



Textile Sector in South Asia

This editorial is based on [“Get these wrinkles out of the South Asian textile story”](#) which was published in The Hindu on 21/03/2022. It talks about the prospects of the textile sector in South Asia and challenges and issues in the Indian textile sector.

For Prelims: Technical Upgradation Fund Scheme (TUFS), Technical Textiles, Textile sector

For Mains: Significance of Textile sector in Indian GDP and for development of South Asia, Issues related to Textile and apparel sector in India,

South Asia became a major player in the global textiles and clothing market with the onset of the last decade of the 20th century. Bangladesh joined the league in the 1980s, owing to the outbreak of the civil war in Sri Lanka.

Supportive industrial policy was an instrumental factor in the 1990s, with zero duty on raw material and capital machinery, as access to global markets led to the industry’s boom. Bangladesh overtook India in exports in the past decade as Indian labour costs resulted in products becoming 20% more expensive.

In this context, it is necessary to look into the prospects and challenges the Indian textile industry is facing.

What is the Growth Story in South Asia?

- Lower production costs and free trade agreements with western buyers are what favour Bangladesh, which falls third in the line as a global exporter.
- The progress of India and Pakistan in readymade garments is recent when compared to their established presence in textiles. India holds a 4% share of the U.S. \$840 billion global textile and apparel market, and is in fifth position.
- India’s exports later witnessed a larger volume of business, following a 0.8% dip in 2019. Pakistan saw a 24.73% rise in textile exports (2021-22), bagging an amount of U.S.\$10.933 billion.
- India has been successful in developing backward links, with the aid of the **Amended Technical Upgradation Fund Scheme (TUFS)**, in the cotton and technical textiles’ industry. However, India is yet to move into man-made fibres as factories still operate in a seasonal fashion.
- Pakistan remains very focused on cotton products; it falls behind due to skilling and policy implementation issues. Bangladesh has been ahead of time in adopting technology. Bangladesh also concentrates on cotton products, specialising in the low-value and mid-market price segment. The country faces the challenge of high attrition and skilling which results in higher costs.
- Sri Lanka attained the most progress in ascending the value chain. Progress in training, quality control, product development and merchandising are attracting international brands to Sri Lanka.

Amended Technology Upgradation Fund Scheme (ATUFS)

- The Technology Upgradation Fund Scheme was introduced by the Government in 1999 to facilitate new and appropriate technology for making the textile industry globally competitive and to reduce the capital cost for the textile industry.
- In 2015, the government approved "Amended Technology Upgradation Fund Scheme (ATUFS)" for technology upgradation of the textiles industry.

What is the Significance of the Textiles Sector for India?

- Textiles & garments industry is a **labour intensive sector** that employs **45 million people in India**, second only to the agriculture sector in terms of employment.
- India's textiles sector is one of the oldest industries in the Indian economy, and is a storehouse and carrier of traditional skills, heritage and culture.
- It contributes 2.3% to Indian **Gross Domestic Product**, 7% of Industrial Output, 12% to the export earnings of India and employs more than 21% of total employment.
- India is the 6th largest producer of **Technical Textiles** with 6% Global Share, the largest producer of cotton & jute in the world.
- India is also the **second largest producer of silk in the world**, and 95% of the world's hand woven fabric comes from India.

What are the Challenges of the Textiles Sector in India and South Asia?

- **Highly fragmented:** The Indian textile industry is highly fragmented and is being dominated by the unorganised sector and small and medium industries.
- **Outdated Technology:** The Indian textile industry has its limitations of access to the latest technology (especially in small-scale industries) and failures to meet global standards in the highly competitive market.
- **Tax Structure Issues:** The tax structure **GST (Goods and Service Tax)** makes the garments expensive and uncompetitive in domestic as well as international markets. Another threat is rising labour wages and workers' salaries.
- **Stagnant Exports:** The export from the sector has been stagnating and remained at the USD 40-billion level for the last six years.
- **Lack of Scale:** The apparel units in India have an average size of 100 machines, which is very less in comparison with Bangladesh, which has on an average of at least 500 machines per factory.
- **Lack of Foreign Investment:** Due to challenges given above, the foreign investors are not very enthusiastic about investing in the textile sector which is also one of the areas of concern.
 - Though the sector has witnessed a spurt in investment during the last five years, the industry attracted **Foreign Direct Investment (FDI)** of only USD 3.41 billion from April 2000 to December 2019.
- **Competition Within the Region:** Due to similar history, technology and labour force, there is competition within the region rather than supplementary nature.

