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A Report on Textile Industry, Problem and Measure

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Abstract

India is replete with natural resources like cotton, jute and silk. Indian products were known for fine designing, embellishment and craft. Besides this, the ancient Indian fabric designers and weavers were one of the best in the world (Reference: The Dhaka Muslin-one of finest and light weight weaving that could pass through a finger ring).

The Indian Textile Industry contributes approximately 2% to India's Gross Domestic Product (GDP), 10% of manufacturing production and 14% to overall Index of Industrial Production (IIP). Indian textile Industry is completely self reliant in the entire value-chain from cotton crop to Hi-fashion garment making. Industry is facing problem due to the high cost of finance, high labour cost (compared with CHINA, competition from other country, recession, etc.

The authors have study and explore the area where Textile industry is facing problem in the export and try to analyze the competitors in the market and also examined the are where the industry is facing problem with international market.

Keywords: *Textile Industry, Handloom Industry.*

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1. INTRODUCTION

India is replete with natural resources like cotton, jute and silk. Indian products were known for fine designing, embellishment and craft. Besides this, the ancient Indian fabric designers and weavers were one of the best in the world (Reference: The Dhaka Muslin-one of finest and light weight weaving that could pass through a finger ring).

The Indian Textile Industry contributes approximately 2% to India's Gross Domestic Product (GDP), 10% of manufacturing production and 14% to overall Index of Industrial Production (IIP). Indian textile Industry is completely self reliant in the entire value-chain from cotton crop to Hi-fashion garment making. Industry is facing problem due to the high cost of finance, high labour cost (compared with CHINA, competition from other country, recession, etc.

The Industry is highly fragmented except for spinning sub-sector and thus manually intensive. This is obvious from data of weaving sector mentioned. Organized sector contributes to almost 100% of spinning but hardly 5 % of weaving of fabric. Cotton products are stronghold of India. As of March 2016-17, India had 1787 cotton/man made fiber textile mills including 1564 spinning mills (stand alone) and 223 composite verticals. Many organized sector giants are actually conglomerates of medium sized mills, for example, Vardhman Group in Punjab.

For the past one years, the market has been in a recession. As a result, market players have become very cost conscious and price sensitive. As per the researcher views, main problem the industry is facing are:-

- A worldwide increase in demand for Indian textiles and garments.
- The lowering of customs duties on imported textile machinery.
- Reduced government restrictions on the import of the used capital goods.
- The reduced cost of the used equipment which makes textile manufacturing operations more viable.

The U.S. market share of imported textile machinery is only approximately 3%. Competitors from European countries such as Germany, Switzerland and the United Kingdom have taken the lead and are concentrating on equipment for cotton spinning, weaving, carding, winding and finishing. The Govt. policy in INDIA is also not favourable most of the time. Government not take due consideration in boosting the industry, such as reduction in the tariff barrier, injection of FDI in this sector, research work & research and development money etc.

In spite of all this problems, industry has shown remarkable improvement in export and become the largest employment group in the country. There are various points where we consider it as the asset for the industry. In order to get the real picture of the problems some of the merchants dealing in the export of textile or the related products have been contacted. A questionnaire is being developed to know the hindrance of the textile industry.

But there is draw back in getting the feedback because it is based on the overseas customer opinion but the opinion of the foreign customers couldn’t be taken. The strategy followed by the government or the exporters keep on changing according to the situation. Lastly, the software related analysis, such as SPSS being taken.

- In report it has been tried to find the reason why textile industry is facing problem in the international market. (area of negotiation between India and America and WTO).

- The reason why the industry has faced problems due to the rupee appreciation in terms of dollar.
- What technological advancement required to cope- up on the international market.
- Why government has not shown concern in boosting the textile industry and allowing FDI in this sector.

All the question, the researcher have tried to cover in the report but off-course there is some loopholes in the research, specially in collecting the data. It has been tried to take some of the public opinion related and involve in this industry. Sometimes, they don't want to share some of their confidential data related to the sales and export. The collection and formulation of data and their source is being mentioned at the last of the report.

2. OBJECTIVE AND SCOPE

- To study and explore the area where TEXTILE industry is facing problem in the export and analyze the competitors in the international market.
- To examine the area where industry is facing problem with the international market in terms of quality and technology.

