CHAPTER- IV
AN OVERVIEW OF TEXTILE INDUSTRY IN INDIA, CHINA,
TAMILNADU AND SALEM

4.1 PROFILE OF INDIAN TEXTILE INDUSTRY

India is world’s second largest producer of textiles after China. The fundamental strength of the industry in India starts from its strong production base. It has wide range of fibers and yarns from natural fibers like polyester, viscose, nylon and acrylic. The growth of textile industry in last decades is comparatively more than previous decades. It is primarily due to liberalization of trade and economic policies of India in the 1990’s.

Indian textile industry is one of the most important sectors of the country’s economy contributing 4% of GDP, 14% of industrial production and 17% of export earnings. This sector is the second largest provider of employment, after agriculture, employing more than 35 million people directly. Indian synthetic and rayon textile industry is gaining importance and their exports are in the range of 186.91 billion rupees in 2009-10. The textile export of the country was around $19.14 billion 2006-07, which saw a considerable rise to reach $22.13 in 2007-08. The share of exports is also expected to increase from 4% to 7% in 2012-2013.¹

4.1.1 EVOLUTION OF INDIAN TEXTILE INDUSTRY

The cotton textile industry is the first modern Indian industries which was the base on which the pyramid of Indian industrialization has been built. The textile industry gradually developed in to full fledged composite one which started largely as spinning enterprise in olden days. In its history, the industry has witnessed many ups and downs. In April, 1951, i.e., on the eve of economic planning in India, there were 378 cotton mills, consisting of 103 spinning mills and 275 composite mills which contain mills spin the yarn, weave fabrics and process under one roof. The general policy during the five year plans, on the recommendations made by the Kanungo and Karve committees during the mid-1950s – has been expand the spinning capacity of the industry so that more yarn is

¹ Source : yarns and fibers.com
made available for weaving both in the organized and the decentralized sectors of the economy. In pursuance of this policy, during the last five decades, the number of composite mills has shown only a marginal rise to go up to 281 presently from 275 in 1951. The number of spinning mills on the other hand, has shown a fifteen fold increase, their number has increased to 1561 from 103 in 1951. Similarly, whereas the spindles installed in the industry have increased more than threefold during the last five decades from 11 million in 1951 to 35.41 million presently the automatic looms have shown a fall from 1.95 lakhs to 1.23 lakhs. The textile industry contributes 4 percent of GDP and 33 percent of foreign exchange earnings. The industry provides direct employment to about 300 lakhs persons which forms about 20 percent of the total employment in the organized sector. Indirect employment provided by the industry runs in to several million.

4.1.2 PRODUCTION OF TEXTILE INDUSTRY

The textile industry produces yarn and fabrics. The production of fabrics has increased from about 4,515 million sq.meters in 1950-51 to 42,209 million sq.meters in 2003-2004.
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2010-2011 April To December</th>
<th>2011-2012 April To December (Provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mill sector</td>
<td>1781</td>
<td>1796</td>
<td>2016</td>
<td>2205</td>
<td>1643</td>
<td>1656</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>2.00</td>
<td>0.84</td>
<td>12.25</td>
<td>9.38</td>
<td>-</td>
<td>0.79</td>
</tr>
<tr>
<td>Handloom</td>
<td>6947</td>
<td>6677</td>
<td>6806</td>
<td>6949</td>
<td>5100</td>
<td>5178</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>6.30</td>
<td>-3.90</td>
<td>1.93</td>
<td>2.10</td>
<td>-</td>
<td>1.53</td>
</tr>
<tr>
<td>Powerloom</td>
<td>34725</td>
<td>33648</td>
<td>36997</td>
<td>37929</td>
<td>28566</td>
<td>27841</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>5.60</td>
<td>-3.10</td>
<td>9.95</td>
<td>2.52</td>
<td>-</td>
<td>-2.54</td>
</tr>
<tr>
<td>Hosiery</td>
<td>11804</td>
<td>12077</td>
<td>13702</td>
<td>14647</td>
<td>11055</td>
<td>9464</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>2.60</td>
<td>2.30</td>
<td>13.46</td>
<td>6.90</td>
<td>-</td>
<td>-14.39</td>
</tr>
<tr>
<td>Others</td>
<td>768</td>
<td>768</td>
<td>812</td>
<td>812</td>
<td>599</td>
<td>599</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>6.10</td>
<td>0.00</td>
<td>5.73</td>
<td>0.00</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Total cloth Production</td>
<td>56025</td>
<td>54966</td>
<td>60333</td>
<td>62542</td>
<td>46963</td>
<td>44738</td>
</tr>
<tr>
<td>Change in Percentage</td>
<td>4.94</td>
<td>-1.89</td>
<td>9.76</td>
<td>3.66</td>
<td>-</td>
<td>-4.74</td>
</tr>
</tbody>
</table>

Source: Office of the Textile Commissioner, Mumbai.

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2 Website: http://indiabudget.nic.in
The IIP covers four textile groups, namely cotton textiles; wool, silk and man-made fiber textiles; jute and other vegetable fiber textiles (except cotton); and textile products (including wearing apparel). Cotton textiles production grew by 10.1 percent during April – November 2010-11 as compared to 3.6 percent during April-November 2009-10. Jute textiles production has also recovered and grew by 6.8 percent as compared to a decline of 16.7 percent during April-November 2009-10. Textile products grew by 5.7 percent during April-November 2010-11 as compared to 3.9 percent during the corresponding months of the previous year. In the wool, silk, and man-made fibers segment of textiles growth has, however, dipped to mere 0.1 percent during April-November 2010 as compared to 13 percent during 9.14 Overall, the production of textile fabrics increased by 1.9 percent during April-October 2010-11. This is a moderate performance when compared with the robust increase of 8.8 percent during 2009-10. The decline in textile fabrics/cloth during the current financial year has been on account of comparatively lower growth rates in the production of mill, power loom and hosiery segments.

Post slowdown/recession in the developed economies, the textile sector has gathered momentum yet the export performance of Indian textiles continues to lag substantially behind that of China’s as regards rate of growth as well as share in world textile exports. During 2009, China had a 28.3 percent share in world textile exports as against India’s share of only 4.3 percent. In clothing exports, China had a share of 30.7 percent as against India’s share of 3.6 percent. India’s textile exports grew by 6.31 percent during 2009-10 as against a decline of 5.0 percent during 2008-09.

4.1.3 PATTERN OF CONSUMPTION

The pattern of consumption can be evolved under two heads such as trends in the consumption of cloth and composition of consumption. The per capita availability of cloth over the years has gone up from 15 meters in 1960-61 to 31.4 meters in 2002-2003.

Consumption of cotton as a percentage of all fibers and filaments is about 60:40 in our country. This is because of various inherent advantages that India has
in terms of cotton produce and its quality. However, world over the ratio is about 43:57. India seems to be heading towards this global trend. This is because the wash and wear qualities of polyester and blended fabric reduce the maintenance cost in terms of washing and ironing.

4.1.4 EXPORT OF TEXTILE PRODUCTS

A steady inflow of foreign exchange is one of the dominant aspects of the economic contribution of the textile trade. Successive Government policies have consistently encouraged measures to exploit country’s comparative advantages to increase exports. The textile exports also contribute to about 16 percent of the India’s total exports. In the global textile trade also Indian share has increased from 1.85 percent in 1985 to 3.13 percent last year i.e. 2010-2011. However, it is still lower than our share of 11 percent in 1951. Further, Indian exports have grown at an average of seven percent per annum in dollar terms over the last five years, while world textile trade has grown only about for percent annum in the same period.