What Needs to be Done?

- **Need for scale:** Scale is important to bring down the cost of production, improve productivity levels to match global benchmarks and, thereby, cater to large orders from markets like the US.
 - With the right scale and technology interventions, India can match the manufacturing costs of competing countries.
- **Need For Environment Friendly Manufacturing Process:** With growing awareness on social and environmental issues, global buyers are looking for more compliant, sustainable and large factories to place bulk orders; these are available in China and Vietnam. Such facilities need to be created in India too.
 - With a condition on incremental sales growth, the newly launched PLI scheme ensures investment from the enterprise to grow capacity on a continuous basis. India can surely build ten USD 1 billion companies in the next few years.
- **Specialisation:** India has built a strong ecosystem in cotton apparels, but is lagging in man-made fibre (MMF) apparel manufacturing. Global fashion is moving towards blends.

- The US annually imports around Rs. 3-lakh crore worth of MMF apparels. In this mega market, India has a share of just 2.5%.
- Hence, with a focussed approach, the sector can be aligned towards global fashion demands.
- PLI incentivises the manufacturing of MMF apparel and fabrics. Instead of providing scattered incentives to so many products, it's time to specialise in a few products which have huge market opportunities.
- Integrated companies can invest in greenfield projects to make MMF apparel and compete with strong players like China and Vietnam in cost.
- **Competitiveness:** To compete with low-cost competitors, India needs to be ultra-efficient in pricing. With assured production incentives in the PLI scheme, entrepreneurs with growth aspirations will boldly invest in integrated smart factories. This can help achieve world-class productivity and manufacturing efficiency.
- **Attracting capital:** Only 10% of the Indian textile sector is listed on the stock exchange. The textile sector's (excluding raw-material makers) market cap of around Rs. 2-lakh crore is hardly 1% of the BSE's Rs. 250-lakh crore market cap.
- **Diversification** with respect to technology, the product basket and the client base are to be noted. Adaptability in meeting the demands of man-made textiles, other complex products and services are also important.
 - **Newer approaches** in the areas of compliance, transparency, occupational safety, sustainable production, etc. are inevitable changes in store for South Asia to sustain and grow business.
 - Reskilling and upskilling of the labour force should also be a priority for the region to stay aloft in the market. Finally, there is a need for governments' proactive support in infrastructure, capital, liquidity and incentivisation.

Drishti Mains Question:

Bangladesh overtook India in textile exports in the past decade as Indian labour costs resulted in products becoming 20% more expensive. Discuss the challenges and way forward for the Indian apparel sector in order to compete on a global level.

Previous Year Questions:

Q. With reference to the schemes launched by the Union Government, consider the following statements: (2009)

1. Ministry of Health and Family Welfare launched the Rashtriya Swasthya Bima Yojana.
2. Ministry of Textiles launched the Rajiv Gandhi Shilpi Swasthya Bima Yojana.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (b)

Q. Who of the following founded the Ahmedabad Textile Labour Association? (2009)

- (a) Mahatma Gandhi
- (b) Sardar Vallabhbhai Patel

(c) N.M. Joshi

(d) J.B. Kripalani

Ans: (a)

Q. Tamil Nadu is a leading producer of mill-made cotton yarn in the country. What could be the reason? (2010)

1. Black cotton soil is the predominant type of soil in the State.

2. Rich pool of skilled labour is available.

Which of the above is/are the correct reasons?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

Ans: (b)

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