Role of textile industry in national economy

Textile: A textile is a flexible material made by creating an interlocking network of yarns or threads, which are produced by spinning raw fibres (from either natural or synthetic sources) into long and twisted lengths. Textiles are then formed by weaving, knitting, crocheting, knotting, tufting, felting, bonding or braiding these yarns together.

Forms of Textiles: Depending upon the technique of fabric construction, there are several forms of textiles which are stated as under:

1) **Woven textiles:** Woven fabric is any textile formed by weaving. Woven fabrics are often created on a loom, and made of many threads woven on a warp and a weft. Technically, a woven fabric is any fabric made by interlacing two or more threads at right angles to one another. Woven fabrics only stretch diagonally on the bias directions (between the warp and weft directions), unless the threads used are elastic. Woven fabric cloth usually frays at the edges, unless techniques are used to counter it, such as the use of pinking shears or hemming. Fabrics that are woven do not stretch as easily as knitted fabrics, which can make them advantageous for many uses.

2) **Knitted textiles: Knitted fabric** is a textile that results from knitting, the process of inter-looping of yarns or inter-meshing of loops. Its properties are distinct from woven fabric in that it is more flexible and can be more readily constructed into smaller pieces, making it ideal for socks and hats. There are two basic varieties of knit fabric: weft-knit and warp-knit fabric. Weft-knit fabrics are easier to make and more common. When cut, they will unravel (run) unless repaired. Warp-knit fabrics are resistant to runs and relatively easy to sew.

3) **Non woven textiles:** Non wovens include those fabric structures which are made by some means other than weaving or knitting. This means a partial or complete elimination of conventional textile process such as spinning, weaving etc. Non wovens are broadly of two types: felts and bonded.

i) **Felts:** These are fabric structures made by interlocking of fibres. These are of two types: wool felt and needle felt.

a) **Wool felts:** These are fabric structures made by interlocking of scales present on wool fibres. Technically, any animal hair fibre can be used for felt construction. Scales present on wool have a tendency to interlock and shrink when subjected to heat, moisture, friction and agitation.

b) **Needle felts:** These felts are made wholly or mainly from fibres other than wool. Almost any type of fibre can be used, though synthetic fibres are commonly used. Fibre entanglement is achieved by the mechanical action of barbed needles.

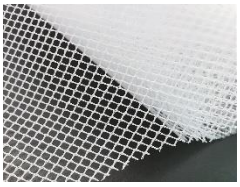
ii) **Bonded textiles:** These are flexible materials which have been formed directly from fibres and rely on thermal or chemical treatments for their construction.

4) **Braided textiles:** A braid is made by interlacing three or more yarns to form a plait. These can be used for trimmings or joined together to form a fabric. Braided textiles stretch considerably in length. Craft items and bags made of jute braids are common in coastal areas.

5) **Laces:** Construction of a lace includes thread twisting, intertwining and knotting, thus producing sturdy products. All laces are characterised by an open mesh structure and decorative design. Patterning can be done in laces using jacquard mechanisms.

6) **Laminated fabrics:** These are layered fabric structures in which a face or surface fabric is joined to a backing fabric with an adhesive that does not add significantly to the thickness of the combined fabric.

7) **Nets:** Nets are open work fabrics made by threads or yarns, on bobbinet machines in which the bobbin yarns are looped around the warp yarns in a spiral formation. This produces large geometric open gaps between yarns with no designs.



8) **Stitch bonded fabric:** An assembly of fibres or yarns are held together (bonded) by stitching along the length direction. Their chief advantage is high production rate with low capital investment.

9) **Tufting:** This method of fabric construction aims to simulate pile fabrics, at a fraction of their cost. A woven fabric acts as a base and a set of pile yarns is inserted into it to form tufts or loops on one side. These may be cut and brushed too.

10) **Crocheting:** This is a process of creating textiles by using a crochet hook to interlock loops of yarn, thread, or strands of other materials. The name is derived from the French term *crochet*, meaning 'small hook'. Hooks can be made from a variety of materials, such as metal, wood, bamboo, or plastic. The key difference between crochet and knitting, beyond the implements used for their production, is that each stitch in crochet is completed before the next one is begun, while knitting keeps many stitches open at a time.

Importance of textile industry in national economy

Introduction:

The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. Our economy is largely dependent on the textile manufacturing and trade in addition to other major industries. About 27% of the foreign exchange earnings are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14% to the industrial production and 3% to the gross domestic product of the country. Around 8% of the total excise revenue collection is contributed by the textile industry. So much so, the textile industry accounts for as large as 21% of the total employment generated in the economy. Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million.

