A Study on Global Structural Shift in Textile Industry and India's Position

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Abstract- **This paper examines the current position of textile and apparel sector of world as general and India as particular. A brief study is made to understand the global dynamics in relation to trade, major player of textile and apparel and shifting of manufacturing base from developed countries to developing nation generating new dimensions and opportunities to emerging global economies..possibility of filling the gape created by transitional shift of trade from China to India by developing manufacturing capacities, easing of doing business, strengthening infrastructure, developing ties with major importing countries, solving key challenges related to labour market and FDI. India can lead the world in textile and apparel sector by utilizing its potential of huge geographical and natural resources, high demographic dividend, cheap labour by imparting skill and knowledge them. Realizing the fact government of India making efforts to develop India as manufacturing hub by implementing 'Make in India', developing textile park, improving quality of product and service by implementing technology up gradation fund scheme(TUFS). all will lead our country a new growth path.**

Index Terms- **Indian textile and apparel sector, FDI (Foreign Direct Investment), TUFS (Technology Up gradation Fund Scheme).**

1. INTRODUCTION

India has the ecosystem from fibre to fashion, both in cotton and man-made fibre. Availability of abundant and young labour force, a emerging vibrant domestic market with good second largest sector after agriculture accompanied with second largest exporter of textiles, apparel in the world economy. In current scenario, the import for apparel and textile are declining into India but there is specific segment where textile and apparel are fastest growing. We reaching growth path in Moisture Management Fabric and technical textiles. India can capitalize on the opportunity by capturing the vacuum created by other leading countries such as China due to rising wage cost Yuan gaining strength, creating a potential market of $300 billion for other emerging countries. At the same time their various key challenges which need to focus by Indian government. Till late 2000 year the Indian textile was exclusively reserved for Small Scale Industries (SSIs) and de-reserved for setting and scaling up. If we look on large Chinese factories employ more than 10,000 employees at single place where as the largest Indian apparel only employ nearly 3000-4000. Revolving around of various key issues- inefficient labour, land and building, lack of enabling infrastructure such as power, electricity and connectivity, unable and strict labour environment, fear of managing large number of employees has dissuaded country's textile to grow. Meanwhile some states adopted progressively reforms to reap benefit, still majority of states are far from introducing progressively reform. The Indian government investing in new infrastructure and strengthening them by providing various fiscal initiatives. Neighboring country Pakistan, China, Vietnam, Bangladesh are the traditional giant in manufacturing of textile and their export and having leading position in world export. Even though, China has manufacturing plants throughout the world. India has more invested in spinning and weaving and world largest manufacturer and exporter of textile product next to China. Indian textile dominating in cotton industry and will create huge demand in future due to positive growth factors like ecological friendly, good biodegradable character of cotton, better veracity, huge export demand and export capability, creation of employment for people by its industrial and agricultural features.

II.LITERATURE REVIEW

Indian textile industry forms a integral part of the rich cultural heritage of country. The earlier religious reference of weaving occurs in the rig Veda hymns in 1500 B.C. after several period of time the Atharva Veda, in one of its column characterizes day and night as two sisters weaving, with wrap and horizontal weft, or fill symbolizing darkness and night in Hindu meditative practices spinning and weaving also represented two essential element of repetitive behavior and single focus concentration. In Vedic era making fabric is said to evoke our individual's spiritual nature, helping tin personal daily connection with the Devine in modern era textile industry blending ethnic taste of dressing sense with west attire. the Indian textile is broadly classified into two categories of organized comprising mills of spinning, weaving and processing while unorganized comprising mainly weaving by handloom power loom and horticulture.

III.OBJECTIVE

- To study shifting of global trade in respect of textile sector.
- To study opportunities for India to shifting of global trade in respect of textile sector.
- To study the initiative taken by Government of India to take a new height in textile sector.

IV. RESEARCH METHODOLOGY

This research is descriptive and exploratory in nature. Data is collected from various reliable government sources including government magazine, journals published by concerned ministry, journals and different internet websites.

V. GLOBAL TEXTILE MARKET OVERVIEW AND ITS EMERGING TRENDS

Global textile market– The current global textile market is nearly US$ 1.8 trillion and contributes nearly 2% of the global GDP (gross domestic product). If we look globally then EU, USA and China are the world leaders in global textile market with their overall share of approximately 54%. The top 8 textile consuming nations are EU, USA, China, Japan, India, Brazil, Russia, Canada form a dominating place sharing approx 70%of the global textile market size. By showing a projected growth rate of 4% the global textile market expected to reach US$ 2.6 trillion in 2025.the global textile market will be drive by developing nation, mainly China and India where China will become the biggest textile market by 2025 adding more than US$ 380 billion in world share, at the same time India will enjoy second most attractive textile market adding nearly around US$ 120 billion in world apparel market.