The National Textile Policy-2000 has envisaged textile exports at US $ 50 billion with the share of garments at US $ 50 billion by 2010. The World Bank has estimated that Indian clothing industry would benefit from abolition of quota as its quota levels are always fully utilized. The recent measures taken by the government in the form of TMC (Technology Management Centre), TUFS (Technology Upgradation Fund Scheme), CDP (Cluster Development Plan), SITP (Scheme for Integrated Textile Park) are also bound to reflect in strengthening the fundamentals of the textile industry enabling it to market its products aggressively in the global market.
Table 4.2 Textile exports - Top ten countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>23064</td>
<td>21787</td>
<td>27188</td>
<td>15155</td>
<td>18259</td>
</tr>
<tr>
<td>United States</td>
<td>4700</td>
<td>4226</td>
<td>4946</td>
<td>2909</td>
<td>3392</td>
</tr>
<tr>
<td>China</td>
<td>880</td>
<td>868</td>
<td>2325</td>
<td>834</td>
<td>690</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1667</td>
<td>1625</td>
<td>1798</td>
<td>1047</td>
<td>1233</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1695</td>
<td>1708</td>
<td>1667</td>
<td>975</td>
<td>1288</td>
</tr>
<tr>
<td>Germany</td>
<td>1556</td>
<td>1604</td>
<td>1528</td>
<td>909</td>
<td>1243</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>610</td>
<td>500</td>
<td>1105</td>
<td>520</td>
<td>683</td>
</tr>
<tr>
<td>France</td>
<td>936</td>
<td>916</td>
<td>810</td>
<td>517</td>
<td>644</td>
</tr>
<tr>
<td>Italy</td>
<td>880</td>
<td>743</td>
<td>778</td>
<td>459</td>
<td>628</td>
</tr>
<tr>
<td>Turkey</td>
<td>462</td>
<td>399</td>
<td>667</td>
<td>405</td>
<td>431</td>
</tr>
<tr>
<td>Spain</td>
<td>643</td>
<td>676</td>
<td>667</td>
<td>416</td>
<td>532</td>
</tr>
</tbody>
</table>

As per the latest available WTO statistics, India ranks 3rd in the global exports of textiles and 6th in the global exports of clothing with share of 5.1% and 3.2% respectively. The modernization and development of textiles and clothing industry is being pursued by the Government through various Plan Schemes viz. Technology Upgradation Fund Scheme, Integrated Skill Development Scheme, Integrated Scheme for Powerloom Sector Development, Knitwear Technology

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3 This information was given by Smt. Panabaaka Lakshmi, Minister of State for Textiles in written reply to a question in Lok Sabha on 26/3/2012 http://pib.nic.in/newsite/erelease.aspx?relid=81622
Mission as well as Schemes for Development of Handloom Clusters and Handicraft Clusters. The sanction, disbursement and monitoring of expenditure of funds allotted for the development of textiles and clothing sector is strictly enforced in terms of the General Financial Rules of the Government as well as other statutory audit and accounting procedures.

**4.1.5 INVESTMENT IN TEXTILE INDUSTRY**

The textile exports are projected to reach a level of US $50 billion (Rs.1,76,000 crores annually) from the present level about 12 billion US $. This would call a massive investments in the textile sector. As per the vision statement for the textile sector prepared by CRISIL investments of Rs. 1,40,000 crores will be needed not only to modernize the existing capacities but also to create fresh capacity. The largest investment need will be in the processing sector, which is a critical segment in the value chain that determines the quality of the fabrics. An investment of Rs. 64,900 crores is required to set up world-class process houses in the country. A broad break up of investments of Rs. 1,75,259 crores in the year of 2010-2011 is as under the following table.

**Table 4.3 Investment in Textile and Garment industry**

[Estimated by CRISIL (Credit Rating and Information Service of India Limited)]

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investments (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spinning</td>
<td>42,655</td>
</tr>
<tr>
<td>Weaving</td>
<td>31,034</td>
</tr>
<tr>
<td>Knitting</td>
<td>5,670</td>
</tr>
<tr>
<td>Processing</td>
<td>64,900</td>
</tr>
<tr>
<td>Garmenting</td>
<td>31,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>1,75,259</strong></td>
</tr>
</tbody>
</table>

Source: CRISIL

4 Source: CRISIL-Assuming a Debt equity ratio of 1.5:1, the equity requirement is about Rs. 56,000 Crores and debt requirement of Rs. 84,000 crores.
4.1.6 CURRENT SCENARIO OF TEXTILE EXPORTS IN INDIA

The textile industry holds significant status in India. Textile industry provides one of the most fundamental necessities of the people. It is an independent industry, from the basic requirement of raw materials to the final products, with huge value-addition at every stage of processing. Today textile sector accounts for nearly 14% of the total industry output. Indian fabrics are in demand with its ethnic, earthly coloured and many textures. The textile sector accounts about 30% in the total export. This conveys that it holds potential if one is ready to innovate. The textile industry is the largest industry in terms of employment economy, which was about to generate 12 million new jobs by 2012. It generates massive potential for employment in the sectors from agricultural to industrial. Employment opportunities are created when cotton is cultivated, it does not need any exclusive Government support even at present to go further. The whole textile industry is constituted of the segments such as readymade garments, cotton textiles including handlooms mill made, power loom, handloom, man–made textiles, silk textiles, woolen textiles, handicrafts including carpets, coir, jute.

Textile exports are targeted to reach $50 billion by 2010, $25 billion of which will go to the US. Other markets include UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh, and Japan. Currently, because of the lifting up of the import restrictions of the Multi Fiber Arrangement (MFA) since 1st January, 2005 under the World Trade Organization (WTO) Agreement on textiles and clothing, the market has become competitive; on closer look it sounds an opportunity because better material will be possible with the traditional inputs so far available with Indian market. At present, the textile industry is undergoing a substantial re-orientation towards other than clothing segments of textile sector, which is commonly called as technical textiles. It is moving vertically with an average growing rate of nearly two times of textiles for clothing applications and now account for more than half of the total textile output. The process in making technical textiles requires costly machinery and skilled workers.
4.2 TEXTILE INDUSTRY OF CHINA

The textile industry is a recognized national precious stone in China. It is considered as one of the pride of China. By analyzing the China’s textile industry, it is able to understand the different forces that shape the competition in the textile market, and more importantly, one can understand the drivers for the Chinese competitive position.

4.2.1 EVOLUTION OF CHINA’S TEXTILE INDUSTRY

It is difficult to identify exactly when the textile industry began. Archaeological studies suggest that the first textile, different from fur or skins sewn together, was felt (non-woven cloth produced by considering and pressing woolen fibers). The locations where textile was first used are believed to be at Egypt, India, Turkey and China. Since ancient years, China was a key player in the textile market. First textile fragments were found in Yuyao, Zhejiang, dated to approximately 4000 BC. Scraps of silk were found in Huzhou, Zhejiang, dating back to 2700 BC. The Chinese textile production and trading strongly influenced the development of the textile industry in other countries also especially Medieval Europe.

Through modern times, England Italy, France, Spain, Germany and Scandinavia developed sophisticated clothing markets. Until the nineteenth century, China was the world’s largest and most advanced economy. In the textile industry China was a large, advanced textile producer. In the industrial revolution, textile production was mechanized leading to mass production and assembly line organization. Sewing machines emerged in the 19th century reshaping clothing production. During this period, Europe, especially England, achieved great efficiency gains and Chinese competitiveness lagged behind. In the end of last century, the textile industry was shaped by the effects of globalization. Lower transportation costs, reduced commercial barriers and better information flows facilitated the relocation of manufacturing activities in many sectors.

The textile industry is highly labour intensive, thus it benefited greatly from lower labour costs. As a consequence, many textile manufacturing facilities were relocated, for example, to Southeast Asia and Latin America. However, initially
China hardly participated in this process due to its restricted access to foreign markets.

4.2.2 KEY FACTORS BEHIND CHINA’S RISE IN TEXTILE INDUSTRY

**Government incentives to textile industry:**

China's textile industry is a major employer, providing jobs for 20 million people across the nation. The measure is part of a series of industry-specific incentives that the government is rolling out in response to the global crisis and the slowdown in exports.

