role in the Indian economy. The "Make in India" concept can thus be boosted through a fashion and textiles institute by encouraging more of Research and Development in the field of development of innovative textile fibres. At the initial stages, there can be Memorandum of Understanding with major fibre and fabric manufacturers of India with a fashion and textiles institute to help in the developmental stages. The intellect and knowledge will flow out from the fashion and textiles institute and the infrastructure required for trials and testing will be provided by the industries. An economically viable way to do such Research and Development can be worked out. The fashion and apparel industry is thus a prospective area in which investments can be expected since India offers 100 percent Foreign Direct Investment (FDI) in single brand retail and 51 percent in multi brand retail. This allows foreign brands to enter India by either a joint venture or having a licensing agreement with a domestic brand or company.

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