CHAPTER - 4

Analytical Study of Government Textile Policy
When India became independence in 1947, the per capita income stagnated at a paltry sum of Rs. 40 per annum. More than three fourth of the population was living below the poverty line. Basic infrastructure facilities required for industrialisation was highly inadequate. The industrial base was low except in certain consumer industries like jute, cotton and sugar and to some extent in steel and few engineering industries. The industrial climate was full of uncertainties regarding the likely policy of the Government of India. Therefore, investment was not forthcoming whether domestic or foreign. The workers and general public had great expectations from the national government. Therefore to clear the ideas Industrial Conference was convened in December in 1947 in which great stress was laid on growth and development of industries. It adopted a resolution for industrial harmony and recommended the areas of activities for government and private sectors for promoting industrial growth and development of industries. It was well organised that in a country short of investible funds with private sector, state has to play a role of entrepreneur too along with promotional and regulatory role.

Government of India announced first Industrial Policy in 1948. The Industrial Policy Resolution 1948 broadly elucidate the intentions of the Government of India fundamental aspects of industrial policy “to remove misapprehensions and to promote joint endeavour by labour, capital and the general public in order to give the way for rapid industrialisation of the country.

Government of India announced industrial policies time to time. Every efforts was made to boost the Indian textile economy. Government announced various schemes for the development of the textile sector. Every types of assistance are also provided to the Indian textile industry to compete with the world market. In the year 2000 Government of India announced the new National
Textile Policy. The basic logic behind the declaration of the policy is to fix different targets to the industry by providing basic infrastructure facilities to the industry.

After independence Government of India announced many Industrial Policies to promote fast industrial development. In 1991 Government started the process of globalization and announced new Industrial policy in 1991. The objective of the new industrial policy 1991 first appraised industrial policies since 1948 and impressed that all of the policies then helped to achieve the goals set at a particulars point of time and then laid down following objective of 1991 policy:

* There would be greater emphasis on building up our ability to pay imports through our own foreign exchange.
* Government is committed to development and utilisation of indigenous capabilities in the technology and manufacturing as well as its upgradation to world standards.
* Encouragement of entrepreneurship.
* Bringing a new technology.
* Increasing competitiveness.
* Spread of industrialisation to backward areas through appropriate incentives, institutions and infrastructure investment.
* Development of indigenous technology through investment in research and development.
* Enhanced support to the small-scale sector so that it flourishes in an environment of economic efficiency and continuous technological upgradation.
* Incentive training, skill development and upgradation programs will be launched.
* Foreign technology and investment will be welcomed to obtained higher technology, to increase export and to expand the production base.
The basic object behind the declaration of new industrial policy is to promote industrial development including Indian textile industry. New Industrial policy plays an important role in the fast economic development of the Indian textile sector. After the industrial policy 1991 government of India realised the need for the declaration of national textile policy. The primary object of the policy is the promote the combined growth of the Indian textile industry. The salient features of the policy are as follows:-

NATIONAL TEXTILE POLICY 2000

PREAMBLE

* Perceiving the role of the textile industry in providing one of the most basic needs of people and the importance of its sustained growth for improving quality of life.

* Recognizing its unique position as a self reliant industry from the production of raw materials to the delivery of finished products with substantial value-addition at each stage of processing and its major contribution to the country’s economy;

* Realising its vast potential for creation of employment opportunities in the agricultural, industrial, organised and decentralised sectors & rural and urban areas, particularly for women and the disadvantaged.

* Acknowledging the tremendous impetus provided by the Textile policy of
1985 to the economy, resulting over these years in compounded annual growth rates of 7.13% in cloth production, 3.6% in the per capita availability of fabrics; and 13.32% in the export of textiles raising the share of textiles to 13% of value added domestic manufacturing of the country; and to one third of the export earnings of the country.

Taking note of the new challenges and opportunities presented by the changing global environment, particularly the initiation of the process of gradual phasing out of quantitative restrictions on imports and the lowering of tariff levels for an integration of the world textile and opportunities and strengths inherent in the situation. Having studied the issues and problems facing the sector, the views of a wide range of stakeholders, and the recommendations of the expert Committee set up for this purpose;

Deciding to redefine the goals and objectives, focus on thrust areas and sharpen strategy in tune with the times.