The nation's textile trade has been hard hit by the global crisis, as exports last year (2011) rose just 8.2 percent from a year earlier, compared with 18.9 percent growth in 2007, the China Daily newspaper said recently. This caused profits to shrink 1.77 percent in the first 11 months of last year to 104.2 billion Yuan (15.2 billion dollars), the first decline in a decade, the paper said, citing the National Bureau of Statistics. China's overall exports declined in both November and December from a year earlier, the first drop in seven years.

The Government had tried a similar measure to help the textile industry in November, increasing the rebate then from 13 to 14 percent. China announced that it would increase tax incentives for textile exporters in a bid to help them through the global economic crisis, state media reported. The State Council, or Cabinet, decided to hike the tax rebate for textile exporters to 15 percent from 14 percent, after a meeting presided over by Premier Wen Jiabao, state television said. The rebate allows companies to get part of the money back they have paid in value-added tax on production input.

**Encouragement of FDI (Foreign Direct Investment):**

In order to be competitive in the global market, it is essential to be able to make products that meet world market specifications, in terms of quality, design and technology. In the recent decades, China was very successful not only producing low complexity/low value added product, but after 1990 China also managed to expand the production of value added, technological products. It is a

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key advantage that China presents when compared to other Southeast Asian countries. The improvement on the Chinese production standards and technology was pushed by the increasing inflow of Foreign Direct Investment.

Foreign companies that installed in China during the last decades employed foreign investment on machines, plants and technology. In addition, these companies also brought and shared foreign expertise with local workers. Especially in cases when these companies were established through joint ventures, the knowledge sharing process was even more intense. It is easy to observe the effects of FDI on the competitiveness in the global markets. The Chinese provinces that most received higher volumes of FDI also present a stronger performance in the exports.

**Productivity improvement:**

Chinese producers are capable exploiters of the Creative Marketing Techniques (CMT) model with large production capacity and low unit costs. But the Chinese textile industry’s real competitive advantage is that it lies at the centre of highly integrated up and downstream supply chains. A stable supply of quality inputs, close proximity to upstream industries and full Government support has embedded the industry within the global ‘Triangle Networks’ of offering the full package of capital, entrepreneurial drive, global experience with local knowledge. History has shown that the production base which relies merely on the low-cost model will soon lose it competitive edge to ‘the next low-cost base’. Low-cost competition is high amongst south East Asian countries.

**Fixed exchange rate:**

The nominal exchange rate is highly relevant in all global trading transactions. Countries with undervalued currencies enable foreign buyers to use their relatively overvalued currency to buy “cheap” in the local market. In 1994, the Chinese Government devalued the currency from 5.8 to 8.3 RMB (RenMinBi-the official currency of People’s Republic of China) Yuan per US dollar. The movement strongly contributed to the global competitiveness of the items produced in China. In 2005, the Chinese government announced that it would move to a floating exchange rate policy. Initially, the Chinese suffered a moderate
appreciation. However, the Government has been using part of its reserves to buy US dollars. This movement generates an undervaluing pressure over the Chinese currency. For this reason, the Yuan remains undervalued, which contributes to the competitiveness of textile producers in China.

**Development of Free Trade Zones and Integrated Clusters:**

The Chinese Government gives more importance to create free trade zones at various places within the country which helps to increase the export trade of woven fabrics. An integrated cluster of textile fabric highly decreases the effort of manufacturers of woven fabrics.

**4.2.3 CURRENT STATUS OF TEXTILE INDUSTRY IN CHINA**

China has become a dominant exporter, attracting manufacturing facilities from many different sectors and geographies. Textile producers located not only in developed countries but also low income countries relocated facilities to China. Country’s competitiveness depends on micro and macro factors. At a micro level, country’s competitiveness is shaped by the cost associated to deliver a certain service and product.

The production costs depend on the local wages, capital cost, scale of production and employed technology. From a macro perspective, country’s competitiveness is reflected on current exchange rate, tariffs, transportation costs and trade restrictions. Analyzing macro and micro factors, the authors claim that the Chinese competitiveness can be explained by the following determinants:

**Labour costs:** In recent decades, many Chinese moved from rural areas to the city, looking for better life perspectives and better jobs. Most of the rural workers are not educated or technically trained. Consequently, the people moving to cities search low-skill job opportunities, for example in the textile industry.

**Exchange rates:** The nominal exchange rate is highly relevant in all global trading transactions. Countries with undervalued currencies enable foreign buyers to use their relatively overvalued currency to buy “cheap” in the local market. In 1994, the Chinese Government devalued the currency from 5.8 to 8.3 RMB (RenMinBi- the official currency of China) Yuan per US dollar. The movement
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**Chinese economic reform:** Prior to the start of Chinese economic reform in 1978, China had limited access to foreign markets. Before the reform, foreign companies could not operate in the Chinese economy, which was dominated by state-owned enterprises. Only after 1979 the private sector and foreign investments were promoted⁶.

**China’s recent focusing factors in Textile industry**

**Relocating production:** China now-a-days relocating its production centers. It is shifting the textile manufacturing units to lower cost regions with in China. It is shifting the major units to cheaper Asian countries like Vietnam, Cambodia, and Indonesia.

**Shift in marketing focus:** China shift its focus from export markets to domestic markets. Exports of textile is also had a change which makes it to shift in exports from US and EU markets to Asian and South American markets.

**Shift from ‘make’ to ‘create’:** Government motivating textile companies to develop their own brands. China wants their manufacturers to create new designs and quality which helps them to show differentiation of the product in the market. China simply don’t want to make fabric but needs to create fabric to stand strong position in the market.

**Focus on improving technology and quality:** China slowly shift its focus from labour intensive production to technology intensive production. It gives more emphasis on capital-intensive production which can assure uninterrupted large scale production.

It is very clear that the following factors are the strong reasons for the current success in the textile industry. They are listed as follows:

⁶ CEIBS : China Europe International Business School- Chinese Economy course material
• Integration of supply chain and economies of scale  
• Brand building  
• Concentration towards research, development and innovation  
• Focus on efficiencies in supply chain  
• Close relationship with their customers  
• Geographical outreach  
• Aggressive government pro–industry measures  
• Synergy in competition.

4.2.4 TRADE BARRIERS FOR CHINESE TEXTILE PRODUCTS

The competitiveness of China resulted in a shift in the textile production. Especially producers located in developed countries struggle to compete in the global textile industry and gradually are put out of business. Long before China opened its market, other developing countries presented similar competitiveness and threatened producers in developed markets. These producers and Governments of developed countries feared loosing the market for the textile volumes produced domestically. In order to avoid or limit the negative impact that developed economies could suffer, in 1974 it was introduced the Multi Fiber Arrangement (MFA); also known as Agreement on Textile and Clothing (ATC). This policy intervention was created to protect domestic industries in major developed countries, which alleged that producers in developing countries were applying and dumping.

Multi fiber arrangement imposed quotas on the year amount of textile that developing countries could export to developed markets from 1974 through 2004. It was set to expire on 1st January 2005. In the mean time, producers in developed countries had time to improve its efficiency and recover its competitiveness. However, they never managed to match the required competitiveness to remain in the market. China as a developing country also had to export according to the limits pre-defined in the MFA. For this reason, after the economy reform in 1979,
China could enjoy only to some extent of benefits due to its competitiveness in the textile market.

By the end of MFA valid period, international organizations realized that the agreement was actually making space for inefficient producers in developing economies, and it was causing severe losses in the developing world. In September 2002, the IMF and the World Bank realized that the MFA caused developing countries an export revenue loss that amounts to 40$ billion per year, of which $22.3 billion is on account of quotas.

At the beginning of 2005, once MFA had expired, the textile exports from China to Western countries grew 100% (500% for some items) generating strong discomfort for developed countries. As a response, EU left more that 75 million Chinese garments piled up in Europe ports. In addition, US and EU filed China at the WTO and managed to limit China’s export growth to 7.5% per year instead. In June 2005, EU managed to agree on new quota imports from China on selected items until 2008. Fortunately, in 2007, EU lifted textile quotas on China.