3. MARKET HIGHLIGHTS AND BEST PROSPECTS

The Indian textile industry is the second largest in the world--second only to China. Indian textiles also account for 38 percent of the country's total exports and is, therefore, a very important industry. The forecast is that textiles exports will reach USD 46 billion by the year 2008. Here are a few important facts about India's textile:

1. There are approximately 1200 medium to large scale textile mills in India. Twenty percent of these mills are located in Coimbatore (Tamil Nadu).
2. India has 34 million cotton textile spindles for manufacturing cotton yarn. Cotton yarns account for 70 percent of India's textile exports. (China has 40 million cotton spindles.)
4. For the past two years, there has been a significant slow-down in the cotton spinning segment, mainly due to the spiralling price of cotton.
5. The domestic knitting industry is characterized by small scale units which lack adequate facilities for dyeing, processing and finishing. The industry is concentrated in Tirupur (Tamilnadu) and Ludhiana (Punjab). Tirupur produces 60 percent of the country's total knitwear exports. Knitted garments account for almost 32 percent of all exported garments. The major players include Nahar Spinning, Arun Processors and Jersey India.
6. Recently, the problem in the US market, specially the problem in the banks which has been arises by the downfall of the market will directly affect the TEXTILE industry.

4. INDUSTRY MAJOR PROBLEM IN DOMESTIC AND INTERNATIONAL MARKET

The major problem in researcher opinion lies in the realization of the potential. Most of the producer never realize the potential and their production capability and they don't want to cope up with the changes in the international trade, or in short it can say that there are not organized and they are not educated well just to cope up with the international market. All other problems can be handled when you realize you have potential. Some of the problem, which industry is facing as follows:

1. Inadequate design and engineering capability.

2. The high cost of raw material and components.
3. The high cost of finance.
4. Demand constraints.
5. Competition from foreign countries as a result of the lowering of import duties on textile machinery.
6. The high quality of imported textile equipment.

5. GOVT. POLICIES RELATED TO TEXTILE INDUSTRY

The Indian textile industry is one of the largest industries in the world. The Ministry of Textiles in India has formulated numerous policies and schemes for the development of the textile industry in India. Some of them are detailed in the following sections.

National Textile Policy: The National Textile Policy was formulated keeping in mind the following objectives:

- Development of the textile sector in India in order to nurture and maintain its position in the global arena as the leading manufacturer and exporter of clothing.
- Maintenance of a leading position in the domestic market by doing away with import penetration.
- Injecting competitive spirit by the liberalization of stringent controls.
- Encouraging Foreign Direct Investment as well as research and development in this sector.
- Stressing on the diversification of production and its upgradation taking into consideration the environmental concerns.
- Development of a firm multi-fibre base along with the skill of the weavers and the craftsmen.

The handloom industry should be boosted and encouraged to enter into foreign ventures so as to compete globally. The National Textile Policy has also formulated rules pertaining to certain specific sectors. Some of the most important items in the agenda happens to be the availability and productivity along with the quality of the raw materials. Special care is also taken to curb the fluctuating price of raw materials. Steps have also been taken to raise silk to the international standard.

Government of India is trying to promote textile industry by giving emphasis on several areas of textile, which are as below:

- Innovative marketing strategies
- Diversification of product
- Enhancement of textile oriented technology
- Quality awareness
- Intensifying raw materials
- Growth of productivity
- Increase in exports
- financing arrangements
- creating employment opportunities
- Human Resource Development

Growth in Indian Textile Industry: Indian Textile Industry is going through a major change in its outlook after the expiry of Multi-Fiber Agreement.

Multi Fiber Agreement was introduced in the year 1974 as a short term measure directed towards providing a limited time period to the developed countries for adjusting their textile industries in accordance with that of the developing countries. The textile industries are characterized by their labor intensive nature of commodity production. Availability of surplus labor is abundant in the developing countries. These countries have comparative advantage in the production of textile related products and hence are able to supply goods at a very low price. The basic idea behind this policy was to eradicate all sorts of quota system from the apparel and textile industry all over the world so that a level playing field could be established.

Some of the very recent developments in Indian Textile Industry are as follows:

Textile plays a major role in the Indian economy

(i) It contributes 14% to industrial production and 4% to GDP (ii) With over 45 million people, the industry is one of the largest source of employment generation in the country

The industry accounts for nearly 15 per cent of total exports

The size of India's textile market in 2016 was around US$ 137 billion, which is expected to touch US$ 226 billion market by 2023, growing at a CAGR of 8.7% between 2009-23E.