The National textile policy - 2000 is enunciated as follows:

VISION

1. Endowed as the Indian Textile Industry is with multifaceted advantages, it shall be the policy of the Government to develop a strong and vibrant industry that can -
   * Produce cloth of good quality at acceptable prices to meet the growing needs of the people;
   * Increasingly contribute to the provisions of sustainable employment and the economic growth of the nations.
* Compete with the confidence for an increasing share of the global market.

**OBJECTIVES**

2. **The objectives of the policy are to**-

* Facilitate the textile industry to attain and sustain a preeminent global standing in the manufacture and export of clothing;
* Equip the industry to withstand pressure of import penetration and maintain a dominant presence in the domestic market;
* Liberalise controls and regulations so that the different segment of the society textile industry are enabled to perform in a greater competitive environment;
* Enable the industry to build world class state-of-the-art manufacturing capabilities in conformity with environment standard, and for this purpose to encourage both Foreign Direct Investment as well as research and development in the sector;
* Develop a strong multi-fibre base with thrust of product upgradation and diversification;
* Sustain and strengthen the traditional knowledge, skill and capabilities of our weavers and crafts people;
* Enrich human resource skill and capabilities, with special emphasis on those working in the decentralised sectors of the industry and for this purpose to revitalise the institutional structure;
* Expand productive employment by enabling the growth of the industry, with particular effort directed to enhancing the benefits to the north east region
* Make Information Technology (IT), an integral part of the entire value chain of textile production and thereby facilitate the industry to achieve
international standards in terms of quality, design and marketing and;
* Involve and ensure the active cooperation and partnership of the state
government, Financial Institution, Entrepreneurs, farmers and Non
Government Organisation in the fulfillment of those objectives.

THRUST AREAS

3. In furtherance of the objectives, the strategic thrust will be on:

* Technological upgradation
* Enhancement of productivity
* Quality consciousness
* Strengthening of the raw material base
* Product Diversification
* Increase in exports and innovative marketing strategies
* Financing arrangements
* Maximising employment opportunities
* Integrated Human Resource Development

IMPORTANT TARGETS AND OUTPUTS

4. The endeavour will be to -

* Achieve the target of textile and apparel exports from the present level of
US $ 11 billion to US $ 50 billion by 2010 of which the share of garments will
be US $ 25 billion.
* Implement vigorously, in a time bound manner, the Technology Upgradation
fund Scheme (TUFS) covering all manufacturing segments of the industry.
Achieve increase in cotton productivity by at least 50% and upgrade its
quality to international standards, through effective implementation of the Technology Mission on Cotton;
* Launch the Technology Mission on jute to increase productivity and diversify the use of this environment friendly fibre;
* Assist the private sector to set up specialized financial arrangements to fund the diverse needs of the textile industry;
* Set up a venture capital fund for tapping knowledge based entrepreneurs of the industry;
* Encourage the private sector to set up world class environment friendly integrated textile complexes and textile processing units in different parts of the country.

* De reserve the garment industry from the small Scale industry sector;
* Strengthen and encourage the handloom industry to produce value added items and assist the industry to forge joint ventures to secure global markets.
* Redesign and revamp during the 10th Five year Plan, the Schemes and Programs initiated in the handloom, Sericulture, handicrafts and jute sector to ensure better returns backward regions of the country;
* Facilitate the growth and strengthen HRD institutions including NIFT (National institute of Fashion Technology) on innovative Lines;
* Review and revitalise the working of the TRAs (Textile Research Associations) to focus research on industry needs; and
* Transform, rightism and professionalise all field organisations under the Ministry of Textiles to enable them to play the role of facilitators of change and growth.

**SECTORIAL INITIATIVES**

Within the framework of the Policy the following sector-specific initiatives
will be taken.

**Raw Materials**

The thrust will be on improving the availability, productivity and quality of raw materials at reasonable prices for the industry. Necessary capabilities including R & D facilities for improvement of fibre quality and development of specialised fibres/ yarns. The endeavour will be to make available different varieties (from standard to specialised) of textile fibres / yarns of internationally quality at reasonable prices. The multi fibre approach of providing full fibre flexibility will be continued. Though cotton and non-cotton fibres closer to international trends.

