CHAPTER III

TEXTILE RESEARCH: AN OVERVIEW

3.1 INTRODUCTION

The Indian textile industry is one the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment. The sector employs nearly 35 million people and after agriculture, is the second-highest employer in the country. Its importance is underlined by the fact that it accounts for around 4% of Gross Domestic Product, 14% of industrial production, 9% of excise collections, 18% of employment in the industrial sector, and 11% of the country’s total exports earnings. With direct linkages to the rural economy and the agriculture sector, it has been estimated that one of every six households in the country depends on this sector, either directly or indirectly, for its livelihood.

A strong raw material production base, a vast pool of skilled and unskilled personnel, cheap labour, good export potential and low import content are some of the salient features of the Indian textile industry. This is a traditional, robust, well-established industry, enjoying considerable demand in the domestic as well as global markets.

3.2 INDIA VIS-À-VIS GLOBAL TEXTILES

The global textile and clothing industry is estimated to be worth about US$ 4,395 bn and currently global trade in textiles and clothing stands at around US$
360 bn. The US market is the largest, estimated to be growing at 5% per year, and in combination with the EU nations, accounts for 64% of clothing consumption.

The Indian textile industry is valued at US$ 36 bn with exports totalling US$ 17 bn in 2005-2006. At the global level, India’s textile exports account for just 4.72% of global textile and clothing exports. The export basket includes a wide range of items including cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups and a variety of garments. Quota constraints and shortcomings in producing value-added fabrics and garments and the absence of contemporary design facilities are some of the challenges that have impacted textile exports from India.

India’s presence in the international market is significant in the areas of fabrics and yarn.

- India is the largest exporter of yarn in the international market and has a share of 25% in world cotton yarn exports
- India accounts for 12% of the world’s production of textile fibres and yarn
- In terms of spindleage, the Indian textile industry is ranked second, after China, and accounts for 23% of the world’s spindle capacity
- Around 6% of global rotor capacity is in India
- The country has the highest loom capacity, including handlooms, with a share of 61% in world loomage.
3.3 TEXTILE INDUSTRY

The Textile Industry in India traditionally, after agriculture is the only industry that has generated huge employment for both skilled and unskilled labor in textiles. The textile industry continues to be the second largest employment generating sector in India. It offers direct employment to over 35 million in the country. The share of textiles in total exports was 11.04% during April–July 2010, as per the Ministry of Textiles. During 2009-2010, Indian textiles industry was pegged at US$55 billion, 64% of which serves domestic demand. In 2010, there were 2,500 textile weaving factories and 4,135 textile finishing factories in all of India.

3.3.1 History

The archaeological surveys and studies have found that the people of Harappan civilization knew weaving and the spinning of cotton four thousand years ago. Reference to weaving and spinning materials is found in the Vedic Literature also.

There was textile trade in India during the early centuries. A block printed and resist-dyed fabrics, whose origin is from Gujarat is found in tombs of Fostat, Egypt. This proves that Indian export of cotton textiles to the Egypt or the Nile Civilization in medieval times were to a large extent. Large quantity of north Indian silk were traded through the silk route in China to the western countries. The Indian silk were often exchanged with the western countries for their spices in the barter system. During the late 17th and 18th century there were large export of the Indian cotton to the western countries to meet the need of the European industries during industrial revolution. Consequently there was development of nationalist
movement like the famous Swadeshi movement which was headed by the Aurobindo Ghosh.

There was also export of Indian silk, Muslin cloth of Bengal, Bihar and Orissa to other countries by the East Indian Company. Bhilwara is known as textile city.

3.3.2 Production

India is the second largest producer of fibre in the world and the major fibre produced is cotton. Other fibres produced in India include silk, jute, wool, and man-made fibers. 60% of the Indian textile Industry is cotton based. The strong domestic demand and the revival of the Economic markets by 2009 has led to huge growth of the Indian textile industry. In December 2010, the domestic cotton price was up by 50% as compared to the December 2009 prices. The causes behind high cotton price are due to the floods in Pakistan and China. India projected a high production of textile (325 lakh bales for 2010 -11). There has been increase in India's share of global textile trading to seven percent in five years. The rising prices are the major concern of the domestic producers of the country.
Figure 3.1 Map of Handlooms in India

- Man Made Fibers: These include manufacturing of clothes using fiber or filament synthetic yarns. It is produced in the large power loom factories. They account for the largest sector of the textile
production in India. This sector has a share of 62% of the India’s total production and provides employment to about 4.8 million people.