With the gradual recovery of the global economy, as well as national support policies for textile and garment industry, the cumulative effect is gradually emerging, China’s textile and clothing exports are at a crucial stage of recovery stabilizing, but the textile and apparel industry is still facing some problems.

**Problems of China’s textile and apparel industry**

First, profit margins have been compressed textile enterprises. In 2009, along with cotton yarn, cotton cloth market conditions improved, domestic cotton demand picked up, prices continue to rise.

Second, increasing protectionism in international trade. After the outbreak of the financial crisis, government to protect their own industries, by improving the safety, health, environmental standards and to take anti-dumping, countervailing measures, to build barriers to trade, China’s textile and clothing exports face trade frictions become more serious.

Third, carbon emission restricts China’s textile export. With the global climate conference in Copenhagen, Denmark, the convening of low–carbon
economy has been widespread concern. On the textile and garment industry in terms of printing and dyeing industry, company will have to withstand greater pressures.

Next one is shortage of technical labour supply within the country. In the Yangtze river delta and Pearl river delta, many companies have raised their wages. Labour shortage seems to become a national issue.

Finally, with the end of trading barriers, China could fully enjoy the benefits of its high competitiveness in textile sector. In the following years, China kept receiving high investments, new companies and greater demand for the textile produced in the country.

4.3 COMPARISON OF TEXTILE INDUSTRY OF CHINA WITH INDIA

China’s position in the textile industry is extremely strong and undoubtedly leads the global production. A study presented by the end of 2009 claims that, even under the negative effects of the global financial crisis, China is still the most competitive location in the world for the textile industry (China’s competitiveness index for this industry was evaluated at 102.8 in 2009).7

During the financial crisis, while the overall decrease in Chinese exports amounted around 15%, the textile industry felt only partially the downturn effects. Chinese prevailing competitiveness in the textile industry is also supported by public investments and industry internal organization in China.

Textile industry of India needs to think beyond factor driven industry. Before 2005 the Indian textile industry was considered as factor driven industry, the factors behind textile industry were raw material availability, labour availability, Government policy etc. From 2005 to 2010 the industry was fully based on efficiency driven. It focuses towards vertical/virtual integration, manufacturing excellence, supply chain efficiency, diversity in product mix. From 2011 onwards the textile industry is considered as innovation driven industry. Its main concentration is shifted to product development, design and brand, marketing channels, business process.

4.3.1 TEXTILE AND APPAREL EXPORTS HAVE FOLLOWED A SIMILAR TREND IN PAST 20 YEARS

TABLE 4.4 Textile and apparel exports of China and India for the past twenty years

| Year | US $ in billion | | | |
|------|-----------------|------|------|
|      | **China** | **India** |
| 1990 | 16 | 4.6 |
| 2000 | 52 | 11.4 |
| 2005 | 104 | 15 |
| 2010 | 206 | 25 |

Source: UN Comtrade, Technopak analysis

CHART 4.1 Textile and apparel exports of China and India for the past twenty years

Table 4.4 and Chart 4.1 explains the textile and apparel exports of China and India for the period from 1990-2010. Table concludes that there is fast growing in China and slow growing in India.

It is forecasted that China will add US $300 billion to its domestic apparel demand by the year 2020. China will remain the biggest exporter but with rising costs and rising domestic demand, it may cede some export opportunity. So
because of constraints facing by China in future, new opportunities will be created for other countries like India, Bangladesh and Pakistan etc.

4.3.2 CHINA TEXTILE AND APPAREL INDUSTRY SIZE- SOME PROJECTIONS

TABLE 4.5 Estimation relating to textiles and apparel industry size of China

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic need</td>
<td>150</td>
<td>260</td>
<td>450</td>
</tr>
<tr>
<td>Exports</td>
<td>206</td>
<td>290</td>
<td>350</td>
</tr>
<tr>
<td>China’s constraints In export</td>
<td>--</td>
<td>--</td>
<td>50</td>
</tr>
<tr>
<td>Total production</td>
<td>356</td>
<td>550</td>
<td>800</td>
</tr>
</tbody>
</table>

Source : National Bureau of Statistics , China

CHART 4.2 Estimation relating to textiles and apparel industry size of China
4.3.3 INDIAN TEXTILE AND APPAREL INDUSTRY SIZE- SOME PROJECTIONS

In the year 2020 it is estimated that 50 billion US dollar worth of textile export will go to other countries. It will create good opportunity for India to increase its textile exports.

CHART 4.3 Estimation relating to size of textile export in India

India’s domestic market will grow substantially with the export. India’s US$ 52 billion domestic textile and apparel industry has the potential to grow at the rate of 11% to reach US$140 billion by 2020.

CHART 4.4 Estimation relating to size of domestic market in India

---

8 Ministry of Indian Textiles, Technopak analysis.
4.3.4 CHINA’S FALL CREATES OPPORTUNITIES TO INDIA

China’s position in the textile industry is extremely strong and undoubtedly leads the global production. Due to increase in US restrictions on Chinese textile exports during the first six months of the year 2010-2011, India becomes one of the major beneficiaries in this regard. The top planning body of China predicted that there will be even less growth in textile exports in the second half.

NDRC noted that there was keen rise in India’s textile exports to the US by 18%. The bordering countries such as Vietnam, Pakistan, Cambodia and India saw a sharp increase in their textile export to US. Because of import restrictions, China’s export to European Union also found a sharp decline. The total amount valued at USD 9.5 billion, which stood as 10.3 from the same period of previous year.

China’s textile export was greatly affected due to changes in trade environment and such a trend is expanding constantly. US and EU have set limits on textile products imported from China from January 1 when the global quotas were scrapped. They stated that the surge of textile product of China disturbed their markets and also hurt the domestic market. At the same time it should be noted that during January-June period China’s textile enterprises had a sharp increase in their export share to regions without restrictions, which reached USD 44.75 billion, up 34.4 percent from the same period of last year.

In spite of all adverse factors such as rise in price of raw materials, appreciation in currency of China, trade frictions and inadequate cotton supply, China’s textile industry remains at ‘Good position’.

The industrial output of China’s textile enterprises was reached 1,141.2 billion Yuan (USD 142.65 billion) in the first six months, up 23.7 percent from the same period of last year. The added value, up 24.6 percent to 295.7 billion yuan (USD 37.07 billion). The report of NDRC predicted that in the next second half of the year, China’s textile industry will remain a stable growth but trade environment factors will lead them to less growth in export.
To conclude the decade 2010 to 2020 will be the best decade ever for textile industry. India can learn from China in many ways. Domestic market demand will grow rapidly in the years to come. External and internal factors strongly in India’s favor for textile industry. Regulatory and capital environment are now more supportive for the industry than before. In spite of all the changes, Indian Textile and Apparel industry is poised to start the best decade ever for this industry.

4.4 TEXTILE INDUSTRY OF TAMILNADU

Tamilnadu is one of the most industrialized states in the country and at present it is the fifth largest economy in India. The State Domestic Product at current prices is about US$ 36.78 billion and current exports are around US$ 5.5 billion. There has been visible change in the overall economic and industrial climate in the state.

4.4.1 TAMILNADU ECONOMY

The State’s economy largely depends on industries and agriculture. The shares of economic activity in the state of Tamilnadu at present are given below. The total economic activities are classified as manufacturing activities which prevails at 34% and services 45% and agriculture activities are at 21%.

**Investor profile**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>55.1%</td>
</tr>
<tr>
<td>Foreign</td>
<td>14.9%</td>
</tr>
<tr>
<td>Indian</td>
<td>29.9%</td>
</tr>
</tbody>
</table>

**Investments strengths**

Positive factors for the growth of industrial sector of the state can be described as business savvy state Government, responsive local administration, good railways, ports and telecom network, adequate road connectivity, availability of low cost labour through out the state.
State priority areas

Textiles, electronics, software, auto components, pharmaceuticals, and leather are the most popular industry of the state. Tamilnadu is also known for its textile industries. A large number of textile mills and engineering industries are present around Coimbatore City. The textile industry adds huge revenue to the country’s economy by providing direct employment to an estimated 35 million people, and thereby contributing 4% of GDP and 35% of gross export earnings. Tiruppur (Coimbatore district) is the largest exporter of garments in the country and hence called as the “Textile valley of India”.

