Chapter – 1

INTRODUCTION

The textile industry occupies a place of eminence in the economy of all developing economics. The case is no different for India. Textile industry in India is one of the oldest and biggest industries in India catering the most essential demand of people. Next to food, clothing is the most necessary requirement of mankind. Being consumer good it meets the needs of all the sections of the society belonging to all age groups, sexes, religions, social customs and civilization and has a place of pride in our economy.

The study textile industry is important for at least two reasons:

1. In the first place in a number of industrialized countries, the textile industry was among of the earliest to be established since it satisfies the basic human needs.
2. Secondly, apart from the fact that industrial revolution began with the mechanization of textile production and that some of the highly industrialized countries owe much of their initial growth to the rapid expansion of this textile manufacturing industries and the vigorous growth of this sector has contributed in a very major way.

Textile is the second largest sector in Indian economy in providing direct employment after agriculture even today. As compared to other manufacturing sectors, requires comparatively less capital and employs
more labour which exactly fits the Indian economy having abundant labour but less and expensive capital.

The textile industry of India has a significant presence in the Indian economy as well as international textile industry. This industry over the years has contributed significantly to our national income employment and exports.

This industry contributes 20% to the total industrial production and 7.2% to the GDP. It provides direct employment to 35 million people and indirectly to many. More important is its 1/3 rd share in the total foreign exchange earning of the country. Thus it earns about 35% of the countries foreign exchange while adds up only 1% to 1.5% to the gross import bills showing a favourable balance of trade picture.

This is the only industry in India which is self reliant and complete in its value chain India has inherent strengths interms of multiform raw material base (i.e. cotton, jute, silk, wool, synthetic and man made fibers), low cost labour, intellectual capital and dynamic vibrant entrepreneurship. Indian textile industry still remains predominantly cotton based. As compared to synthetic and non-cotton textiles, cotton textile industry has stronger raw material base and is self reliant and complete in its value chain.

The purpose of this study is to identify the different factors affecting the competitiveness of the cotton textile Industry as India ranks 2nd in the exports of cotton textiles after China, it ranks 3rd in the production of cotton. India contributes 25% of the world cotton yarn production. Out of the total garment exports of India, cotton garments
exports constitute 71%. It is also worth knowing that India has the largest cotton acreage in the world.

The study is mainly focused on the Indian textile industry in the WTO era and also the competitiveness of cotton textile industry in this globalizing market.

1.1 OBJECTIVES

1. To evaluate the history of textile industry.
2. To evaluate various literatures related to the present study.
3. To study the competitiveness of the cotton textile industry of New India in the world textile industry.
4. To study the efficiency of cotton textile industry of India.
5. To study the production trends of cotton textile industry.
6. To study the profitability of cotton textile industry.
7. To study the trade directions and composition of imports and exports of India. Cotton textile industry.
8. To study the supply chain and the Indian textile industry.
9. SWOT Analysis of textile industry.
10. To evaluate the Indian textile policies.

1.2 DATA BASE & METHODOLOGY

[A] Data Base:

1. Data available from various source from research organizations like Ahmedabad Textile Industry Research Association (ATIRA), Sardar Patel Institute of Economics & Social Research (SPIESR), Ahmedabad Textile Mill Association (ATMA), Consumer Utility
Trust Society (CUTS), Indian Institute of Management (IIM), Ministry of textiles, etc.

2. Relevant case studies were also taken into consideration.
3. Review of literatures and collections from the secondary data available.
4. Help is also taken from latest technology available i.e. Internet [World Wide Web (W.W.W.)] which has provided us suggestion information, graphs, comments, etc.
5. Reports of various advisory groups and seminars are referred. Views of some of the eminent people of the industry were also be considered.

[B] Methodology

1. Growth and shares are mostly taken in percentage from for simple comparison.
2. Statistical tool of classification and tabulation is used.
3. Two formats to calculate productivity is used:
   a. Growth rate: \( \text{Growth rate} = \frac{\text{end value} - \text{beginning value}}{\text{beginning value}} \times 100 \)
   b. Compounded Annual Growth Rate:
      \[
      \text{CAGR} = \left( \frac{\text{End Value}}{\text{Beginning Value}} \right)^{\frac{1}{\text{no of years}}} - 1
      \]
      \((\text{* - End Value = Production of Cloth in 2004-05,})
      \(\text{* - Beginning Value = Production of Cloth in 1995-96})\)
1.3 Chapter Plan:

Following Chapter - 1 that consists of introduction, objectives, methodology, is Chapter - 2. This chapter studies the Indian Textile Industry in the pre independence era and the British Government on the Indian Textile Industry. Chapter- 3 evaluates the Indian Textile Industry in the Post Independence era by analyzing the planning strategies of the Indian Government and its effects on the Indian Cotton Textile Industry. Chapter- 4 evaluates the effect on economic reforms and the WTO ie ATC on the India Textile Industry. Chapter- 5 Studies the various literatures related the present study. Chapter- 6 studies the impact of the globalization on “NEW INDIA” that is India after 1995 by evaluating competitiveness, productivity, profitability & efficiency. This chapter also explains how strong supply chain management of our cotton textile industry is very important to sustain in this globalizing era. In this chapter we would evaluate some of the Government Policies after 1995, which were especially focused on, strengthening India’s competitiveness in world market. At the end of this chapter I have tried to make a SWOT analysis of the Indian Cotton Textile Industry. Chapter- 7 enumerates of some of major finding and suggestion, which would act as an agenda for out industry.