Global trade of textile– in 2014, the global textile market stood at nearly US$ 820 billion mark growing at CAGR of 5.5% over the last decade. In the overall world trade apparel sector contributing larger share of 56% and textile contributing remaining share of 44%. In 2010 and 2005, the share of apparel and textile in global trade was US$ 640 billion and US$ 504 billion respectively. Meanwhile it is expected the global share of apparel and textile will reach at the level of US$ 1600 billion in 2025 growing by a CAGR of 6.6% in next decade.

Major market and supplier– The largest markets for textile and apparel in world are EU and USA contributing 36% and 14% respectively in world trade. In terms of supply of textile and apparel the China dominating with nearly 40% share followed by India, Italy and Germany, Bangladesh, Turkey, USA, Vietnam each with contributing nearly 5% of share in the global textile and apparel sector.

Shifting of manufacturing bases and capturing new destination– World textile industry experienced a major shift in the last few decades in terms of production which was earlier centered in EU and USA till 1980s but production of textile and apparel shifted in Asian countries. The reason behind this an attractive low cost manufacturing, availability of abundant and cheap labour power, vast geographic and natural resources, favorable economic policies make Asian countries most attractive destination for manufacturing of textile product. USA and EU take the position of the largest consuming base in the world while Asian countries now emerging as manufacturing hub and leading in consumption as well.

FTA and World Apparel sector– The inherent nature of price sensitive and labour and capital intensive factor induce manufacturing nation to impose high import duties to safeguard the interest of domestic players. FTAs emerged as gateway for the development and fostering the environment of investment in manufacturing nations.

Regional Trade Agreement

Market Access Arrangement – USA	Market Access Arrangement - EU
AGOA (The African Growth and Opportunity Act)	EU-28
CBTPA (Caribbean Basin Trade Partnership Act)	GSP status to 88 countries
HOPE (Haitian Hemispheric Opportunity through Partnership Encouragement Act)	GSP + Status to 34 countries
NAFTA (The North American Free Trade Agreement)	USA, Canada, Mexico
CAFTA-DR (The Central America Free Trade Agreement)	EBA status to 49 LDCs

Upcoming new trade agreement– In recent year, new dynamic of mega FTA's emerged in the form of multilateral negotiations commencing three form i.e. Transatlantic Trade and Investment Partnership (TTIP); Trans-Pacific Partnership (TPP) and Regional. Comprehensive Economic Partnership (RCEP). TPP involving US and other countries has been recently signed with India whereas India, China ASEAN nations and four other nations have been initiated negotiation to establish RCEP. The global trade and investment can be changed by theses three mega FTA owes large population base as well as cumulative economy size. there are some nations which became part of both TPP and RCEP and gaining from both the agreement. After signing of this agreement, the nation reduced import duties nearly 70% of apparel categories instantly while rest of the categories will be completely reduced in coming years.

Slowing down of China and arising opportunities in textile sector– Over the last three decades China enjoying global leader place in global trade, especially in textile and apparel sector. Over last the twenty years China dominate this sector by 40% share. In the last decade china experienced growing export by 5-folds accounting US$ 54 billion to US$ 198 billion mark with 10% growth in CAGR. by utilizing large human capital, low manufacturing cost, large scale infrastructure and coupled with large scale investment China became world leader. but in recent past the growth in textile and apparel sector declining after experiencing global recession crisis of 2008 the average growth of 15% slowed down nearly 4% and expected to decline further.

Reason behind slow growth of China as follows:

- Growing domestic demand putting pressure on export as the diversion of focus of manufacturer will shift towards domestic demand.
- Demand for high wages by abounded workforce changed past scenario make China no longer past low cost destination as it used to be.
- Changing focus from conventional textile to innovation driven industries like aerospace, robotics, artificial intelligence, biotechnology to maintain export competitiveness and higher productivity with greater income to country.
- Relocating resources to neighboring counties by singing trade agreement with several Southeast and East Asian countries to cater China's own domestic demand as well as export to global market as these countries have low manufacturing cost.

This shifting of China will create a vacuum of around US$ 50 billion. Which can be fill by competing nation to increase their share in global trade. Emerging countries like Vietnam, Kenya, Myanmar, and Bangladesh will take this opportunity due to having manufacturing competitiveness, low wage rate, low power cost and availability of land blending with trade access agreements with major markets of EU and US. By comparing all these emerging countries India have highest potential to take the opportunity because of its huge textile base, manpower availability and infrastructure, but India need large scale structural changes in policy framework, refining of labour laws, simplifying exit policies, fast clearances, fast tracking the approval process are among the several issues need to be resolve.