4.4.2 VARIOUS SECTORS IN TAMILNADU TEXTILE INDUSTRY

The Textile Industry occupies a unique position in Indian economy in terms of its contribution to industrial production, employment and exports. As regards Tamilnadu, Textile Industry is the forerunner in the industrial development of the State as it provides large scale employment to the rural people next to agriculture. Spinning, handloom, power loom and garment are the four pillars of the textile sector in the state. The primary objective of the Department of Handlooms and Textiles is to promote the socio-economic conditions of the handloom weavers and to work for the harmonious growth of handloom, power loom and textiles Sectors.

The commissioner of handlooms and textiles is the head of the department who is assisted by various level officers at Headquarters level and Deputy / Assistant Director of Handlooms and Textiles at circle level. The Commissionerate is responsible for implementing various schemes for the development of handloom industry and for the welfare of the handloom weavers. While the Commissioner of Handlooms and Textiles is managing the affairs at the Commissionerate level, the Deputy / Assistant Director of handlooms and textiles at various circles are instrumental in executing the policies of the Government and ensuring the implementation of the schemes aimed at reaching the weavers in a most effective manner.
**Handloom sector:**

The Handloom industry is the largest and most important industry in India providing employment to a large number of people living in rural and urban areas. It provides employment to 6.08 lakhs weavers through 4.13 lakhs looms in Tamilnadu. In Tamilnadu 2.28 lakhs handlooms are functioning in 1,187 primary handloom weavers’ co-operative societies as on 31.03.2011. The average annual production of different varieties of handloom cloth is 1258.06 lakhs meters and the sales transacted to the extent of Rs.1,000 crores per year.

All the developmental and welfare schemes implemented by the Government of TamilNadu and Government of India to the weavers are channelized only through the Weavers’ Co-operative Societies. As far as handloom weavers in private fold are concerned, there are 1.85 lakhs looms are functioning under unorganized sectors in Tamilnadu. The handloom weavers outside the co-operative sector are getting welfare benefits through Tamilnadu Handloom and Handloom Silk Weaving Workers Welfare Board. 2,21,347 handloom weavers have been enrolled as members as on 31.03.2011.

**Powerloom sector:**

The powerloom sector in Tamilnadu plays significant role in meeting the clothing needs of the people. The powerloom sector in Tamilnadu is next only to Maharashtra in terms of number of powerlooms. In the liberalized economic environment, the delicensed powerloom sector has been steadily registering good progress and providing more employment. Production of cloth as well as generation of employment has been rapidly increasing in this sector. It also contributes significantly to the export earnings of the country. The powerloom sector in Tamilnadu provides employment to around 11.16 lakhs workers. As against 22.24 lakhs registered powerlooms in India, 4.46 lakhs powerlooms are located in Tamilnadu.

**Powerlooms share of Tamilnadu in India:**

Other States 80% Tamilnadu 20% of which, 44,000 powerlooms are functioning under 189 powerloom Weavers Co-operative Societies. The cloth production in the powerloom sector in Tamilnadu is about 10,800 million
sq. metre. The Powerloom Weavers’ Co-operative Societies in the State assist in the production of cloth required for Government Schemes like Free Supply of Dhothies and Sarees to the poor and Free Supply of Uniforms to the school children etc. crores and the sales of the cloth by these

**Textiles sector:**

(i) Textile Mills

Textile sector in Tamilnadu has been a forerunner in providing massive employment, and it is 'predominantly spinning-oriented' and that too of cotton spinning. There are 2950 large, medium and small spinning Mills in India, of which, 1734 Mills are located in Tamilnadu. These include 18 Cooperative Spinning Mills, 8 National Textile Corporation Mills and 26 Composite Mills. The spinning capacity of these Mills is 16.44 million spindles with a labour force of about 2.31 lakhs. The quantity of yarn produced by this State is slightly more than one third of the total yarn production in the country.

During the year 2004-05, 3223.52 million kg. of yarn was produced in the country, of which, Tamilnadu contributed 1261.98 million kg of yarn. Successively this state is the primary producer of various varieties of yarn in the country.

The Government will devise suitable measures to facilitate that the Textile Industry grows at the rate of 18% per annum. The Government will also take efforts to address the labour laws related issues aiming at achieving the above growth. The required skilled labour force will be generated by creating new infrastructure and also by strengthening the existing ones.

(ii) Co-operative spinning mills

In Tamilnadu, 18 Cooperative Spinning Mills were setup between 1958 to 1985 with spindle capacity of 4.70 lakhs with the object of supplying good quality yarn at reasonable rates to meet the requirement of hank yarn by the Handloom Weavers' Cooperative Societies and cone yarn by the Power loom Weavers' Cooperative Societies.
Out of 18 Cooperative Spinning Mills set up in Tamilnadu, the following 5 Cooperative Spinning Mills are functioning at present. They are Bharathi Cooperative Spinning Mills, Ettayapuram, Anna Cooperative Spinning Mills, Andipatti, Dharmapuri District Cooperative Spinning Mills, Uthangarai, Pudukottai District Cooperative Spinning Mills, Aranthangi, Kanyakumari District Cooperative Spinning Mills, Aralvaimozhi.

**Garments and hosiery sector:**

The Garment sector is one of the fast growing segments of the Textile Industry in Tamilnadu. There are about 400 garment units in the State providing employment to about 2 lakhs persons contributing Rs.2500 crores in foreign exchange.

In Hosiery sector in the State, most of the units are located in Coimbatore District. There are about 8000 hosiery units in India, of which 4000 units are located in Tamilnadu. The hosiery sector in Tamilnadu is providing large scale employment to around 3 lakhs persons and contributes 44% of Country’s export. It contributes about Rs.8000 crores in foreign exchange.

**Processing sector:**

Processing is an important value added segment in the Textile Sector. There are about 10397 Hand Processing Units and 2510 Power Processing Units in India, of which, 2614 Hand Processing Units and 985 Power Processing Units are located in Tamilnadu. Out of 985 Power Processing Units in the State, 713 units are located in Tiruppur.

The availability of processing facilities is inadequate and also the technology adopted is low since most of these units are of hand processing type. The State Government is taking initiative to set up one exclusive Processing Park at Cuddalore under the Scheme of Integrated Textile Park launched by Government of India. SIPCOT has allotted 300 acres of land for this purpose and the works have commenced.
4.4.3 INITIATIVES TAKEN BY THE TAMILNADU TEXTILE DEPARTMENT

Design development

The Fashion trend is changing constantly and the sector has to necessarily change its approach. Since producing fabrics as per the consumers’ requirement is the need of the hour, the Department is giving priority to the design development work. A Design Intervention Project at a cost of Rs.40.00 lakhs has been entrusted to the National Institute of Designs, Ahmedabad. Under this project, 750 new designs are being developed and would be popularised in Vilandai, Gudiyatham, Thirubhuvanam, Kurinjipadi, Manjamedu, Uraiyur, etc., clusters.

For the first time, the Department has also decided to develop designs for each season i.e., summer, spring, winter, autumn. In the first phase, newly designed shirts ready to wear were produced and launched for sale during summer 2006. Designs for the remaining seasons are being developed and will be launched for sale during this year.

Encouragement of weavers in export activities

The Department has given a thrust to handloom exports by encouraging the weavers to bring out export-oriented products. More than 26900 Looms in 340 Weavers' Cooperative Societies are now engaged in Export Oriented Production. Apart from this, Co-Optex is also engaged in direct export. By engaging in the export business, the weavers, apart from continuous employment also get higher wages. During the year 2011-12, handloom goods for Rs.2264.36 crores have been exported by the Weavers' cooperative societies; total value of export of handloom goods from Tamilnadu being Rs.600 crores.