A textile is the largest single industry in India (and amongst the biggest in the world), accounting for about 20% of the total industrial production. It provides direct employment to around 20 million people. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the powerloom and handloom sectors as well. The Indian textile industry continues to be predominantly based on cotton, with about 65% of raw materials consumed being cotton. The yearly output of cotton cloth was about 12.8 billion m (about 42 billion ft). The manufacture of jute products (1.1 million metric tons) ranks next in importance to cotton weaving. Textile is one of India's oldest industries and has a formidable presence in the national economy inasmuch as it contributes to about 14 per cent of manufacturing value-addition, accounts for around one-third of our gross export earnings and provides gainful employment to millions of people. They include cotton and jute growers, artisans and weavers who are engaged in the organised as well as decentralised and household sectors spread across the entire country.

INDIAN TEXTILE INDUSTRY STRUCTURE AND GROWTH

India's textile industry is one of the economy's largest. In 2000/01, the textile and garment industries accounted for about 4 percent of GDP, 14 percent of industrial output, 18 percent of industrial employment, and 27 percent of export earnings. India's textile industry is also significant in a global context, ranking second to China in the production of both cotton yarn and fabric and fifth in the production of synthetic fibres and yarns.

In contrast to other major textile-producing countries, mostly small-scale, non-integrated spinning, weaving, cloth finishing, and apparel enterprises, many of which use outdated technology, characterize India's textile sector. Some, mostly larger, firms operate in the "organized" sector where firms must comply with numerous government labour and tax regulations. Most firms, however, operate in the small-scale "unorganized" sector where regulations are less stringent and more easily evaded.

The unique structure of the Indian textile industry is due to the legacy of tax, labor, and other regulatory policies that have favored small-scale, labor-intensive enterprises, while discriminating against larger scale, more capital-intensive operations. The structure is also due to the historical orientation towards meeting the needs of India's predominately low-income domestic consumers, rather than the world market. Policy reforms, which began in the 1980s

and continued into the 1990s, have led to significant gains in technical efficiency and international competitiveness, particularly in the spinning sector. However, broad scope remains for additional reforms that could enhance the efficiency and competitiveness of India's weaving, fabric finishing, and apparel sectors.

Structure of India's Textile Industry

Unlike other major textile-producing countries, India's textile industry is comprised mostly of small-scale, non-integrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labour-intensive, small-scale operations and discriminated against larger scale firms:

• **Composite Mills.** Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 276 composite mills are now operating in India, most owned by the public sector and many deemed financially "sick."

• Spinning. Spinning is the process of converting cotton or manmade fibre into yarn to be used for weaving and knitting. Largely due to deregulation beginning in the mid-1980s, spinning is the most consolidated and technically efficient sector in India's textile industry. Average plant size remains small, however, and technology outdated, relative to other major producers. In 2002/03, India's spinning sector consisted of about 1,146 small-scale independent firms and 1,599 larger scale independent units.

• Weaving and Knitting. Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India's weaving and knitting sector remains highly fragmented, small-scale, and labour-intensive. This sector consists of about 3.9 million handlooms, 380,000 powerloom enterprises that operate about 1.7 million looms, and just 137,000 looms in the various composite mills. "Powerlooms" are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttleless looms account for less than 1 percent of loom capacity.

• Fabric Finishing. Fabric finishing (also referred to as processing), which includes dyeing, printing, and other cloth preparation prior to the manufacture of clothing, is also dominated by a large number of independent, small scale enterprises. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving, or knitting units.

• Clothing. Apparel is produced by about 77,000 small-scale units classified as domestic manufacturers, manufacturer exporters, and fabricators (subcontractors).

Growth of Textile Industry

India has already completed more than 50 years of its independence. The analysis of the growth pattern of different segment of the industry during the last five decades of post independence era reveals that the growth of the industry during the first two decades after the independence had been gradual, though lower and growth had been considerably slower during the third decade. The growth thereafter picked up significantly during the fourth decade in each and

every segment of the industry. The peak level of its growth has however been reached during the fifth decade i.e., the last ten years and more particularly in the 90s. The Textile Policy of 1985 and Economic Policy of 1991 focussing in the direction of liberalisation of economy and trade had in fact accelerated the growth in 1990s. The spinning spearheaded the growth during this period and man-made fibre industry in the organised sector and decentralised weaving sector.

ROLE OF INDIAN TEXTILE INDUSTRY IN THE ECONOMY

Textile industry plays a significant role in the economy. The Indian textile industry is one of the largest and most important sectors in the economy in terms of output, foreign exchange earnings and employment in India. It contributes 20 per cent of industrial production, 9 per cent of excise collections, 18 per cent of employment in industrial sector, nearly 20 per cent to the country's total export earnings and 4 per cent ton the GDP. The sector employs nearly 35 million people and is the second highest employer in the country. The textile sector also has a direct link with the rural economy and performance of major fibre crops and crafts such as cotton, wool, silk, handicrafts and handlooms, which employ millions of farmers and crafts persons in rural and semi-urban areas. It has been estimated that one out of every six households in the country depends directly or indirectly on this sector.

India has several advantages in the textile sector, including abundant availability of raw material and labour. It is the second largest player in the world cotton trade. It has the largest cotton acreage, of about nine million hectares and is the third largest producer of cotton fibre in the world. It ranks fourth in terms of staple fibre production and fourth in polyester yarn production. The textile industry is also labour intensive, thus India has an advantage.