- The Cotton Sector: It is the second most developed sector in the Indian Textile industries. It provides employment to huge amount of people but its productions and employment is seasonal depending upon the seasonal nature of the production.

- The Handloom Sector: It is well developed and is mainly dependent on the SHGs for their funds. Its market share is 13% of the total cloth produced in India.

- The Woolen Sector: India is the 7th largest producer of the wool in the world. India also produces 1.8% of the world's total wool.

- The Jute Sector: The jute or the golden fiber in India is mainly produced in the Eastern states of India like Assam and West Bengal. India is the largest producer of jute in the world.

- The Sericulture and Silk Sector: India is the 2nd largest producer of silk in the world. India produces 18% of the world's total silk. Mulberry, Eri, Tasar, and Muga are the main types of silk produced in the country. It is a labor-intensive sector.
The fibre and yarn-specific configuration of the textile industry includes almost all types of textile fibres, encompassing natural fibres such as cotton, jute, silk and wool; synthetic / man-made fibres such as polyester, viscose, nylon, acrylic and polypropylene (PP) as well as multiple blends of such fibres and filament yarns such as partially oriented yarn (POY). The type of yarn used is dictated by the end product being manufactured.

**Figure 3.2 The Textile and Apparel supply chain**
The Man-made textile industry comprises fibre and filament yarn manufacturing units of cellulosic and non-cellulosic origin. The cellulosic fibre/yarn industry is under the administrative control of the Ministry of Textiles, while the non-cellulosic industry is under the administrative control of the Ministry of Chemicals and Fertilisers.

It is well-established that India possesses a natural advantage in terms of raw material availability. India is the largest producer of jute, the second-largest producer of silk, the third-largest producer of cotton and cellulosic fibre/yarn and fifth-largest producer of synthetic fibres/yarn.

The industry structure is fully vertically integrated across the value chain, extending from fibre to fabric to garments. At the same time, it is a highly fragmented sector, and comprises small-scale, non-integrated spinning, weaving, finishing, and apparel-making enterprises. The unorganised sector forms the bulk of the industry, comprising handlooms, powerlooms, hosiery and knitting, and also readymade garments, khadi and carpet manufacturing units. The organised mill sector consists of spinning mills involved only in spinning activities and composite mills where spinning, weaving and processing activities are carried out under a single roof.

3.4 GOVERNMENT INITIATIVES

The Government’s role in the textile industry has become more reformist in nature. Initially, policies were drawn to provide employment with a clear focus on promoting the small-scale industry. The scenario changed after 1995, with policies being designed to encourage investments in installing modern weaving machinery as well as gradually eliminating the pro-decentralised sector policy focus. The
removal of the SSI reservation for woven apparel in 2000 and knitted apparel in 2005 were significant decisions in promoting setting up of large-scale firms. Government schemes such as Apparel Parks for Exports (APE) and the Textile Centres Infrastructure Development Scheme (TCIDS) now provide incentives for establishing manufacturing units in apparel export zones.

The new Textile Policy of 2000 set the ball rolling for policy reforms in the textile sector, dealing with removal of raw material price distortions, cluster approach for powerlooms, pragmatic exit of idle mills, modernisation of outdated technology etc. The year 2000 was also marked by initiatives of setting up apparel parks; 2002 and 2003 saw a gradual reduction in excise duties for most types of fabrics while 2004 offered the CENVAT system on an optional basis. The Union Budget of 2005-2006 announced competitive progressive policies, whose salient features included:

- A major boost to the 1999-established Technology Upgradation Fund Scheme for its longevity through a Rs 4.35 bn allocation with 10% capital subsidies for the textile processing sector
- Initiation of cluster development for handloom sector
- Availability of health insurance package to 0.2 mn weavers from 0.02 mn initially
- Reduction in customs duty from 20% to 15% for fibres, yarns, intermediates, fabrics and garments; from 20% to 10% on textile machinery and from 24% to 16% in excise duty for polyester oriented yarn/polyester yarn
• Reduction in corporate tax rate from 35% to 30% with 10% surcharge
• Reduction in depreciation rate on plant and machinery from 25% to 15%
• Inclusion of polyester texturisers under the optimal CENVAT rate of 8%

To meet the challenges of the post-MFA setup, the Government of India initiated a reforms process which aimed at promoting large capital investments, pruning cumbersome procedures associated with the tax regime, etc. The Textile Vision 2010 was born as a result of interaction between the government and the industry which envisages around 12% annual growth in the textile industry from US$ 36 billion now to US$ 85 billion by 2010. Additionally, Vision 2010 also proposes the creation of an additional 12 million jobs through this initiative.

