Research Paper
Impact Factor: 3.567
Peer Reviewed Journal

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

ROLE OF TEXTILE INDUSTRY IN THE DEVELOPMENT OF INDIA ECONOMY

Prof. G.Selvakumar
Associate Professor & Head, Department of Costume Design and Fashion, PARK'S College, Tirupur.

Introduction

Cotton is a basic raw material for Textile Industry. The Indian Textile Industry has an overwhelming presence in the economic life of the Country. Apart from providing one of the necessities of life, the Textile Industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the Country.

The Indian Textile Industry is extremely varied, with the hand-spun and hand woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized power loom / hosiery and knitting sectors form the largest section of the Textile Sector. The close linkage of the Industry to agriculture and the ancient culture and traditions of the Country make the Indian Textile Sector unique of other Countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the Country.

The major sectors forming part of the Textile Industry include the organized Cotton / Man-made Fibre Textile Mill Industry, Wool and Woolen Textile Industry, Sericulture and Silk Textile Industry, Handloom Industry, Handicraft Industry, Jute and Jute Textile Industry and Textile Exports.

International trade in textiles and clothing has played an important role in the development process of many countries and has facilitated their integration in to the world economy. In the Developed Countries, the process of industrialization and Subsequent prosperity in a way commenced with the mechanization of textile production in the early 19th Century. In the Developing Countries, on the other hand, the sector has come to occupy an important place in terms of its contribution to national output, employment and exports. Developing countries as a group account for more than one- half of world exports of textiles and clothing.

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

1. Man Made Fibres: This includes manufacturing of clothes using fibre or filament synthetic yarns. It is produced in the large power loom factories. They account for the largest sector of the textile production in India. This sector has a share of 62% of the India's total production and provides employment to about 4.8 million people.
2. The Cotton Sector: It is the second most developed sector in the Indian Textile industries. It provides employment to huge amount of people but its productions and employment is seasonal depending upon the seasonal nature of the production.
3. The Handloom Sector: It is well developed and is mainly dependent on the SHGs for their funds. Its market share is 13% of the total cloth produced in India.
4. The Woolen Sector: India is the 7th largest producer.[7] of the wool in the world. India also produces 1.8% of the world's total wool.
5. The Jute Sector: The jute or the golden fiber in India is mainly produced in the Eastern states of India like Assam and West Bengal. India is the largest producer of jute in the world.
6. The Sericulture and Silk Sector: India is the 2nd largest producer of silk in the world. India produces 18% of the world's total silk. Mulberry, Eri, Tasar, and Muga are the main types of silk produced in the country. It is a labor-intensive sector.

In the early years, the cotton textile industry was concentrated in the cotton growing belt of Maharashtra and Gujarat. Availability of raw materials, market, transport, labour, moist climate and other factors which contributed to localization. In the early twentieth century, this industry played a huge role in Bombay's economy but soon declined after Independence.[8] While spinning continues to be centralized in Maharashtra, Gujarat and Tamil Nadu, weaving is highly decentralized. As of 30 September 2013, there are 1962 cotton textile mills in India.[9] out of which about 80% are in the

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

private sector and the rest in the public and cooperative sector. Apart from these, there are several thousand small factories with four to ten looms.

India exports yarn to Japan, United States, United Kingdom, Russia, France, Nepal, Singapore, Sri Lanka and other countries. India has the second largest installed capacity of spindles in the world, with 43.13 million spindles (30 March 2011)[10] after China. Although India has a large share in world trade of cotton yarn, its trade in garments is only 4% of the world's total. This is due to the incompetency of local spinning and weaving mills to process yarn. There exist some large factories, but most of the production is fragmented in small units, which cater to the local market. This mismatch is a major drawback for the industry. As a result, many of the spinners export yarn while apparel/garment manufacturers have to import fabric. Power supply is erratic and machinery is outdated that needs to be upgraded. Other problems include low output of labour and stiff competition with the synthetic fibre industry

As the latest WTO report (2006) states, "In no other category of manufactured goods do developing countries enjoy such a large net exporting position" as they do in the textile sector.

Importance of Textile Industry in India
Like the other developing countries, the Textile industry in India also occupies an important place in the economy as shown below:

Key Indicators

- Contributes 4% to the Gross Domestic Product (GDP)
- Accounts for 17% of total Exports
- Is the largest employment provider after Agriculture (82 million people direct/indirect)
- Market size of the Textile industry (exports & domestic) is US$ 52 billion, at present
- Expected to reach US$ 110 billion by 2018

Covers the Entire Value Chain
RAW MATERIAL: Cotton Production estimated at 4.32 million Tons
SPINNING: 37.5 million spindles
WEAVING: 1.93 Million looms (excluding hand looms)
APPAREL: Current level of exports - US$ 10 billion

Emerging trends in world trade
With the removal of the Quota system, in the year 2005, the textile and clothing industry is undergoing structural changes worldwide with production lines further shifting distinctly towards low cost producing countries with flexible production systems, to match the growing retail power.

