



## Recommendations for the Textile Sector

A high-level expert panel constituted by the **Commerce Ministry** has given recommendations to revamp the textile sector. Some of the key recommendations are:

- Review of **free-trade pacts** with countries such as Bangladesh that have zero-duty access to the Indian market.
- Amendment of existing archaic labour laws.
- Fast-track disbursement of subsidies for technology up-gradation.

### Textile Sector

- The textile and apparel industry can be broadly divided into two segments - yarn & fibre, and processed fabrics & apparel.
- **Employment generation:** textiles & garments industry is **labour intensive sector** that **employs 45 mn people** in India is second only to the agriculture sector in terms of employment.
- **Tradition and culture:** India's textiles sector is one of the oldest industries in the Indian economy, it not only provides livelihoods to millions of households but is a storehouse and carrier of traditional skills, heritage and culture.
- It can be divided into two segments-
  - The **unorganised sector** is small scale and uses traditional tools and methods. It consists of handloom, handicrafts and sericulture.
  - The **organised sector** uses modern machinery and techniques and consists of spinning, apparel and garments segment.
- **Contribution to the economy:** According to India brand and equity foundation (IBEF), India is among the world's largest producers of textiles and garments. Domestic Textile and apparel industry contributes 2% to India's GDP and accounts for 14% of industrial production, 27% of the country's foreign exchange inflows and 13% of the country's export earnings.

### Issues in the Textile Sector

- **Archaic labour laws:** The bone of contention has been the law prescribing that any firm employing 100 or more workers has to seek permission from the Labour Department, with jurisdiction over the firm, before any layoffs or retrenchment.
  - Amendment of labour laws such as the **Industrial Disputes Act, 1947**, to allow flexibility in hiring and firing.
  - The limitations on firm size that need not take permission from the labour department before terminating employment should go and all firms given the flexibility to decide on the matter to encourage efficiency.
- **Free-trade pacts:** like the **South Asia Free Trade Agreement (SAFTA)** have led to **intense competition** from countries like Bangladesh which have zero-duty access to the Indian market. The government should take a re-look at such pacts and try to work out a solution.
  - The government should aim at driving scale across the textiles value chain by encouraging large investment, consolidation of firms and enlargement of clusters.
- **Impact of recent reforms:** The sector went through a phase of stagnating exports,

demonetisation, bank restructuring and implementation of the Goods and Services Tax (GST).

- India, which was the second largest exporter of Textile & Clothing between 2014 and 2017 after China, slipped to the fifth place losing its position to Germany, Bangladesh and Vietnam.

- **Dealy in disbursal of subsidies:** Fast-track disbursal of subsidies for **technology up-gradation** under the TUFs scheme to help the industry modernise the operation.

### **Technology up-gradation fund scheme (TUFs)**

- It is a credit linked capital investment subsidy under TUFs. The Scheme provides for reimbursement of 5% out of interest actually charged by the lending agencies for facilitating investment in the modernization of Textiles Jute Industries. The scheme is being operated through nodal agencies IDBI, SIDBI, IFCI and major national banks.

### **South Asian Free Trade Area (SAFTA)**

- It is the free trade arrangement of the South Asian Association for Regional Cooperation (SAARC). The agreement came into force in 2006, succeeding the 1993 SAARC Preferential Trading Arrangement. SAFTA signatory countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. SAFTA recognizes the need for special and differential treatment for LDCs in its preamble.

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