**Cotton**

The primary aim will be to improve production, productivity and quality, and stabiles prices. The Technology mission on cotton will be the instrument for achieving these parameters. Ministry of Textiles, Ministry of Agriculture, Cotton growing States, farmers and industry associations will be actively involved in the implementation of this Mission.

**Man-Made Fibre**

Full fibre flexibility between cotton and man-made fibres and consumption of specialised man-made fibres/ yarns will be encouraged. Nonstandard demurrages in man-made filament yarn and spun yarn will be phased out and BIS standards harmonised with world standards. Special attention will be given to the production of fibres required for technical textiles.
Silk

Focus will be on achieving international standard in all varieties of Silk.

Steps will include -

* Improving Research & Development and the effective transfer of technology at all stages.
* Considerably improving the production of non-mulberry varieties of silk.
* Augmenting efforts for the spread of obviating sericulture.
* Encouraging clustering of activities of reeling and weaving and strengthen linkages between the producers and industry.
* Periodically reviewing the import policy for raw-silk taking into account the balanced interests of the sericulturists as well as the export manufacturers.

Wool

In order to augment availability of quality wool, the following measures will be initiated.

* Take up collaborative research projects with the leading wool producing countries of the world.
* Encourage private breeding farms to increase productivity.
* Promote private sector linkages for marketing of wool.
* Establish pre-loom and post-loom processing facilities.
* Take up an integrated development programs for angora wool.

Jute

Government recognises the significance of jute in India's economy, especially for the Eastern and Northeastern parts of the country. Realising the problems of the jute economy and the need to make it more competitive, a Technology Mission on Jute will be launched to achieve the following objectives.
- Develop high yielding seeds to improve productivity and acceptability in markets.
- Improve retting practices to get better quality fibre.
- Transfer cost effective technologies to the farmers.
- Create strong market linkages.
- Expand the scope for marketing of diversified jute products within the country and abroad.

**Spinning Sector**

Despite the thrust given by the Textile Policy of 1985 to the spinning sector, resulting in considerable modernisation, 80 percent capacity utilisation, and a 20 percent share of global cotton yarn exports, cotton spinning still suffers the problems of over capacity and of obsolete spindleage. This policy will continue the effort to modernise and upgrade technology to international levels and take the following steps, in cotton spinning as well as the worsted woolen sectors.

- Encourage the spinning sector to continue to modernise.
- Liberalise and encourage export of cotton yarn, and
- Review from time to time the hank yarn obligation while ensuring supply of adequate quantity of yarn to the handloom sector.

**Weaving Sector**

Despite a 58% global share of looms, consisting of 3.5 million handlooms and 1.8 million powerlooms, technology still remains backward. This sector critical to the survival of the Indian textile industry and its export thrust, will be rapidly modernised. Clustering of production facilities in the decentralised sector will be encouraged to achieve optimum size and adopt appropriate technology.
The Government will facilitate harmonious development of all the segments of the fabric manufacturing sector. The balanced growth of these sectors will be achieved based on their intrinsic strengths and capacity to meet the demands and requirements of the domestic as well as international markets.

**Organised Mill Industry**

Efforts will be made to restore the organised mill industry to its position of preeminence to meet international demand for high value, large volume products. For this purpose the following measures will be initiated.

* Integration of production efforts on technology driven lines.
* Encouragement to setting up of large integrated textile complexes.
* Strategic alliances with international textile majors with focus on new products and retailing strategies.
* Creation of awareness and supportive measures for application of IT for upgradation of technology, enhancement of efficiency, productivity and quality, better working environment and HRD.

Government recognises that employment protection in terminally sick industrial unit is neither conducive to efficient allocation of scarce resources nor incremental employment generation. Hence, emphasis will be laid on a pragmatic and rational exit policy with adequate protection of the workers interests. Appropriate measures will be taken including review of the existing textile workers Rehabilitation fund scheme, to mitigate the problems of displaced worker on whom the consequences of closure of private mills with no terminal or statutory benefits being given, have been serious.
The earlier policy of not taking over/nationalising sick units will be continued. As regards the enviable public Sector Undertakings such as national Textile Corporation and National Jute manufacture Corporation various options for strategic partnerships or privatisation will be explored. Non viable mills will be closed down with provision for an adequate safety net for the workers and employees.