As of June 2017, the central government is planning to finalize and launch the new textile policy in the next three months. The policy aims to achieve US$ 300 billion worth of textile exports by 2024-25 and create an additional 35 million jobs.

Cost of Production: Cost of production of textiles yarns and fabrics is much higher in India despite low labor rates. We should not forget that India will also loose this advantage over time in as much as ACs (EU-10) are likely to loose the same over a period of time in EU market access.

Production cost of textured yarn is estimated to be US $ 2.06/kg in India, which is higher than that of China (US$ 1.40/kg) and Brazil ($ 1.90 /kg)

Similarly woven and knitted textured yarn production cost in India is higher than that of China, Brazil and South Korea. These costs include power cost that is higher in India besides low productivity, obsolescence and structural abnormalities.

To conclude, India has low competitive position with regards to availability and price of cotton (good quality), low level of technology, poor automation, and lack of scale economies in weaving and processing sector, and low brand image in textile garment sector.

Strategies for Indian Textile Exports: Quota free market means competition amongst firms and not nations. Quotas have frozen the growth in market share. They encouraged the high cost domestic industry in many textile-importing countries by freezing the market share. Even the high cost exporting countries (Hong Kong, South Korea, Taiwan) continued to have high market share taking advantage of quotas. Quotas also assured fixed market opportunities in early years to Indian garment industry and textile industry despite low productivity, poor time delivery and quality. Number of incentives was provided in India including duty drawback and cash compensatory support. Garment quotas are distributed by AEPC based on Government policy from time to time regarding past performance, etc and quotas were traded in gray market for long time.

Where as Indian domestic market shall hot up by entry of both retailing chains in India (FDI has been now permitted up to 51% in single brand stores) and outsourcing centers for International chains like Wal-Mart, the Indian exporters will get on one hand newer opportunities to enter restrained markets, while on other hand they will face stiff competition from countries like Turkey, Brazil, Mexico, Korea, China, Tunisia, Romania, Bangladesh and Pakistan.

Quotas by restricting market supply have also kept the export prices artificially high. There is bound to be a price war in post quota regime. Already it has started happening with Indian exporters (at least for price elastic goods). Developed countries have relocated facilities offshore or have shifted to high value products. Developing countries that were free from MFA restraints will loose out due to fall in prices.

Developed countries and many other countries are trying to extend quotas up to end of 2007 as evident from Istanbul declaration in March 2004. USA is developing a DNA marker system to trace the fabric origin. The technology can identify the US produced cotton yarn and check illegal textile imports.

Instead of criticizing, countries like India should hold high vision as regards standards of health, safety and child labor to conform to international standards and to avoid non-tariff barriers. Technology Up gradation Fund (TUF) has to be better utilized and textile technology training infrastructure has to be improved in country. The textile sector should take lead in this.

Strategy Indian exporters and garment manufacturers can adopt is coming together privately or through State sponsored agencies to do joint Brand marketing. If not done early, then MNC retailing organizations will hijack the Indian garment Industry initiative and India may simply get reduced to outsourcing center for major textiles and Garment exports, although there is nothing serious about it, but India may well loose status of being independent India Brand garment exporter with higher value realization to the national exchequer.

Conclusion: While Indian exports to the US have risen, profits are sliding as prices have dropped 8-20% and the industry is on the verge of a shakeout. With importers preferring suppliers that have 'vertical' production systems rather than dispersed production facilities, Indian exporters need to shore up their mass production techniques. Of the 1,500 Indian exporters only 15 have turnovers of $50 million-plus. Infrastructure development is the need of the hour. Power and water contribute to nearly 37 per cent of total production costs. In contrast, in China, this cost comprises just 24%. India also has to deal with inefficient port handling facilities. The Chinese figures have less credibility including their artificially fixed high exchange rate.

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% lower than that in developed countries, thus enabling India to benefit from global outsourcing trends in labor 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. This is also visible in auto sector and many other industries like IT and software and Pharmacy research.
- 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.