Product diversification

Weavers are also being encouraged to change over to marketable varieties and better value-added products such as home furnishings, foot-mats, made-ups, kitchen materials, other utility items, etc. To capture the consumer market, production of marketable / exportable varieties are encouraged and suitable action plans have been put in place by the Department.
Registering handloom products under geographical indications act

With a view to protect the 'Traditional Indian Heritage', handloom products such as "Kancheepuram Silk Sarees", "Bhavani Jamakkalam" and "Madurai Sungudi Sarees" have been registered under Geographical Indications Act.

Setting up of apparel parks

With a view to set up apparel manufacturing units on par with international standards and to boost exports, two Apparel Parks have been set up one at Tiruppur and other at Irungattukottai near Chennai at a total project cost of Rs.600 crores including the Government of India's assistance of Rs.29.43 crores. The establishment of park at Tiruppur has been completed and it has also commenced production.

With regard to Apparel Park at Irungattukottai, the basic infrastructures have been created. The Park, expectedly, would commence production by the financial year end. The Apparel Park at Tiruppur with an annual export turnover of Rs.1500 crores would ultimately provide direct employment to about 7000 persons. Similarly, the Park at Chennai will provide employment to about 10,000 persons and the expected value of exports will be around Rs.2000 crores on its completion.

Implementation of textile centre infrastructure development scheme

Two Comprehensive projects aiming at providing basic infrastructure facilities such as road, power, water supply, training centre etc for the existing textile units to boost production and exports under the "Textile Centre Infrastructure Development Schemes" are being implemented in the Textile cities of Kancheepuram and Tiruppur. The total outlay of the Kancheepuram project is Rs.21.81 crores, of which, the Government of Tamilnadu has released Rs.5.00 crores as an advance including their share of Rs.2.71 crores. So far, 43% of the works have been completed and the balance works are also likely to be completed before the year end. Wind Power Project aiming at supply of uninterrupted power at lower rates to the export units situated at Tiruppur is under implementation at a total cost of Rs.25 crores with 50% subsidy from the Government of India.
Establishment of hi-tech weaving parks

“Cluster approach " is found to be the most appropriate module to attain the economy of scale and to compete in the International Market. Therefore, the Government has decided to establish Hi-Tech Weaving Parks in the following three places. They are Cauvery Hi-Tech Weaving Park, Kumarapalayam, Vaigai Hi-Tech Weaving Park, Andipatti; and Palladam Hi-Tech Weaving Park, Palladam.

The details of total project cost, amount sanctioned by the State Government, employment potential and anticipated production, etc., are as follows:

**TABLE 4.6 TOTAL PROJECT COST FOR WEAVING PARK BY TAMILNADU**

<table>
<thead>
<tr>
<th>SNo.</th>
<th>Name of the Park</th>
<th>Project cost (Rs. in crores)</th>
<th>Amount released by the State Government (Rs. in crores)</th>
<th>Employment potential (No. of persons)</th>
<th>Expected production (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cauvery Hi-Tech Weaving Park, Kumarapalayam</td>
<td>109.98</td>
<td>3.98</td>
<td>1200</td>
<td>300.00</td>
</tr>
<tr>
<td>2.</td>
<td>Vaigai Hi-Tech Weaving Park, Andipatti</td>
<td>96.21</td>
<td>4.37</td>
<td>1500</td>
<td>300.00</td>
</tr>
<tr>
<td>3.</td>
<td>Palladam Hi-Tech Weaving Park, Palladam</td>
<td>118.34</td>
<td>4.87</td>
<td>2000</td>
<td>300.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>324.53</strong></td>
<td><strong>13.22</strong></td>
<td><strong>4700</strong></td>
<td><strong>900.00</strong></td>
</tr>
</tbody>
</table>

The construction process of loom sheds and other works are under progress and the above projects are likely to be completed by the end of the current financial year(2011-2012).
Establishment of composite textile park at Karur

A proposal for the establishment of a Composite Textile Park at Karur at a cost of Rs.66 crores with the financial assistance from the United Nations Industrial Development Organization (UNIDO) has been sent to Government of India for consideration.

Integrated handloom training project

The Integrated Handloom Training Project (IHTP) introduced by the Government of India is being implemented from the year 2003-04 onwards. Under this scheme, Training in Weaving, Dyeing and Design Development is being given to the weavers / designers, so as to upgrade their skills. Further, Managerial Training is also being given to the Managers of Weavers’ Cooperative Societies. The training under the scheme is being imparted through Primary Weavers’ Cooperative Societies, Weavers’ Service Centers and Non-Governmental Organizations involved in the Handloom Sector. Under this scheme, so far Training has been imparted to 3120 beneficiaries.

Special project for handloom weavers under Swarna Jayanthi Gram Swarojgar Yojana scheme

In order to encourage 19,500 weavers and 4,500 wards of Handloom weavers engaged in the production of 'low-cost sarees and dhotis' for the production of marketable varieties and value added products, a comprehensive special project under Swarna Jayanthi Gram Swarojgar Yojana at a total cost of Rs.25.30 crores is under implementation. Under this scheme, assistance for training and capacity building, design development, skill upgradation, technology upgradation, infrastructural development and marketing are being provided. A sum of Rs.11.58 crores has been released (Central share Rs.8.69 crores + State share Rs.2.89 crores) towards implementation of the project.

In the first phase, training has been imparted to 6358 weavers and the remaining weavers will be given training in a phased manner. So far, 10,000 designs have been developed and converted into products like sarees, dress materials and shirting, bed linen, curtains, kitchen linen and mats. The looms owned by every weaver under this project are upgraded by replacing old...
accessories. So far, 5019 looms have been upgraded and it is proposed to complete the programme by the end of the current financial year.

**Growth of the textile sector in the state**

With the phasing out of quota regime, there is tremendous scope for the Indian Textile Industry in general and the State Textile Industry in particular to reap the advantages of post quota free regime. The State share of cloth production is 12000 million sq. metre (about 27%) and is expected to reach up to 27000 million sq. metre. 16 new Spinning Mills have come up during 2005-06 with 6.20 lakhs spindle capacity. Additional investment made in this sector alone was to the tune of Rs.5,000 crores.

Likewise, 50 new garment units have been set up and around 300 knitwear export units have expanded their capacity. With an investment of about Rs.700 crores, these have created an additional employment to about 15000 persons.

Under 'Technology Upgradation Fund Scheme', 4383 projects were approved at the cost of Rs.33,568 crores. The share of Tamilnadu under the above scheme has been 22%. The operation of the scheme has been instrumental in giving fillip to the growth of Textile Industry. However, the scheme was expired in 31.3.2007, for the overall development of the textiles sector, the State Government has requested the Government of India to continue this during the entire XI Five Year Plan period.

**4.4.4 VARIOUS ACTIVITIES OF TAMILNADU TEXTILE MINISTRY**

The primary object of the Department of Handlooms and Textiles is to promote the harmonious growth of Handloom, Powerloom and Textile Sectors and to strive for the welfare of all concerned particularly that of the weavers and workers.9

9 POLICY NOTE - 2010 – 2011 Demand No. 17 Government of Tamilnadu, Handlooms, Handicrafts, Textiles and Khadi Department
The Director of Handlooms and Textiles is the "Functional Registrar" for the Handloom and Power loom Weavers' Cooperative Societies and other Cooperative Institutions connected with the Industry throughout the State and is vested with powers delegated under the Tamilnadu Cooperative Societies Act and Rules.

The Director of Handlooms and Textiles also functions as the "State Textile Authority" and as such has a general responsibility to facilitate the smooth functioning of the Spinning and Textile Mills, Hosiery units, Handlooms and Power looms. The Department has the overall responsibility for ensuring the availability of raw materials to all sectors of the industry, augmenting the production of yarn and fabrics at reasonable prices as well as creating an environment to promote the sale of end products. The Department has a special responsibility for the supply of yarn and other raw materials to the Weavers' Cooperative Societies and arranging for marketing of the finished products through Co-Optex, Loom World, Society's own showrooms and other selling outlets.