**Powerloom Industry**

The powerloom sector occupies a pivotal position in the Indian textile Industry. However, its growth has been stunted by technological obsolescence, fragmented structure, low productivity and low end quality products, the focus will therefore be on

* Technology up gradation;
* Modernisation of powerloom service Centres and testing facilities;
* Clustering of facilities to achieve optimum levels of production;
* Welfare schemes for ensuring a healthy and safe working environment for the workers.

**Handloom Industry**

The Handloom sector is known for its heritage and the tradition of excellent craftsmanship. It provides livelihood to millions of weavers and crafts persons.

The industry has not only survived but also grown over the decades due to its inherent strengths like flexibility of production in small quantities openness to innovation low level of capital investment and immense possibility of designing fabrics. Government will continue to accord priority to this sector. Steps would be
taken to promote and develop its exclusiveness for the global market. Measures will include the following:

* Training modules will be developed for weavers engaged in the production of low value added items, who may not be able to survive the competition consequent on globalisation with the objective of upgrading their skills to enable them to find alternate employment in the textile or other allied sector.

* Comprehensive welfare measures will continue to be implemented in close cooperation with the State Governments for better working environment and the social security of the weavers;

* Effective support systems in research and development design inputs skill upgradation and market linkages will be provided;

* The implementation of the Hank Yarn obligation order and the Reservation orders issued under the Handloom (Reservation of Articles for Production) Act 1985 will be reviewed keeping in mind the needs of the handloom weavers.

* Weavers Service Centres will be revamped in consonance with the contemporary trends and using information Technology for efficacy, their activities suitable dovetailed with activities of centres of design excellence like NIFT and NID.

* As merchandising and marketing will be central to the success of the handloom sector, the present package of schemes for production of value added fabrics will be streamlined; Innovative market oriented schemes will be introduced;
and joint ventures encouraged both at the domestic and international levels. Brand equity of handlooms will be commercially exploited to the extent possible.

**Knitting**

Hosiery knitting, growth of which accelerated during the last decade, primarily because of expansion of hosiery into global fashion knitwear is expected to expand into the apparel and home furnishing sectors. In this segment the following measures will be taken:

- Review of the Policy of SSI Reservation for this sector.
- Encouragement to Technology Upgradation and expansion of capacity; and
- Introduction of support systems for commercial intelligence, design and fashion inputs.

**Carpets**

While machine made carpet manufacturing in the mill sector will be guided by the policy framework for the organised industry, the policy for hand knotted carpet sector will focus on sustained growth of exports and welfare of weavers and their children. Encouragement will be given to the manufacture of products that conform to and bear the 'KALEEN' mark of standards, with insistence on compliance with the provisions of the child labour (Prohibition and Regulation) Act, 1986 Government intervention will be on technology upgradation including in indigenisation of machines; development of testing facilities; and use of natural dyes. Adaptation of traditional motifs and promotion of brand image would constitute thrust areas.
**Made-ups**

The made-ups sector will be given the status and importance it deserves by virtue of occupying the highest position in the textile value addition chain alongside garments. The approach for growth of this sector will be to:

- make available defect free and colour fast processed fabrics;
- facilitate product development, production and marketing arrangement;
- place emphasis on quality and packaging; and
- expand facilities for machine dyeing and finishing of the yarn that is used for made ups from handloom fabrics;

**Processing and finishing**

Processing is the weakest link in the textile production chain and results in loss of potential value. To bring about the necessary improvement:

- Government will encourage setting up of modern processing units, meeting international quality and environmental norms;
- The network of CAD/CAM, computerised colour matching and testing facilities will be expanded particularly in the clusters of the decentralised textile centres;
- Research support will be extended in achieving ISO 9000 and ISO 14000 standards;
- Thrust will be given on development of eco-friendly dyes, including natural and vegetable dyes and on energy conservation.
Clothing

The role of this sector is poised for radical changes in view of the changes in the international trading environment brought about by the rules and regulations of the WTO. The industry will be restructured as follows:

- The office of the Textile Commissioner will focus attention on the development of the garment industry.
- Garment industry will be taken out of the SSI reservation list;
- Joint ventures and strategic alliances with leading world manufacturers will be promoted;
- Schemes with necessary infrastructure facilities for the establishment of textile/apparel parks will be designed with the active involvement of State Governments, Financial institutions and the private sector; and
- Setting up of strong domestic retail chains to ensure easy availability of branded Indian products will be encouraged.