3.5 SME’S IN THE TEXTILE INDUSTRY

The phasing out of the international quota system is a major turning point for the Indian textile industry – an opportunity and a threat. The textile industry is among the SME intensive sectors in India, largely an outcome of government policies during the early years of Independence. Focusing on promoting domestic employment, large-scale production in the textile industry was curtailed through restrictions on total capacity and level of mechanisation. Several textile items were reserved for the small scale segment. These policies promoted the extensive growth of small scale textile enterprises that were highly labour intensive, though it eroded the competitiveness of the industry and acted as a disincentive for capital investment.
These policies -- pursued from the 1950s to the 1970s -- resulted in the dominance of the decentralised powerloom and handloom sectors in the textile industry, which are mainly small and medium scale enterprises. In fact, many of the large textile companies are also conglomerates of medium sized mills. Statistics released by the Ministry of Textiles shows a highly fragmented industry, except in the spinning sub-segment. The organised sector contributes over 95% of spinning, but hardly 5% of weaving fabric. Small Scale Industries (SSIs) perform the bulk of the weaving and processing operations.

De-reservation of textile products has been a priority area for the government since 1997, which was believed to be the most effective way to foster productivity and efficiency within the sector. All textile items were removed from the reservation list by 2005. These measures were a prerequisite to compete globally in the post-MFA regime. As trade barriers come down and capital mobility increases, large, organised and integrated firms will gain importance in establishing a presence in the global market and to tap opportunities.

In the new scenario of a quota-free world, the readymade garments sector will play a crucial role in the economy, in terms of contributing to exports as well as employment generation, considering its inherent labour-intensive nature. In the cloth production segment, the hosiery and mill sectors are likely to be the gainers.

3.5.1 Defining MSMEs

The Micro, Small and Medium Enterprises Development Act, 2006, which came into effect from October 2, 2006, define SMEs on the basis of investments in plant and machinery.
For enterprises engaged in the manufacture of goods:

- **Micro** - Investment in plant and machinery less than Rs 2.5 mn
- **Small** - Investment in plant and machinery over Rs 2.5 mn but not exceeding Rs 50 mn
- **Medium** – Investment in plant and machinery in excess of SSI limit but less than Rs 100 mn
- For enterprises engaged in providing or rendering of services:
  - **Micro** - Investment in equipment not exceeding Rs 1 mn
  - **Small** - Investment in equipment over Rs 1 mn but not exceeding Rs 20 mn
  - **Medium** – Investment in equipment is in excess of SSI limit but less than Rs 50 mn

### 3.5.2 Buyer Driven Network

The global textile industry, a buyer-driven network, is dominated by retailers, marketers and manufacturers. In the newly defined business environment for textiles, retailers like Zara, H&M, etc. have redefined the life of fashion trends from the earlier five to six months to around two months. In this scenario of such short shelf-life, the small scale operations of Indian SME apparel manufacturers gives them the flexibility to service custom-made orders at low cost. It is likely that India will become a preferred destination for global manufacturers and retailers as well, and big opportunities for SMEs are forthcoming.
Today, apart from the big Indian textile manufacturers like Gokuldas Exports, Alok Industries, Raymonds, Welspun India, Arvind Mills and Madura Garments, several small and medium sized apparel manufacturers have also become significant contributors to the total apparel exports of the country. Cotton knitwear suppliers of Tirupur, hosiery suppliers of Ludhiana and suppliers of home textiles from Tamil Nadu, Kerala and Punjab, among others, have been accepted as high quality and cost effective apparel suppliers in international markets.

These regions are also SME dominated textile clusters that have emerged either due to market access, availability of raw material or private initiatives. The textile industry of India operates largely in the form of clusters -- mostly natural clusters -- with roughly 70 textile clusters producing 80% of the country’s total textiles. Based on a UNIDO study conducted on SME clusters in India, some noteworthy textile clusters include:

- Panipat, accounting for 75% of the total blankets produced in the country
- Tirupur, responsible for 80% of the country’s hosiery exports
- Ludhiana, which accounts for 95% of the country’s woollen knitwear produced.

### 3.5.3 Cluster based Approach to Development

Inspite of some natural advantages such as low costs and flexibility, the SMEs suffer from disadvantages of being in a relatively isolated environment.