The Department of Handlooms and Textiles also promotes the Socio-economic well-being of the weavers and is in charge of implementing various welfare and developmental schemes for their welfare through circle Deputy Directors / Assistant Directors of Handlooms and Textiles.

Various Institutions functioning under the administrative control of the Department are 1232 Handloom Weavers' Cooperative Societies, 133 Powerloom Weavers' Cooperative Societies, 18 Cooperative Spinning Mills (At present, 5 Cooperative Spinning Mills viz. Anna, Bharathi, Pudukottai, Kanyakumari, Dharmapuri are functioning), Tamilnadu Handloom Weavers' Cooperative Society Limited (Co-Optex), Chennai, Tamilnadu Zari Limited, Kancheepuram, Tamilnadu Handloom Development Corporation Limited, Chennai, Tamilnadu Cooperative Textile Processing Mills Limited, Erode, Tamilnadu Textile
4.4.5 PROGRAMMES IMPLEMENTED IN THE YEAR 2011-2012

The Tamilnadu Government implement the following programmes to develop textile industry in the year 2011-2012.

**Improving quality and productivity of textiles**

An important component of the secondary sector of the state, has been identified as a thrust area for a rapid growth. The government has announced that special efforts would be taken to address the structural constraints. The industry suffers from certain disadvantages, which affect its productivity, quality and cost competitiveness. The main factor is the technological obsolescence, which is pervading almost all the segments of the textile industry, and has placed it far behind its major competitors in the domestic and world textile economy and is threatening its very existence. The Tamilnadu textile industry will definitely have to keep abreast of all developments, go through restructuring to concentrate on their core competencies and modernize, improve the productivity and quality, Technological upgradation, improving and developing the infrastructure in all areas especially mills, powerlooms, pre-loom and post-loom processing. For this, the interventions envisaged under the XII Plan would have to be dovetailed with the existing and new packages.

**Increasing operational efficiency and labour productivity**

Training in modern management and production techniques, maintenance of modern machinery, dyeing practices, marketing of products as well as targeted training on export requirements are vital for the growth and sustenance of the industry. This will apply to all sectors. Hence, there is an urgent need to improve the productivity of the industry. With increasing awareness and stress on quality there is a critical need to improve the overall quality without much increase in raw
material costs. To achieve self-sufficiency in the sector, it is imperative that we must make arrangements with technical institutions to train and retrain the labour and technical manpower required for this industry. Funds available under various Government of India schemes for training of rural men and women would be accessed to facilitate the availability of updated trained and manpower industry.

**Using of information technology**

Information Technology is a very useful tool for the textile industry and all functions right from raw materials selection to quality control to consumer feedback and market analysis can be done and will provide the industry to achieve excellence. The State Government will take efforts to facilitate the industry tapping the full potential of information technology for its usage.

**Modernization of the decentralized powerloom sector**

The policy approach to the powerloom industry may be broadly stated as being one of facilitating technology upgradation of the sector so as to improve quality of cloth and productivity. While providing a set of welfare measures as a social safety net for the survival of those hardest hit by the globalization of the trade, it will be complemented by an effective policy approach. Special efforts will be taken by the Government to develop powerloom clusters in the State as centers of excellence with technological upgradation of the looms. Special monitoring of the development of these centers would be undertaken so that they can be developed in a time bound manner. The proposed shuttle less weaving park by Powerloom Development and Export Promotion Council will be encouraged.

**Creation of Data and Market**

Intelligence Cell with a view to improve the marketability of handlooms goods and to compete with the national and international market and also to improve the export competitiveness, it is proposed to create data and market intelligence cell in the department of handlooms and textiles.

**Assistance for “Loom World Showrooms”**

To offer additional marketing support to Weavers’ Co-operative Societies, special type of showrooms under the brand name “LOOM WORLD” have been
started at Chennai (Anna Nagar), Coimbatore and Erode. These have been performing well. To popularize the “Loom World” concept, exhibitions are being conducted by “Loom World”. It has been proposed to conduct exhibitions at prominent places. During the year 2011-2012 the conduct of such exhibitions including advertisement to popularize the “LOOM WORLD” showrooms is planned.

**TABLE 4.7 PROFILE OF TEXTILE INDUSTRY IN TAMILNADU AND INDIA**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Tamilnadu</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td>2009-2010</td>
<td>2010-2011</td>
</tr>
<tr>
<td>1. No.of Spinning mills</td>
<td>908</td>
<td>959</td>
</tr>
<tr>
<td>2. No.of Composite mills</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>3. No.of Excl. Weaving mills</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total number of mills</strong></td>
<td>954</td>
<td>1007</td>
</tr>
<tr>
<td>4. Installed capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Spindles (Mn.No.)</td>
<td>16.17</td>
<td>16.85</td>
</tr>
<tr>
<td>b) Rotors (Lakh.Nos)</td>
<td>1.55</td>
<td>1.66</td>
</tr>
<tr>
<td>c) Looms (000 No.)</td>
<td>5.10</td>
<td>5.11</td>
</tr>
<tr>
<td>d) Composite and Excl Weaving (000 No.)</td>
<td>1.19</td>
<td>1.19</td>
</tr>
</tbody>
</table>
II Small scale spinning units

<table>
<thead>
<tr>
<th>1. No of spinning mills</th>
<th>1004</th>
<th>1109</th>
<th>1260</th>
<th>1385</th>
</tr>
</thead>
</table>

2. Installed capacity

<table>
<thead>
<tr>
<th>a) Spindles (Mn.No.)</th>
<th>3.81</th>
<th>4.15</th>
<th>4.35</th>
<th>4.79</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Rotors (Lakhs)</td>
<td>0.93</td>
<td>1.22</td>
<td>1.80</td>
<td>2.17</td>
</tr>
</tbody>
</table>

III Yarn production (including SSI units)-(Million Kg)

<table>
<thead>
<tr>
<th>a) Cotton yarn</th>
<th>1341.70</th>
<th>NA</th>
<th>3078.97</th>
<th>3443.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Blended yarn</td>
<td>153.66</td>
<td>NA</td>
<td>707.31</td>
<td>783.27</td>
</tr>
<tr>
<td>c) Non-Cotton yarn</td>
<td>10.03</td>
<td>NA</td>
<td>407.15</td>
<td>421.04</td>
</tr>
<tr>
<td>Total Spun Yarn</td>
<td>1505.39</td>
<td>NA</td>
<td>4193.43</td>
<td>4647.48</td>
</tr>
</tbody>
</table>

IV Cloth Production (Mill sector)-(Million Sq.Meters)

<table>
<thead>
<tr>
<th>a) Cotton</th>
<th>99</th>
<th>NA</th>
<th>1465</th>
<th>1601</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Blended</td>
<td>8</td>
<td>NA</td>
<td>482</td>
<td>525</td>
</tr>
<tr>
<td>c) Non-Cotton</td>
<td>4</td>
<td>NA</td>
<td>69</td>
<td>82</td>
</tr>
<tr>
<td>All cloth</td>
<td>111</td>
<td>NA</td>
<td>2016</td>
<td>2208</td>
</tr>
</tbody>
</table>

V Number of workers (Lakhs)

| SSI +Non SSI | 261 | 264 | 894 | 910 |

Source: http://www.tn.gov.in/deptst/industries.pdf

4.5 TEXTILE INDUSTRY DEVELOPMENT IN SALEM DISTRICT

One of the main industries in Salem is the powerloom yarn dyed woven fabric manufacturing. This contributes 60% of the total employment. Next comes the sago industry and the third is the silver articles industry. Salem weavers are basically high skilled people in weaving and of very hard working in nature. Over these years the manufacturing process has grown up in many fold, most of them are still using the primitive machines and technology.
4.5.1 EVOLUTION OF TEXTILE INDUSTRY IN SALEM DISTRICT

A few centuries ago, Devanga community from Karnataka, had migrated to Salem. This community’s major occupation was weaving and they continued the same tradition here, mainly manufacturing sarees and dhoties. The sarees and dhoties were supplied all over India, especially to the interiors of Karnataka, Maharashtra, and Andhra pradhesh. This handloom weaving got converted to powerlooms with the same product, during 1950’s onwards. In 1960 there were only few spinning mills (two), few conventional hand dyeing units and fewer exporters only. But it was only 1970, the yarn dyed fabrics for garment was getting manufactured and sold in domestic and international markets, which brought Salem to “Hall of Fame”.