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

Companies with integrated capacities, such as Arvind Mills and Vardhman Spinning, capable of delivering large volumes are likely to gain.
Alternatively, market leaders in niche segments, such as Alok Industries, Abhishek Industries and Well spun India (both in cotton pile towels), may also emerge as gainers.
Some of the largest garment exporters, such as Orient Craft and Gokuldas Exports, which supply to international retailers, could gain considerably.
Specialty of Silk Industry can be summarized as follows :-

- Investments required in this industry are very less
- The returns associated with the sale of silk products are quite high
- Remuneration of the crop remains sustainable all through the year.
- The approximate number of people employed in this industry (directly or indirectly) goes to six million.

6. WEAKNESSES ATTACHED WITH HANDLOOM INDUSTRY IN INDIA

Though there is always problem in any of the industry but it is being not considered in the domestic market or in simple language some short of problem in the domestic market in generally not considered but, problem in the international market cannot be ignored. Lets analyze some of the problem faced in the international market.

- Technology used in this industry are backdated in nature
- The system of production is not organized
- The yield rate of such industry is significantly low
- Availability of working capital for this industry is quite low
- The marketing aspect associated with the Handloom industry is almost nil
- Innovation in the field of creation of final product is significantly low and hence the number of total products are limited to a few.

Handicrafts industry is one of the most traditional industries in India. Characteristic features of this industry are:

- Capital (initial as well as working) required for investment is very low
- Total number of people employed in this industry are significantly high
- Value added by the handicrafts industry is quite high
- A large portion of the produce is meant for the foreign audience. That is why this industry is capable of earning foreign exchange for both the artisans and the country.

7. TEXTILE COMPANY EXPORT

Textile industry generally includes manufacturers, wholesalers, suppliers, and exporters of cotton textiles, handloom, woollen textiles etc. This industry has the potentiality of generating a large number of employment opportunities. About thirty five million people are already engaged with this sector. During April-March 1998-99, India's total textile exports were US $ 12533.1 million (Rs. 52720.78 crores). During April-December 2000, readymade garments accounted for 40% of the overall exports of textile products in India, which amounted to US$ 3974.8 (Rs. 180443.4 million). During the year 2001-02, total textile exports in India were worth US $ 10715 million. In 2005-06, textile exports in India were at $ 17 billion. According to the industry estimates, in 2007, the total value of the textile exports are likely to remain between $20 billion and $21 billion. This is about 4 % more than the previous year's exports of $ 19.7 billion.

The Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) is an apex body founded by the Government of India to boost exports of Indian synthetic and rayon textile items.

Leading trading partners of India are Malaysia, Australia, Kazakhstan, USA, South Africa, Romania, Argentina, Egypt, Germany, Finland, and Turkey.

8. STATUS OF THE TEXTILE MACHINERY INDUSTRY

Approximately 120 companies manufacture the complete range of textile machinery. Gross receipts for the Industry in 1997 were nearly USD 700 million. The industry employs about 150,000 workers directly and an equal number indirectly. The demand for textile machinery is mainly from end user in the cotton textiles, manmade fibers and wool units textile sectors. The industry's major problems are:

- Inadequate design and engineering capability.
- The high cost of raw material and components.
- The high cost of finance.
- Demand constraints.
- Competition from foreign countries as a result of the lowering of import duties on textile machinery.
- The high quality of imported textile equipment.

9. INDIA-DEREGULATE HANDLOOM SECTOR TO ATTRACT FDI IN TEXTILE

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) has suggested complete deregulation of India's handloom sector with flexibility in labour laws to help textile economy attract FDI, upgrade technology and generate employment in Chinese way which spurred spectacular growth in its apparel export industry.

In a SWOT Analysis on `Textile Sector of India' undertaken by ASSOCHAM, it has been pointed out that the total FDI's approval in India in last 15 years stood at Rs40bn of which less than Rs3bn were approved until recently.

This has happened because domestic textile sector continues to struggle under shackles of stringent laws and has yet to be deregulated as against China in which the actual FDI's are 50 times higher and its textile industry and exports are doing remarkably well.

Releasing the Paper, the ASSOCHAM President, Sajjan Jindal said that the technology up gradation fund schemes (TUFs) for the sector was introduced in March 2006 but majority of investments that took place in textile sector went out of it. This means that textile units had chosen to invest by not taking recourse to TUFs route.

