

## Textile Industry

### Background

The Indian textile industry plays a significant role in Indian economy. It constitutes 20 per cent of industrial production, 9 per cent of excise collections, 30 per cent of export revenue, 18 per cent of employment in industrial sector. On a relative basis, the industry is globally more competitive than other industries in the country. In addition, the industry has a high potential to grow, as it is labour intensive where India has natural advantage.

Global trade in textile and clothing is expected to grow from \$ 356 bn at present to \$ 600 bn by 2010. Major increase in international trade will be in clothing-from \$ 199 bn to about \$400 bn.

Structurally, the Indian textile industry is characterized by the following which point to the significant potential to grow.

### Strengths

- High availability of all raw materials (India is one of the largest producers of cotton yarn in the world and there is a good availability of other fibres like silk, polyester, viscose).
- Availability of wide varieties of cotton fibre and has a fast growing synthetic fibre industry.
- India is highly competitive in spinning and has a presence in all parts of the value chain.
- Highly trained manpower-technical and managerial. India has a competitive advantage because of the low wage rates. This is also important as labour is the largest component of manufacturing cost in textiles.
- India accounts for 24 per cent of the world installed capacity of spindles and is one of the largest exporters of yarns in international market. Being modern and not having suffered from major fiscal policy distortions, the industry contributes about 25 per cent share of the world trade in cotton yarn.
- The apparel industry is one of India's largest foreign exchange earners, accounting for 12 per cent of the country's total exports.

- The garment industry comprises manufacturers of ready-made garments for either the domestic or export markets or, in certain cases, both. The constituents of this segment are very diverse in terms of their size, production facility, the type of apparel manufactured, the quality of output, fabric requirement, price sensitivity, etc.

## Opportunities

In the next decade, India's textile industry is likely to do much better. As the domestic fibre consumption is low, there is potential for increasing domestic consumption in tandem with the projected GDP growth of 6-8 per cent and this would lead to the growth of the domestic textile market at about 6-7 per cent per annum.

India can also capitalize on opportunities in the export market. A competitive industry has the potential of achieving export earnings of \$ 34 billion by 2010. Specialized textile parks, apparel parks, EOUs and EPZs have been set up with improved infrastructure. The apparel parks operate as Special Purpose Vehicle and is run independently by entrepreneurs.

Government support has ensured that key policy changes in the fiscal regime have been made in the past two years, which would ensure rapid increase of clothing consumption as well as the fibre consumption. A single rate will now be prevalent throughout the country.

The industry is being modernized through a special scheme that has set aside US \$ 5 billion for investment in machinery.

Walmart, Levis, Gap, JC Penny, Marks & Spencer, and other foreign labels are buying more and more garments and fabrics from India. Walmart alone bought \$ 200 million in the last year and it intends to increase this to \$ 3 billion in the next year. European giant GAP is also outsourcing apparel from India. Singapore based Crocodile International has announced its plans to invest an additional/ \$ .52 million.

India is also developing design skills that cover different fabrics and different markets. Indian fashion designers are making their name abroad. The Indian silk industry, which is known for its finery and masterly brocades, are also a great strength to the textile industry.

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