The key advantages of the Indian industry are:

• India is the third largest producer of cotton with the largest area under cotton cultivation in the world. It has an edge in low cost cotton sourcing compared to other countries.

• Average wage rates in India are 50-60 per cent lower than that in developed countries, thus enabling India to benefit from global outsourcing trends in labour intensive businesses such as garments and home textiles.

• Design and fashion capabilities are key strengths that will enable Indian players to strengthen their relationships with global retailers and score over their Chinese competitors.

• Production facilities are available across the textile value chain, from spinning to garments manufacturing. The industry is investing in technology and increasing its capacities which should prove a major asset in the years to come.

• Large Indian players such as Arvind Mills, Welspun India, Alok Industries and Raymonds have established themselves as 'quality producers' in the global market. This recognition would further enable India to leverage its position among global retailers.

• India has gathered experience in terms of working with global brands and this should benefit Indian vendors.

GOVERNMENT INITIATIVES

With a view to raise India's share in the global textiles trade to 10 per cent by 2015 (from the current 3 per cent), the Ministry of Textiles proposes 50 new textile parks. Out of the 50, 30 have been already sanctioned by the government (with a cost of US$ 710 million). Set up under the Scheme for Integrated Textile Parks (SITP), this initiative will not only make the industry cost competitive, but will also enhance manufacturing capacity in the sector.

Apart from the above, a series of progressive measures have been planned to strengthen the textile sector in India:

•Technology Mission on Cotton (TMC)

•Technology Upgradation fund Scheme (TUFS)

•Setting up of Apparel Training and Design Centres (ATDCs)

• 100 per cent Foreign Direct Investment (FDI) in the textile sector under automatic route.

• Setting up two design centres in Gujarat in collaboration with National Institute of Fashion Technology.
• Setting up a Handloom Plaza in Ahmedabad with an estimated investment of US$ 24.6 million.
• Revival plans of the mills run by National Textiles Corporation (NTC). Already, for the revival of 18 textile mills, US$ 2.21 million worth of machineries has been ordered for the upgradation and modernisation of these mills.

• Setting up a handloom mall with an investment of US$ 24.6 million at Jehangir Mill in Ahmedabad.
• Scrapping of the Textile Committee cess being collected from the textile and textile machinery industry under the Textile Committee Act.

INDIAN TEXTILE INDUSTRY – SWOT ANALYSIS

Strength

» India has rich resources of raw materials of textile industry. It is one of the largest producers of cotton in the world and is also rich in resources of fibres like polyester, silk, viscose etc.

» India is rich in highly trained manpower. The country has a huge advantage due to lower wage rates. Because of low labor rates the manufacturing cost in textile automatically comes down to very reasonable rates.

» India is highly competitive in spinning sector and has presence in almost all processes of the value chain.

» Indian garment industry is very diverse in size, manufacturing facility, type of apparel produced, quantity and quality of output, cost, and requirement for fabric etc. It comprises

suppliers of ready-made garments for both, domestic or exports markets.

Weakness

» Knitted garments manufacturing has remained as an extremely fragmented industry. Global players would prefer to source their entire requirement from two or three vendors and the Indian garment units find it difficult to meet the capacity requirements.

» Industry still plagued with some historical regulations such as knitted garments still remaining as a SSI domain.

» Labour force giving low productivity as compared to other competing countries.

» Technology obsolescence despite measures such as TUFS.

» Low bargaining power in a customer-ruled market.

» India seriously lacks in trade pact memberships, which leads to restricted access to the other major markets.

» Indian labour laws are relatively unfavorable to the trades and there is an urgent need for labour reforms in India.

Opportunity

» Low per-capita domestic consumption of textile indicating significant potential growth.

» Domestic market extremely sensitive to fashion fads and this has resulted in the development of a responsive garment industry.

» India's global share is just 3% while China controls about 15%. In post-2005, China is expected to capture 43% of global textile trade.

» Companies need to concentrate on new product developments.

» Increased use of CAD to develop designing capabilities and for developing greater options.

Threats

» Competition in post-2005 is not just in exports, but is also likely within the country due to cheaper imports of goods of higher quality at lower costs.

» Standards such as SA-8000 or WARP have resulted in increased pressure on companies for improvement of their working practices.

» Alternative competitive advantages would continue to be a barrier.

CONCLUSION

The Indian textile industry has a significant presence in the Indian economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. The industry also contributes significantly to the world production of textile fibres and yarns including jute. In the world textile scenario, it is the largest producer of jute, second largest producer of silk, third largest producer of cotton and cellulosic fibre\yarn and fifth largest producer of synthetic fibre\yarn. Textile Industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. The Government of India has also included new schemes in the Annual Plan for 2007-08 to provide a boost to the textile sector. These include schemes for Foreign Investment Promotion to attract foreign direct investment in textiles, clothing and machinery etc.

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