VI. INDIAN TEXTILE AND APPAREL MARKET OVERVIEW AND GLOBAL POITION:

Looking outward and Indian textile and apparel– in 2015, the total export of Indian textile stood at US$ 40-billion-mark category wise maximum share of export dominated by apparel sector constitute 43% of total apparel and textile export followed by category of home textile production, made-ups, and handicrafts which contribute nearly a share of 25% of total textile and apparel with CAGR of 13% which showed declining trend in the year 2011-12. The largest markets are EU and USA, UAE, China, Bangladesh are destination of Indian export.

Looking towards manufacturing capacity– India enjoying significant place by having larger textile manufacturing set-up by having huge production faculties across each level of manufacturing value chain, from fibre to finished product by having nearly 512 lac spindles capacity and power loom and handloom installed capacity are early 23 lacs and 24 lacs respectively. Despite having slack demand and global uncertainties Indian textile sector performed very well than largest consumption region like US, EU and Japan. These witnessed a lower demand. At the same time India's apparel market is worth US$ 59 billion. Looking at the reason of high growth in domestic market:

- Huge demographic dividend of India where nearly half of the population is under 25 years and by joining hands create large workforce and get more money in the hands leads to increase purchasing power further lead to growth
- Increasing in inspirational buying changing from need based purchase to fashion oriented purchase which makes people to spend more.
- The combined effect of increase in urban population, expansion of cities, growing influence id urban living pattern, putting more money in the hands of people and creating demand which have major growth impact.
- Revolution of online market make online retailing easy resulted surge in ease of shopping, heavy discount offers by online apparel partners and easy payments and returns forming online portal sales nearly US$ 1bn, further expected to grow by 41% of CAGR to reach at US$ 45 BN.BY 2025.

Global export comparison with Indian export– in 2014, the global export grew at the rate of 5.6% reaching at level of a US$ 820bn. from the last decade at the same time India export grew by 9.5% with an export value of US$ 42 billion. At higher rate than world export. By making India as second largest exporter in the world we can happy but the story says at the same time China as a largest exporter comprise nearly 40% of world export and India's share was not more than 5%. where smaller countries than India also stood nearly 4-5 %in global trade. it can be concluded that India has not been able to realize its potential even though having advantages over another country. Low focus on R&D, innovation and value addition the Indian textile and apparel industry has not able to cater the growing demand of technical textile.

FDI scenario in Indian textile and apparel– The total FDI (foreign direct investment) in Indian textile over a decade is approx US$ 1.5 billion. But the inflow in textile sector was very low phasing out of FTA agreement in 2005, generated the confidence of the foreign investor in Indian textile sector and reached at peak level in 2013-14, reaching US$ 194 million. Despite of having favorable competitive environment India failed to attract large scale foreign investment. Ease of doing business report published by World Bank play a significant role for international investor while selecting investment destination. The world bank flagship report of doing business rank countries by taking into account various measures like ease in starting in a business, dealing in construction permit, getting electricity, registering property, getting credit, protecting minor investors, paying the taxes, trading across borders, enforcing contract, removing insolvency and calculate ease of doing business in countries. In 2014 and 2015 the India overall rank was 142 and 130 respectively out of 189 countries. It is improved by 30 notches and overall rank is 100 after the efforts made by government such as implementation of GST, direct benefit transfers of subsidies, rolling back of fuel subsidies, power sector reform at all levels, public private partnership in the area of infrastructure and trade and investment building investment to make India as investment hub and making fastest growing economy.

Impediments in Indian textile and apparel sector– despite offering a huge demographic dividend, abundant natural and huge geographical base. Cheap labour and competitive labor cost, the performance of Indian textile and apparel sector has been far from satisfactory, the key challenges as follows:

- Higher input cost such as capital cost, inventory cost, power cost compared to competing nations contribute to higher cost of production making final good uncompetitive in international market.

- Absence of fibre neutrality and unavailability of man-made fibre at competitive prices and differential tax treatment of textile value chain become a hindrance despite having manmade textile and garment huge in demand
- Low expenditure in R&D, value added chain, product development, lack of infrastructure, outdated technology in handloom and power loom sector natural fibre dependency on monsoon, lack of penetration of technical textile legging behind our potential as global leader.
- Centralization of financial institution in big cities are unable to reach the diversified segment of home based weavers and artesian make them unable to access credit at low cost.
- Absence of FTA's with EU and US market make export expensive as India unable to enjoy duty advantages like other countries do.
- Fragmented nature of industry lacking in economics of scale due to lack in capacity expansion and technology up gradation in largely unorganized and small in size units make them internationally uncompetitive.