Jute Industry

The jute industry in India is beset with many problems, including competition from the synthetic sector, high labour cost, obsolescence of machinery and uneconomic working. These factors have led to large scale sickness in the industry.

The approach for the jute sector will be directed towards reviving the jute economy through supportive measures covering research and development; technology upgradation; creation of infrastructure for storage and marketing of
raw jute; and product and market development activities for jute and diversified jute products.

The Mandatory jute packaging order will be reviewed from time to time in the interest of the jute farmers, jute industry and the end user sectors. Simultaneously, steps will be taken to enable the industry to become cost and quality competitive in domestic and international markets based on the inherent strength of jute as an environment friendly fibre.

Organisations like JMDC (jute manufacturers Development Council) and NCJD (National Centre for jute Diversification) specifically set up for the overall growth and development of the industry will be appropriately strengthened.

**Technical Textiles**

Considering the growing prospects for technical textiles world wide, priority will be accorded for their growth and development. The focus will be on R & D efforts and augmentation of raw material production. Standards will be set to facilitate adherence to stringent functional requirements.

**Exports**

Textile exports play a crucial role in the overall exports from India. With the objective of increasing exports to US $ 50 billion by 2010 from the present level of US $ 11 billion, the thrust will be on :

* Establishing a multi-disciplinary institutional mechanism to formulate policy measures and specific action plans, including those relating to the WTO; and closely monitoring financing proposals.
Forging of strategic alliances for aiming access to technology.
* Operating a brand equity fund exclusively for textile and apparel products, consistent with WTO norms.
* Restructuring AEPC and other Export Promotion Councils play the role of facilitators and professional consultants;
* Developing infrastructures facilities in the predominantly textile and apparel export oriented areas in close cooperation with State Governments and Financial Institutions and the private sector; and
* Evolving a suitable mechanism to facilitate industry associations to deal with disputes under the various agreements of the WTO.

**Handicraft Exports**

Continued and focussed attention will be given to handicrafts to enable the sector to increase both its contribution to export and its productive employment. Initiatives will include upgradation of skills, creation of better work environment, design and technology intervention, development of clusters for specific crafts with common service facilities, improvement in infrastructure and market development.

**OTHER THRUST AREAS**

**Information Technology (IT)**

Recognising the vital role of IT in a progressively IT-driven global economic environment, as also its scope in bringing about speed, efficiency and transparency in delivery systems, Government will play a proactive role in promoting and facilitating adoption of IT in the textile industry and trade. Using IT as the platform, a strong commercial intelligence network will be built up and
suitable infrastructure for harnessing the potential of e-commerce will be put in place.

**Human Resource Development**

HRD assumes new significance with inescapable competition facing Indian textile products both in the international and domestic markets. Government will support programs of organisations and institutions engaged in HRD that address the professional manpower needs of the industry as well as at the cutting edge level of workers and shop floor supervisors. Institutions will be encouraged to network and synergistically cooperate amongst themselves. IT will become an integral part of HRD effort.

In recognition of the pioneering role of NIFT, the institution will be assisted to grow and progress on innovative lines. The Nodal Centre for Upgradation of Textile Education (NCUTE) will be helped to grow into an autonomous National level Taxed Resource Centre. Information and expertise available in technical institutes like IITs, TIT sand NID will be tapped for expansion of programs.

**Fiscal and Financing arrangements**

A growth-oriented fiscal road map will be drawn up, which has the advantage of predictability. The parameters within which the multi level duty structure and rates of levies will be reviewed and rationalised will include the thrust on exports the fiscal regime of major competing countries, WTO consistency and the need to keep prices at levels affordable to the largely poor consumers who will continue to form the bulk of the market.
Funding requirements of different segments of the textile industry will be periodically reviewed and short-term and long-term requirements spelled out, particularly of the handloom powerloom handicrafts and sericulture sectors. Innovative measures for tapping public and private sector funding will be worked out. The endeavor will be to,

* Encourage the private sector to take the initiative in participating in financing of specific needs of the textile industry.
* Set up a venture Capital fund in consultation with and involvement of financial institutions for the promotion of talented Indian Designers, Technologists innovative market leaders and e-commerce ventures.