Perceived as a "third migration" this shift is seen more towards Asia- away from Europe, US and a large number of small suppliers who were "Quota rich" prior to 2005 and whose rising cost structures are increasingly precluding them from being able to compete.

A noteworthy feature of these emerging trends in international trade is that the developed countries even though exiting from direct manufacturing, continue to dominate it by controlling the retail end of the supply chain. The cost and price structure globally is being characterized by higher potential for profit from innovation, marketing, and retailing rather than production, assembly, finishing and packaging. Multiple store retailers are already selling 70% of the clothing in Western Europe and 85% in the US.

The developing countries on the other hand, are becoming manufacturing hubs for textile products, and are increasingly getting themselves integrated with the global market place and offering capabilities not only in production capacities, but also in product development and efficient Supply Chain management.

Application of Technology
In this emerging scenario, wide spread application of technology is required not only to upgrade the quality of products, determine consumer choices, but also to overcome locational disadvantages and reduce overhead costs on unsold inventories.

The developed countries are already focusing on niche products like protective clothing, clothing for medical use by developing competitiveness in novel "nanotechnology" coatings, greater adoption of Product Life-cycle Management (PLM)

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Systems, in order to deliver new "fast fashion" paradigms, while at the same time remaining steadfastly committed to lower production costs.

Indian economy is agro-based and agriculture is its main stay as it constitutes the backbone of the rural livelihood security system. Agriculture has been and still continues to be the life line of the Indian economy since economic security is essentially predicted upon the agricultural and allied sectors. The agriculture sector encompasses crop production, animal husbandry, fisheries, agri-business, etc. Crop production depends upon crucial inputs such as good seeds, fertilizers, pesticides, irrigation, human labour, machinery and management.

As the largest private enterprise in India (more than 100 million farm holdings), agriculture supports more than 60% of the population, contributes nearly 19% to India’s Gross Domestic Product (GDP) and 11% to the total exports. Around 51% of the geographical area in India is already under cultivation as compared to 11% of the world average. Agriculture is also a social sector where non-trading concerns like food and nutritional security, employment and income generation, poverty alleviation, ecological and environmental concerns play a significant role.

The total cropped area of the Country is about 142 million hectares and the intensity of cultivation is about 130%. In India, 60% of the total cropped area covered is classified as dry land or rain-fed area representing 40% of the total agricultural production. The yields of dry land are low and there is risk of crop failure due to irregular rainfall since dry land farming contributes 45% of the Country’s food grain production and the regions are characterized by high rates of unemployment and low level of income.

Sizes of the land holdings in India are predominantly small with almost 90% farmers holding less than 2 hectares of land. As manufacturing sector still depends on agricultural sector, the latter still holds the key to ensure pro-poor growth, reduce poverty and generate employment to rural as well as urban masses.

Agriculture, therefore, is the core of planned economic development in India, as the trickle-down effect of agriculture is significant in reducing poverty and regional inequality in the Country. Growth in agriculture has a maximum cascading impact on other sectors, leading to the spread of benefits over the entire economy and the large segment of population. Any setback to agricultural production makes a dent in the industrial growth as also in the growth of GDP.

Role of Textile Industry in India GDP has been quite beneficial in the economic life of the country. The worldwide trade of textiles and clothing has boosted up the GDP of India to a great extent as this sector has brought in a huge amount of revenue in the country.

In the past one year, there has been a massive upsurge in the textile industry of India. The industry size has expanded from USD 37 billion in 2004-05 to USD 49 billion in 2006-07. During this era, the local market witnessed a growth of USD 7 billion, that is, from USD 23 billion to USD 30 billion. The export market increased from USD 14 billion to USD 19 billion in the same period.

The textile industry is one of the leading sectors in the Indian economy as it contributes nearly 14 percent to the total industrial production. The textile industry in India is claimed to be the biggest revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides direct employment to around 35 million people, which has made it one of the most advantageous industrial sectors in the country
.