VII.INDIAN GOVERNMENT INITIATIVES FOR TEXTILE SECTOR

Considering socio-economic feature of Indian textile by contributing 4% of country's GDP, employing nearly million people directly or indirectly and making India global player in terms of export contributing% of foreign exchange owing its importance, government of India taken as number of initiatives to boost Indian textile sector. Briefly introducing here:

Scheme / Policy	Key Features
ATUFS (amended technology up gradation fund scheme)	➢ 15% capital subsidy on eligible machinery in garmenting and technical textile sector with a cap of Rs. 30 Cr per individual entity. ➢ 10% capital subsidy on eligible machinery in weaving for brand new shuttle less looms (including weaving preparatory and knitting), processing, jute, Silk and handloom sector with a cap of Rs. 20 Cr. per individual entity ➢ 15% capital subsidy on eligible machinery for composite units with a cap of Rs. 30 Cr. per individual entity (*if the eligible capital investment in respect of garmenting and technical textiles is more than 50% of the project cost) ➢ 10% capital subsidy on eligible machinery for composite units with a cap of Rs. 20 Crore per individual entity (* if the eligible capital investment in respect of garmenting and technical textiles is less than 50% of the project cost.
Scheme for Integrated Textile Parks (SITP)	➢ Grant/Equity up to 40% of the textile park development project cost subject to a ceiling of Rs.40 Crores. ➢ GOI support under the scheme will be generally in the form of grant to the SPV unless specifically decided by the PAC to be equity. However the combined equity stake of GOI/ state Government/State Industrial Development corporation, if any would not exceed 49%. ➢ Grant at 90% of the project cost subject to a ceiling of Rs. 40 Crores for first two projects in the States of North East Region of India.
Integrated Skill Development Scheme (ISDS)	➢ Assistance up to 75% of the cost of the project, within an overall ceiling of Rs. 10,000 per trainee.
Technology Mission on Technical Textiles (TMTT)	➢ Upgrade existing Centre of Excellences and set up of four new COEs ➢ Support for business start-up ➢ Providing fund support for organizing workshops ➢ Support for standardization ➢ Market development Support for sale to the institutional buyers ➢ Market development Support for export sales ➢ Grant for conducting Contract Research and Development in identified institutes
Swarnjayanti Gram Swarozgar Yojana (SGSY)	➢ Provide assistance to people by providing them income generating skills through a mix of bank credit and Government subsidy ➢ Subsidy at a uniform rate of 30% of the project cost, subject up to Rs. 7,500 per individual.
Integrated Processing Development Scheme (IPDS	➢ Grant up to 50% of the project cost (excluding land cost) with a ceiling of Rs 5 Crore for projects with zero liquid discharge systems and Rs. 10 Crores for projects with conventional treatment systems. Support for marine discharge projects would be analyzed on a case to case basis with a maximum ceiling of Rs. 75 Crore. ➢ The project cost shall be borne by the Center, State, Beneficiary, Bank loan in the ratio of 50:25:15: 10 respectively.
Merchandize Exports from India Scheme (MEIS)	➢ Rewards for export of products shall be payable as percentage of realized FOB value: ➢ For handloom, jute and coir based products - reward rate is 5% for all countries ➢ For all other eligible textile and apparel categories - reward rate is 2% for EU (28), USA, Canada and Japan.
Duty Drawback	➢ Drawback rates for key textile and apparel categories: Cotton yarn: 2.8% to 4.7% Cotton fabric: 4.3% to 7.1% Apparel: 7.5% to 9.8%
Market Development Assistance(MDA)	➢ Financial support to exporters for conducting export promotion activities abroad
Market Access Initiative (MAI)	➢ Financial assistance for carrying out marketing projects abroad, including Opening of showrooms ➢ National level participation in trade fairs/exhibitions

VIII.CONLUSTION

To check the problem related to Indian textile and apparel sector Government will is required. Focus should be given on simplify the way of FDI, establishing free trade agreement with major textile and apparel markets to boost export, building up R&D center and infrastructure development through PPP models, easy credit availability to dispersed small artesian, special scheme initiative to develop silk, jute and cotton, focus on production of technical textile, relaxation in labour laws accompanied with better environment, work place safety, public health and environmental protection. All the stakeholders should come forward and jointly work together for making Indian textile biggest leader of global trade.

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