**Delivery mechanisms for implementation of the Policy**

Organisations working under the Ministry of Textiles will be reoriented, right sized and restructured to act as facilitator instead of regulatory bodies, with the mandate and role of each being reviewed and redefined over the next two years. Simultaneously, regulations and controls will be reviewed and progressively reduced.

**Some of the Specific changes will be**

* The role of the offices of the Textile commissioner and jute commissioner will be moulded to serve the developmental needs of the industry.
* Export promotion councils will be restructured so as to become capable of devising dynamic export strategies; promoting financing; disseminating information on various aspects of the WTO agreements; extending legal advice to trade and industry in dispute settlements, etc.
* All the nine Textile Research Associations under the Ministry of Textiles will
be revamped to give a market and industry driven focus to their Research and Development support.

The role of the Central Silk Board will be restructured in keeping with the objective or participative implementation in partnership with the State Governments and the private Sector.

The Government is committed to providing a conducive environment to enable the Indian textile industry to realise its full potential, to achieve global excellence and to fulfill its obligation to different sections of the society. In the fulfillment of these objectives, Government will enlist the cooperation and involvement of all stakeholders and ensure an effective and responsive delivery system.

CONSTRAINTS ON THE TEXTILES AND CLOTHING SECTOR IN INDIA

The opportunities unleashed by the removal of the quotas are tempered in India by domestic policy constraints and business environment. The absence of labor market flexibility, reservation of certain items for the small-scale sector until recently, and the absence of an effective exit policy are obstacles to achieving economies of scale. The failure to reap economies of scale in turn prevents the requisite investment. The lead time in India tends to be fairly long, and this is likely to dampen increases in market share as the current structure of the T&C industry gives significant importance to a short turnaround time. The lack of infrastructure and administrative hurdles, such as delays at customs and other red tape, and high tariffs further constrain India’s ability to maximize the gains from the abolition of the ATC quotas.

Survey results confirm that significant constraints face the Indian T&C
industry that may be preventing it from realizing its export potential. These are highlighted by two surveys conducted of 14 major T&C producers and global traders in 2000 and 2003. The following seven factors influence investment and sourcing decisions in the T&C sector: politics and stability of the host country, quality of transportation and telecom in the host country, trade and investment policies, labor costs and policy, health and environment, and the lack of restrictions on capital transactions. A survey by the Export-Import Bank of India to estimate the magnitude of transaction costs of Indian exports revealed that although transaction costs have declined between 1998 and 2003, they still continue to impose significant costs in certain sectors of Indian exports. Among the leading export sectors, the study finds that the incidence of transaction costs is highest in textiles, resulting mainly from delays in receiving refunds (Reserve Bank of India 2004).

The proximity of markets, bureaucratic impediments, and the poor infrastructure quality are also important constraints, especially in market segments that shift rapidly. In the absence of quotas, retailers will likely choose suppliers based on the reliability of delivery and short lead time. It is estimated that an additional day in transport is equivalent to an extra 0.8 percentage point increase in applied tariff rates. China enjoys a 13 percent cost advantage in shipping garments from Shanghai to the U.S. East Coast, or in weighted terms an even larger advantage of 37 percent. In addition, delivery times from India are longer than from other comparator countries. The minimum delivery time (transportation alone) from India to the United States is 24 days compared to 18 days from Thailand, 15 days from China, 12 days from Hongkong and 3 days from Mexico. While geographic location might explain this partly, a major factor for the delays can be attributed to lower efficiency and smaller tonnage of birthing capacity at Indian ports. Moreover, India does not seem to compare favorably in terms of
customs processing where the mean delay is 10.3 days, compared to 7 days in Korea and Thailand. In addition, the price of industrial power is higher in India than in Mexico, Taiwan Province of China and Korea.

The structure of the T&C industry in India is also a constraint. India's T&C sector has been dominated by small producers, is fragmented, and there is little vertical integration in the apparel industry (USITC 2004). Indian manufacturers set up several small plants instead of a single large one, to take advantage of labor laws. Consequently, the Indian T&C sector loses out on reaping economies of scale and therefore a lack of investment to upgrade obsolete machinery.