In 1980s the trend changed and there were many major spinning mills and waste spinning units and many handloom societies were established. Increased number of dyeing units in and around Salem were started. New and increased number of power loom units in places like Gugai, Ammapet, Attayampatti, Chemmandappaty, Vennandhur, Magudanchavadi, Rasipuram, Komarapalayam, Pallipalayam, Jalagandapuram, and Ellampillai were set up. But today, the textile industry of Salem now has developed to the maximum in fabric production. At present there are more than 125 spinning mills in Salem District alone. Many modern weaving units with imported machineries (looms) were set up, several modern dyeing units, garment units export houses were also developed.

4.5.2 PDEXCIL’S ROLE IN SALEM (POWERLOOM DEVELOPMENT AND EXPORT PROMOTION COUNCIL)

PDEXCIL was created with the objective of supporting powerloom industry and its development in exports. They are educating and informing the exporters about the changes happening internationally. They provide up to date information and also assist in development of fabric. They conduct buyer and seller meets and participate in different trade shows in many countries, providing good exposure to powerloom weavers, to develop their direct exports.

Survey, dissemination of trade enquiries, circulars, international textile exhibitions, giving information about latest development in the export font etc.,
are the usual export promotional and developmental activities of PDECIL. It also concentrate in taking up the cause of the powerloom sector with relevant authorities. This institution continuously concentrating powerloom industry at large level in general and particularly for its members, to remove constraints in export and provide good platform to exporters. Up-gradation of technology is the main tool to PDECIL for urging manufacturers to achieve quality bench marked production. Various seminars are organized to create awareness and encourage powerloom units to modernize under the Technology Up-gradation Fund (TUF) Scheme.

Under the Technology Up-gradation fund scheme (TUF), various seminars are conducted to create awareness and encourage powerloom units to undergo for modernization. This institution is carrying out various activities and the member of PDEXCIL can avail the following benefits:

- Helps to find out buyers and importers in abroad by making them to participate in various trade fairs and exhibitions.
- The member of this institution can avail grant as financial assistance from Government of India under MDA (Market Development Agreement). Subject to certain conditions as per MDA guidelines on air travel charges/stall charges will be given to members while they are participating in the trade fairs and exhibitions.
- PDEXCIL conducts several seminars to various groups of people to create awareness relating to export and also giving details about market conditions, other details related to market direction in export through PCDC (Powerloom Centre Development Committee).
- In the Buyer and Seller Meets conducted by PDEXCIL, the member can participate and display their products at a very nominal cost.
- Under the TUFS (Technology Up-Gradation Fund Scheme) and MGWSS (Modified Group Work Shed Scheme) this institution enthusing the powerloom units in different angles to undertake upgradation of technology and modernization of the units.
- It represents its members for various Government agencies to develop their activities.
- It conducts different types of training programmes and seminars to encourage entrepreneurs on various business related issues.
- PDEXCIL gives assistance in solving problems of manufacturers and exporters problems.
- It helps in capturing overseas markets to its members.
- It gave assistance in identification of saleable items.
- It gives lot of information regarding market conditions through news letters.
- PDEXCIL does deputation of sales–oriented research teams and also trade delegations to foreign markets.

4.5.3 SALEM –WEAVING SUCCESS WITH DYED YARN

Salem has acquired a unique position amongst all powerloom centres in India due to its direct and substantial association with India’s fabric and garment exports. The immensely popular cheese cloth in the American and European markets for the past 20 years, was thus born in Salem. Combining their traditional and centuries old strengths in weaving bright and colorful sarees, dhoties and lungies with the cheese cloth development. Close on the heels of cheese cloth, Salem created yet another sensation by introducing Bleeding Madras checks, which has dominated the imagination of every major designer in the world. Still it forms an integral part of most casual wear collections in the world’s high fashion as well as the economy stores. During the late 70’s and early 80’s, the leading designers and fashion marketers of the world discovered a new source of international casual fashions–India, for which Salem was singularly responsible.

SWOT analysis of Salem

Inherent strength of Salem:

- Prime strength of Salem include its creativity, flexibility and ability to do most difficult fabric weaves in lots as small as 300 meters. With its traditional skills in handloom weaving and historical, market-driven compulsion to keep the cost low, Salem’s fabric producers have, over a
period developed a unique nag for combining skills, economic, speed and quality.

- Having captive base for dyeing of hank yarn, which in itself is available in plenty with in 200 Kms radius of the town has only further helped in quickening the towns response in sample developments as well as manufacturing.

- Low overheads, highly skilled manpower, ability to work on an average for 12-14 hours a day be it the weavers or the entrepreneurs–have all contributed to Salem’s image as a reliable and economical source for fashion fabrics for the middle end casual wear.

- Salem has also been able to reproduce on power looms, some of the most sophisticated and complicated dobby and jacquard designs, yarn dyed stripes, checks, pin point oxford, honey comb and so on, making such premium look fabrics more affordable for the economy segment consumers of the world.

- A constant urge to innovate has further led to the international buyers and designers, and in turn, the Indian garment exporter’s continued dependence of Salem, year after year, for fabrics like seersuckers, flannel, and mini checks. Salem can handle high twist, cotton, viscose and other types of spun yarns along side lurex and fancy yarns with an equal efficiency, speed and imagination.

**Weakness of Salem**

- Despite of such unique strengths, Salem has not been able to grow as big or as wide as it should have, over last 15 years. Salem’s prime problem has been its total unwillingness to take any kind of marketing or investment risks and a strongly introvert nature of salemites. This has led to a classic case of good products with bad marketing efforts. Virtually no exposure even to the rest of India, world being far away has led to a real life frog in the well situation of this town.
Be it technological upgradation, real value realization of its products or coming in touch with buyers who are willing to pay much higher prices for its products, the unwillingness of Salem entrepreneurs to leave their home to town to see the world and become part of the national and international business opportunities, has always worked against their own interest.

This has further led to the buyers coming to the town, exploiting the human and product skills and generally keeping the local industry’s margin more at a sustenance level.

Salem can not blame this state on any one and it is high time it realizes that, with out taking risk and frequently spending on adequate exposure, it will not be able to become a direct international source for buyers, an ambition it has secretly cultivated.

Salem weavers are having very old looms (40-50 Years). They need to replace its old looms, add more advanced warp/weft stop motion and replace its manual yarn dyeing facilities with cheese or cabinet dyeing or other modern methods for higher productivity and more consistent quality.

Opportunities

Salem and nearby areas have vast reservoir of natural dye resources, which according to local resources in Salem, constitute about 10 to 15 % of the total fabric cost.

By using the Government training programmes as well as incentives schemes, they may go for modernization of their looms.

They can increase the capacity of their plants and may turn to the production of fashion fabrics instead of basic fabrics.

Salem weavers may go for aggressive marketing of their fabrics in the fashion segment by participating in the Indian and international tradeshows or other means of aggressive promotion.
Threats

- Environmental pollution due to dyeing of fabric becomes a serious problem in and around Salem district. It will affect the fabric production adversely. Purification process will become additional cost to the manufacturer.

- Raw cotton export in the country will rise the cost of production. Curb should be imposed on the raw cotton export.

- Since the operation size of Salem weavers is small, there is always a danger of unviable of them in the market. They have to increase the operation size to be viable in the international market.

- Fluctuating dollar value is a constant threat to Salem weavers. The size of margin is basically depending up on the value of the dollar.