Another disturbing feature is that FDI's attracted by domestic textile sector continue to remain quite low as in last 14-15 years, out of total FDI's attracted, textile sector contributed less than 2.5%, added Jindal.

He suggested that flexibility in labour laws in changed economic, commercial and fiscal policies be considered. Amendments are required to help free outsourcing to promote investment in labour intensive and export oriented garment sector. Contract labour norms should be liberalized for textiles and garments so that units can hire labourers for a few months without the compulsion of having to absorb them permanently.

The Chamber is also of the view that Indian textiles are the largest single net foreign exchange earner of the country, contributing 19% of in total export earnings. It exports textiles of diverse kinds from a wide variety of fibers-natural fibers, regenerated cellulose fibbers and synthetic fibbers. Despite the competition from the low cost supplier like Bangladesh, China and Pakistan textile exports performed well during the recent years.

10. SURVEY

The questionnaire is based upon the problem of the producers and the market is facing, the expectation of the customers with the industry and the prospect of the growth in the near future.

Though it could be researcher's pleasure some of the data could be collected of the international customers and their expectation with the Indian industry. But it is not in the jurisdiction or the project area. Or in short you can say it is one of the drawbacks of the project if I am dealing with the international trade but not taking the opinion of the foreign customers.

The questionnaire is close ended where the opinion of the respondent is being taken with the set pattern of the customer. The total respondents were 20.

QUESTIONNAIRE	
Dear reader, I request you to be truthful in answering the question. Please read the instruction carefully before giving the answer. **Tick 1 - strongly agree . 2 - agree. 3 - can"t say. 4 - disagree. 5 - strongly disagree**	
Technology is the main reason for the downfall of the export	1 | 2 | 3 | 4 | 5
Recession being the reason for down fall of the market	1 | 2 | 3 | 4 | 5
Production cost is high as compare with Chinese	1 | 2 | 3 | 4 | 5
Importers quota system is effecting the market	1 | 2 | 3 | 4 | 5

SPSS ANALYSIS

CORRELATIONS

		technology is the main reason for the downfall of the industry	**recession be the reason for the market downfall**	**importers quota system is effecting the industry**	**productio n cost is high as compare to china**
technology is the main reason for the downfall of the industry	Pearson Correlation	1	.028	.434	.375
	Sig. (2-tailed)	.	.922	.106	.168
	N	15	15	15	15
recession be the reason for the market downfall	Pearson Correlation	.028	1	.190	.349
	Sig. (2-tailed)	.922	.	.498	.202
	N	15	15	15	15

importers quota system is effecting the industry	Pearson Correlation Sig. (2-tailed) N	.434 .106 15	.190 .498 15	1 . 15	.271 .328 15
production cost is high as compare to china	Pearson Correlation Sig. (2-tailed) N	.375 .168 15	.349 .202 15	.271 .328 15	1 . 15

Correlation as mentioned in the above table is highly positively related, all the analysis and they are relative to each other that too positively if and is been related then other is being effected by the other though all the questions are not taken for the consideration but what ever is been taken are related to each other

11. CONCLUSION TO THE REPORT

The project is really an eye opener to the external international problems which is faced by the exporters. The most challenging to the project is finding the data for the report. Most important aspect for the project is the findings which are influencing the foreign trade and influence in the TEXTILE industry. Some of the findings can be implemented for the boost of the export in the textile sector. The above suggestions given can be implemented in this sector to boost the export even today in the heavy meltdown period of the market.

But everyone agrees that there will be pricing pressure, and the only dispute is about its intensity. While price declines may vary from category to category, observers say an erosion in margins for some companies between 200-300 basis points cannot be ruled out. The thing to watch out for is whether the erosion will be compensated sufficiently by growth in volumes.

Longer-term, though, there is greater optimism due to India's relative advantage in cotton. China may be the world's largest producer of cotton but it also imports large quantities of cotton and yarn, estimated at between 15 and 20% of its needs.

India today grows enough cotton and has the highest percentage in the world. It produces 2.7 million tonnes annually, though the yield is among the lowest. Proximity to cotton growing-areas helps textile companies in India in terms of shorter lead times, savings on freight and access to different varieties.

With a share of 25% of the global cotton yarn market, which can be used domestically if the demand picks up, access to raw material is assured. Moreover, there is scope for cotton yields to improve.

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