India's exports in T&C have been characterized as low technology intensive. Thus, in a sector where India has a large share of exports, the technology intensity is low compared with many other competitors, where the improvement has been dramatic during the 1990s. The Technology Upgradation Fund Scheme for textiles and jute industries is a significant step in the process of modernization and technology upgradation of the textile industry in India. In addition, to prepare for a quota-free world, a few corporate have recently announced investment of 500 million. Other countries, such as China, have invested far greater amounts.

While labour costs in India are one of the lowest in the world, these are offset by significantly higher prices for other inputs and low labor productivity. Survey results indicate that labor costs are not the major determinant for potential investors, implying that higher labor costs can be accepted if they are compensated by other factors. The labor cost per unit of production is higher due to the lower productivity of labor. A study by McKinsey and Company (2004) found that Indian exporters' productivity was at 35 percent of U.S. levels. China scores a much more impressive 55 percent. This rise in productivity in China in the T&C
sectors led to a growth in output of 37 per cent in the second half of the 1990s, while the number of workers decreased by 27 percent. Furthermore, over time the textile industry has become less labor intensive, especially in weaving and processing.

The quality of the T&C products also constrains Indian exports. A recent study (World Bank 2004) demonstrates some challenges to Indian industry including perceptions about the low quality of India’s T&C products and quality inconsistency of large cotton-based Indian textiles and clothing products.

**TEXTILES AND CLOTHING SECTOR POLICY ENVIRONMENT IN INDIA**

The Indian government has focused on the textile sector with the aim of doubling India’s share in global textile trade by 2010 and to increase India’s textile exports to $50 billion from $13 billion currently. This echoed the government’s textile policy of end 2000, which focused on strategic areas to strengthen the competitiveness of the textile industry. The focus was on facilitating technological upgradation, increasing the raw material base with emphasis on productivity and quality, encouraging human resource development, product diversification, innovative marketing, and ensuring adequate financing.

An important policy change over the years has been the progressive dereervation of the garments sector from the small scale sector. The existence of a number of sectors under small-scale industry (SSI) had precluded investment and modernization in the past. This policy also contributed to the fragmentation in the supply chain in the T&C industry. Until the beginning of 2005, items in the knitting and hosiery sectors continued to be reserved for the small-scale sector. The investment in the textile industry remained low and stagnant between 2000 and 2003 at around $1 billion to $1.5 billion. The dismantling of the quota regime
has led to a pick up in investment in all segments. In the long run, the Indian garment industry will have to be dominated by large firms to reap economies of scale.

Foreign direct investment in this sector has been insignificant, although the government has allowed foreign equity participation up to 100 percent in the textile sector, except in the knitwear/knitting sector, which was still reserved for SSI until recently. Notwithstanding the funding that it would have brought in, India has missed the associated technology transfer. Until recently, the excise tax regime for the textile sector was not conducive to new investment. The budget for FY 2004-05 reduced the excise duties for yarn and fiber. However, blended textiles and pure non cotton textiles (polyester, viscose, acrylic, and nylon) continued to be subject to a different tax regime. In the 2005-06 budget, the excise duty on polyester filament yarn and polyester texturized yarn was reduced from 24 percent to 16 percent. With the man-made fiber textile sector accounting for a large share of trade, the rationalizing the taxation structure for this sector can strengthen competitiveness.

The 2005-06 budget focused on investment in apparel parks, cluster development, cotton procurement, health and insurance, and technical skill development. It has proposed about $700 million for investment in the textile sector for the above purposes as well as for technology upgradation.

POLICY RECOMMENDATIONS

While the Textile Policy of 2000 targeted exports of textiles and apparel at $50 billion by 2010, India's exports reached $13 billion in 2003. Although, achieving this target seems doubtful, the dismantling of quotas at the end of 2004 put an end to the discretionary trade regime and presents an opportunity for competitive
producers. The quotas had kept prices artificially high under the previous regime. In the future, prices will fall to market determined levels and growth will depend on enhanced efficiency. Specifically, in a competitive environment, success will depend on quality, price, delivery schedules, and marketing skills. So far, India's performance seems to have been modest; however with further domestic reform, India may be able to increase its exports at a more rapid pace.