Some of the important benefits offered by the Indian textile industry are as follows:

- India covers 61 percent of the international textile market
- India covers 22 percent of the global market
- India is known to be the third largest manufacturer of cotton across the globe
- India claims to be the second largest manufacturer as well as provider of cotton yarn and textiles in the world
- India holds around 25 percent share in the cotton yarn industry across the globe
- India contributes to around 12 percent of the world's production of cotton yarn and textiles
- The Role of Textile Industry in India GDP had been undergoing a moderate increase till the year 2004 to 2005. But ever since, 2005-06, Indian textiles industry has been witnessing a robust growth and reached almost USD 17 billion during the same period from USD 14 billion in 2004-05. At present, Indian textile industry holds, 3.5 to 4 percent share in the total textile production across the globe and 3 percent share in the export production of clothing. The growth in textile production is predicted to touch USD 19.62 billion during 2006-07. USA is known to be the largest purchaser of Indian textiles.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Following Are The Statistics Calculated As Per The Contribution Of The Sectors In Textile Industry In India GDP:

- India holds 22 percent share in the textile market in Europe and 43 percent share in the apparel market of the country. USA holds 10 percent and 32.6 percent shares in Indian textiles and apparel.
- Few other global countries apart from USA and Europe, where India has a marked presence include UAE, Saudi Arabia, Canada, Bangladesh, China, Turkey and Japan
- Ready made garments accounts for 45 percent share holding in the total textile exports and 8.2 percent in export production of India
- Export production of carpets has witnessed a major growth of 42.23 percent, which apparently stands at USD 654.32 million during 2004-05 to USD 930.69 million in the year 2006-07. India holds 36 percent share in the global textile market as has been estimated during April-October 2007
- The technical textiles market in India is assumed to touch USD 10.63 billion by 2007-08 from USD 5.09 billion during 2005-06, which is approximately double. It is also assumed to touch USD 19.76 billion by the year 2017-18
- By 2020, India is expected to double its share in the international technical textile market
- The entire sector of technical textiles is estimated to reach USD 29 billion during 2005-2010 The Role of Textile Industry in India GDP also includes a hike in the investment flow both in the domestic market and the export production of textiles. The investment range in the Indian textile industry has increased from USD 2.94 billion to USD 7.85 billion within three years, from 2004 to 2007. It has been assumed that by the year 2012, the investment ratio in textile industry is most likely to touch USD 38.14 billion.

Undoubtedly, there has been a refreshing transformation of the Indian textile industry in the last few years. The industry is fully confident of facing global challenges, which have emerged after termination of the quota regime in the world textile trade. Indian Textile and Clothing Industry is poised for a rapid growth in the coming years. It has embarked on a vision of capturing market worth USD 110 billion by the year 2012 from USD 52 billion in 2006. To achieve this target, the textile industry has estimated total cotton requirement of 5.95 million tons (35 million bales of 170 kgs) by 2010 and 7.65 million tons (45 million bales of 170 kgs) by 2012.

The industry is exploring new avenues and embarking on new strategies to gain further strength and stature. Several leading companies in India have acquired overseas textile companies and entered into joint ventures with reputed textile companies in several countries, which will help them achieve a global reach.

Currently, textile industry contributes about 14% to industrial production, 4% to the GDP, and 17% to the Country's export earnings. It provides direct employment to about 35 million people. The Textile sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

Major Problems Faced by the Cotton Industry in India

1. Problem of Organization

Being essentially Indian in origin, cotton industry was started, financed, and managed by textile magnates who combined their traditional commercial activities with new industrial enterprise through a unique system of industrial management—the Managing Agency System (MAS).

Of course, this provided the constant inflow of the commercial capital in the industry through its 'commercial nexus' but, at the same time, the system had retarded the growth of the 'industrial specialists'.

It was observed that the managing agents were more interested in speculative company promotion and quick commercial profits than in long-term industrial development. The system also helped concentration of control and hindered efficient management. Further, the system developed what may be called the dynastic domination.

Most of them did not have managerial leadership and technical knowledge except the financial capability. The result was the frequent changes of managing agents and liquidation of the companies on the one hand, and the oligarchic concentration of the mills to a few agency firms on the other hand. This can be evidenced from the following information: out of 97 mills of Bombay during 1851 and 1925, only 24 mills retained the management of the mills in the hands of the original agency firms, 15 mills were burnt and dismantled, 45 mills went into liquidation.

However, Morris D. Morris observes: There is no basis for saying that the mercantile origins of entrepreneurs in the cotton industry affected either the general rate of growth or the industry's independent adaptability of technology.

2. Competition with British and Japanese Machine-made Cloth

The Indian cotton textile industry had to face stiff competition from Britain's most internationally aggressive cotton industry. And, in the process, British industry suffered a lot at the hands of the Indian industry. But some events of the 1920s eroded the competitiveness of the Indian industry.

After the end of the World War I, Japanese exports of cloth to India acted as a big threat to the Indian industry though such Japanese exports were held in check in the 1920s. But it reappeared after 1930 despite a high tariff rate of 50 p.c.