The Government of India’s cluster development initiatives, involving technical assistance, subsidies for technology upgradation and marketing support,
have strengthened the competitiveness of the SMEs, which has also consolidated their position in the global value chain. A case in point is the initiative undertaken by the Textile Committee under the Ministry of Textiles, which has undertaken a cluster-based programme for capacity building in textile and clothing SMEs in across 20 clusters in the country.

Some key benefits of a cluster based approach for developing SMEs are:

- Networking among enterprises
- Economies of scale
- Improved bargaining power
- Technology and skill upgradation
- Global visibility and being part of the value chain
- Easier access to finance
- Greater institutional support.

Among the successes of the Textile Committee’s cluster development initiatives has been the acquiring of intellectual property rights protection for the Pochampally Ikat tie-and-dye sari, from Andhra Pradesh. It is the first traditional Indian craft to receive this status of XXVIII geographical branding, and is expected to benefit at least 100,000 weavers in the state. The powerloom clusters in Sholapur and Salem are also following suit in acquiring geographical indications protection.

Another successful initiative is seen in the Terry Towel cluster of Solapur, where some major interventions were undertaken by the committee such as setting
up of a polytechnic institute, acquiring quality certifications for some of the units, setting up an export consortium and establishing networks.

The concentration of textile firms in the form of clusters is to a natural advantage for adopting a cluster-based development approach of the textile SME segment. International and domestic experience has proved that this approach has helped firms in attaining competitiveness -- a requisite in today’s new market.

3.5.4 Linking with the Global Value Chain

An inevitable outcome of the opening up of the textile markets is the rationalisation of supplier base by large retail chains such as Wal Mart and Gap. Under such circumstances, it will be difficult for small enterprises to individually meet the requirements of these international buyers. Hence, it will be essential to build value networks through linkages with large players who can win large orders, while smaller players service these orders.

This entry into value networks will not only link up small players to the global value chain but also assure a market for their products. Incorporation of textile SMEs as third and fourth tier suppliers will be an effective way of ensuring that they gain from the growing demands of the global market. However, here the role of the government and the large textile companies will be imperative.
### 3.6 SWOT ANALYSIS OF INDIAN TEXTILE SMEs

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weakness</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Self reliance</td>
<td>• High dependence on cotton</td>
</tr>
<tr>
<td>• Manufacturing flexibility</td>
<td>• Lower productivity</td>
</tr>
<tr>
<td>• Abundance of raw material production</td>
<td>• Declining mill segment</td>
</tr>
<tr>
<td>• Design expertise</td>
<td>• Technological obsolescence</td>
</tr>
<tr>
<td>• Availability of cheap labour</td>
<td>• Non-participants in trade Agreement</td>
</tr>
<tr>
<td>• Growing economy and domestic market</td>
<td></td>
</tr>
<tr>
<td>• Progressive reforms</td>
<td></td>
</tr>
<tr>
<td>• Highly fragmented</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• End of quota regime</td>
<td>• Stiff competition from developing countries especially china</td>
</tr>
<tr>
<td>• Shift in domestic market to branded readymade garments</td>
<td>• Pricing pressure</td>
</tr>
<tr>
<td>• Increased disposable income</td>
<td>• Locational disadvantage</td>
</tr>
<tr>
<td>• Emerging mall culture and retail expansion</td>
<td>• International labour and environmental laws</td>
</tr>
</tbody>
</table>
3.7 FUTURE OUTLOOK

Expectations are high, prospects are bright, but capitalising on the new emerging opportunities will be a challenge for textile companies. Some prerequisites to be included in the globally competing textile industry are:

- Imbibing global best practices
- Adopting rapidly changing technologies and efficient processes
- Innovation
- Networking and better supply chain management
- Ability to link up to global value chains.

The Indian textiles industry has established its supremacy in cotton based products, especially in the readymade garments and home furnishings segment. These two segments will be the key drivers of growth for Indian textiles. Readymade garment exports were worth US$ 8 bn in FY06 and will cross US$ 16 bn by the end of 2010, assuming a conservative growth of 15% per annum. According to estimates, investments in textiles are expected to touch US$ 31 bn by 2010.

The readymade garment segment will be the principal driver of growth even in the domestic industry. The changing preferences of Indian consumers -- from buying cloth to readymade garments -- have prompted several companies to move up the value chain into the finished products segment.

In the next chapter textile research data were analyzed using Scientometric tools.
REFERENCES


15. Euroflax Industries Ltd. “Euroflaxx Industries (Import of Textiles)”.


25. “Textile Companies in India”.


29. “Emerging Markets Offer Growth Opportunities for Apparel Retailers Battling Declines in Domestic Consumer Spending”.