The appropriate policy response and creating an enabling environment can help India increase its market share. The strategy should aim to overcome specific constraints that have been identified in the earlier sections such as low quality of products, fragmentation of the industry, concentration on low- to medium-priced apparel, long time-to-delivery, delays in customs clearance, low level of technology, unfavorable trend in labor productivity as compared to some competitors, lack of scale economies, and high costs of inputs and branding. The Export Import Bank of India has called for sharpening of India's competitive advantage by lowering the cost of operations through efficient use of production inputs and better integration of manufacturing processes, enhanced technology, foreign investment, improving the efficiency in logistics and supply chain management, and improving soft skills such as design capabilities. A coherent response would involve both increasing the volume of exports and up scaling its products.
**Targets of the National Textiles Policy (2000)**

- Achieve the target of textile and clothing exports from the 2001 level of $11 billion to $50 billion by 2010 of which the share of garments will be $25 billion.

- Implement, in a time-bound manner, the Technology Upgradation Fund Scheme (TUFS) covering all manufacturing segments of the industry.

- Achieve increase in cotton productivity by at least 50 percent and upgrade its quality to international standards, through effective implementation of the Technology Mission on Cotton.

- Launch the Technology Mission on Jute to increase productivity and diversify the use of this environment-friendly fiber.

- Assist the private sector to set up specialized financial arrangements to fund the diverse needs of the textile industry.

- Set up a venture capital fund for tapping knowledge-based entrepreneurs of the industry.

- Encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of the country.

- Dereserve the garment industry from the small scale industry sector;
• Strengthen and encourage the handloom industry to produce value-added items and assist the industry to forge joint ventures to secure global markets.

• Redesign and revamp, during the Tenth Five-Year Plan, the schemes and programs initiated in the handloom, sericulture, handicrafts, and jute sector to ensure better returns for those belonging to the disadvantaged categories, and the North East and other backward regions of the country.

• Facilitate the growth and strengthen human resource development institutions, including the National Institute of Fashion Technology on innovative lines.

The Union Budget for 2006-2007 has announced various measures impacting the industry

* Custom Duty on man made fibres, filaments yarns and yarns and spun yarns has been proposed to be reduced from 15% to 10%

* Custom duty on DMT, PTA, MEG and caprolacum reduces from 15% to 10%

* Custom duty on Paraxylene reduced from 5% to 2%.

* Custom duty on specified textile machinery, and parts for manufacture of such machinery, reduced from 15% to 10%

* Custom duty on textile fabrics and garments reduced from 15% to 12.5%

There is however no change in specific components of custom duty.

* Allocation for Technology Upgradation Fund (TUF) scheme has been proposed to be increased from 4.35 billions to 5.35 billions
* The scheme for Integrated Textile Parks (SITP) was launched in October 2005 for creating 25 textiles parks. As on date, 7 parks have been sanctioned and 10 parks have been identified for development. For these parks, a fund of Rs. 1.89 billion has been proposed.

* Proposed launch of Jute Technology Mission in 2006-07. A national Jute Board is proposed to be established.

* Additional 100 clusters proposed to be covered under the scheme of handloom cluster development. Yarn depot have been proposed to be established in different parts of the country to ensure uninterrupted supply of yarn to weavers and proposed to launched a handloom mark. A scheme similar to TUFS proposed to be introduced for the handlooms sector to provide interest subsidy on term loans.

* For effective cluster development, it has been proposed to constitute an Empowered Group of Ministers who will lay down the policy for cluster development and oversee their implementation.

It can be concluded that the Indian Government made a lot of efforts and announced various policies to boost the Indian textile sector. Due to the fast economic development of the economy it is necessary to promote textile industry. Hence Government of India announced New Textile Policy 2000 and New Jute policy 2005.

After analysing the data and the financial performance of the Indian textile industry it can be concluded that government policy helps a lot in promoting the industry. As it is clear that if we want to compete with the world market than the policy of the government should be liberalised and competitive.
References

1. National Textile Policy 2000 of Government of India
3. GOI, Tenth Five year plan 2002-07
4. National Jute Policy