3. Problems of Labour

Most of the labourers of the cotton mills were unsophisticated in the sense that they were recruited from the small peasants and agricultural labourers. As a result, permanent textile labour force could not arise. Above all, they maintained 'village nexus' with their home village so as to return to their home land when the situation demanded.

It is true that such 'village nexus' of the labour force could be attributed to the successive development of this industry maintaining the constant supply of mild, un-organised and lowly paid labour. But the growth of a permanent, organised, and skilled labour force had been badly hampered. Before the World War I, low cost of labour was considered to be the important cause for the expansion of the industry. After the World War I, wage index rose to a great height. Labour indiscipline was nonetheless unimportant.

A series of strikes swept over this crucial industry in the early 1890s, 1901, and 1908 for higher wage deal. No doubt Indian labour efficiency was comparable to Britain. Indian Tariff Board in 1932 observed that the Indian workers' efficiency in finer varieties of cloth had improved over time in relation to Britain. But so far 'as coarser products were concerned, efficiency of the Japanese labour was undoubtedly the best.

In fact, it was due to the lower efficiency of Indian labour automatic looms came late in India in relation to Japan. Because of severe demand-supply gap consequent upon famine, plague and increased competition in the China market (between 1893 and the beginning of the World War I), Bombay mill owners could not enthuse themselves in innovating production technology in the late 19th century. In fact, they 'stuck to an inappropriate and less productive type of spinning machinery (mules rather than ring spindles) for much longer than their rivals in Japan.'

4. Machinery and Technology

Textile machinery and technology used in this industry were imported before the World War I and it continued till the outbreak of the World War II. However, India could not procure modern equipment's from America and Japan because technology of the cotton textile industry was heavily Manchester-biased.

The prejudice in England against automatic looms acted against the use of such looms in India. During the War years (1914-18) favourable conditions for the expansion of the weaving section of the mill industry could not be capitalized because of excessive dependence on imports of machinery and mill stores.

5. Absence of Linkage Effects

Indian cotton textile industry could not become a leading industry as it lacked various linkage effects. For instance, textile machinery was unavailable in India—all of this machinery was heavily import-dependent. Further, Indian industrialists did not put much importance on having a skilled labour force.

However, for all these, what prevented Indian industrialists from producing textile machinery was the protective tariff wall. And the British Government was not prepared to grant tariff protection for textile machinery. Had these linkage effects been created, Indian cotton textile industry would have flourished far more.

6. Miscellaneous Problems

Towards the end of the 19th century, the cotton industry encountered a variety of problems. A series of crop failures between 1896 and 1902 reduced the off-take of cloth in domestic markets. Foreign demand for both yarn and cloth dropped remarkably in 1893.Between 1894 and 1906, tariff agitation generated a great deal of uncertainty in the industry. Political disturbances in China adversely affected Indian exports to China. The year 1896 gave rise to a scarcity of labour and a rise in wages in Bombay industry following bubonic plague. In 1902, the American cotton boom resulted in shrinkage of profits in the Indian industry.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

In spite of protection offered to the industry, it experienced a prolonged phase of depression after 1923 because of:
(i) The growing Japanese competition,
(ii) Rise in the prices of cotton and imported mill stores and
(iii) The fall in the purchasing power of the agriculturists after 1921-22.

Conclusion

Textiles industry and its Labour relations are undergoing profound changes. The retail market has opened and the producers' control over the product market has increased. Enhanced schemes of credit and skill development for workers have the potential to increase the contribution of textiles in the GDP. The Government and the industry need to collaborate and establish a plan of action that addresses key issues and identifies and removes barriers to growth and sourcing strategies. Innovations in Supply chain management, professional services, branding will soon be key to sustainable growth in the textile industry. The worker welfare schemes and new compensation policies are to be executed to retain workers. The textile industry is undergoing changes whereby the management, workers and all stakeholders need be ready to competition for sustainability.

References

1. Raghbir Singh and Lalit Mohan Kathwia: Preparedness of Indian apparel exporters after multifibre arrangement, an analysis of selected firms; The ICFAI University Press, 2005. p.26.
2. D.K. Nair: " Indian Cotton Mills Federation" , Yojana, February, 2005.
3. Global Printed textile Industry", Times of India, 2003.
4. K.D. Saksena: "Dynamics of India's Textile Economy", p. 111
5. K. Regupathy Subramanian: "Energy Management in Textile Industry ", Allied Publishers Pvt. Ltd., New Delhi, 2004.
6. K. Rangarajan: "International Trade in Textiles and Clothing", paper presented in the International Conference - Textile and Clothing Management".
7. K. Rangaraja: "Rules of Origin under GSP as a Market Access Barrier in Indian Textiles and Clothing exports", Occasional Paper XXII, IIFT, New Delhi.