

Government initiatives for upgradation of the Indian textile industry

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■ **ABSTRACT** : Indian textile industry is a major contributor to the Indian economy which is evident by its high employment generation capability and export potential. The industry comprises of various segments ranging from capital intensive spinning to labour intensive garmenting and highly unorganized sectors like handloom, sericulture, etc. For effective and efficient implementation, the industry requires upto date technology, skilled workforce, and funds for procuring infrastructure, machinery, etc. Recognizing the significance of the industry, Government of India has launched various schemes under the aegis of Ministries of Textiles and Commerce. These schemes have helped not only in augmenting the domestic market but also realizing its true potential in export. Each scheme has specific objectives covering different segments of the industry. Guidelines are issued for the implementation, monitoring and evaluation of the projects for which various committees are also formed. An attempt has been made through the article to present brief description about different schemes launched for betterment of the textile industry.

■ **KEY WORDS**: Development, Government, Indian textile industry, Schemes, Upgradation

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Indian textile industry has emerged as one of the largest industries over the years crossing many hurdles coming on its way. Current status of industry is very encouraging to policy makers with its contribution of 14 per cent to industrial production, 5 per cent to GDP and 17 per cent to the country's export earnings (<http://texmin.nic.in>). Indian textile industry has been known worldwide for its rich heritage which gradually lost its sheen during British rule and MFA period owing to the restrictions were imposed on textile trade of developing countries. Factors like lack of up-to-date technology, infrastructure bottleneck and lack of technical skills

among workers have been identified as major challenges which the industry is facing. The biggest factories in India look like lightweight players in China. For example, the largest spinning company in India, Vardhman Group, has a capacity of 500,000 spindles. In contrast, the largest Chinese spinning company, Weiqiao Textile, is running 3,000,000 spindles. On average, the size of Chinese textile companies is five times larger than that of the Indian ones (Xiaoyang, 2010).

The structure of the industry is highly fragmented with only a few large players and numerous small and medium-size companies. It demands for complex

developmental strategies for implementing the programmes ensuring equal benefits to all the sections and stakeholders. Further, for getting adequate monetary benefits out of positive features of the industry like availability of abundant raw materials, complete value chain ranging from fibre to garmenting as well as vast pool of manpower, the need for well thought out plans and procedures has become acute in recent years. The different subsectors of the industry like spinning, weaving, knitting and garmenting are not vertically integrated except in case of composite mills. This fragmented nature of Indian textile industry presents several challenges like lack of economy of scale and inadequate value addition of products. The industry is able to export only in small batches catering to customized order. Since small scale units can not afford high tech machineries hence, are not benefitted from the several initiatives undertaken by the government.

After globalization of trade, opportunities have increased manifold in the post WTO era which has also led to fierce competition among nations. Indian government took several initiatives to revive its textile industry under the aegis of Ministry of Textiles in an effort to regain and maintain its strong position at international market. Ministry of Textiles (MOT) covers all segments ranging from natural fibres to synthetic fibres based industries. Moreover, various bodies like Statutory Bodies, Advisory Bodies, Export Promotion Councils, Registered Societies and Textiles Research Associations are there under MoT which assist in implementation and ensure proper functioning of schemes (<http://>

ministryoftextiles.gov.in).

Government schemes for upgradation of textile industry :

Any industry requires up-to-date technology, adequate infrastructure quality raw material, skilled workers and a market for the trade of goods produced to flourish. Different schemes initiated by Government to support the units in these areas can be grouped under different heads as shown in Fig. 1. The planning and implementation involves participation of centre, state government, industry stakeholders and financial institutions. Costs of the project are borne by centre, state government as well as entrepreneurs for different components like technology, infrastructure, workers' training etc., as shown in Table 1.

Schemes for technology upgradation :

Technology is the collection of techniques, skills, methods and processes used in the production of goods or services or in the accomplishment of objectives, such as scientific investigation (<https://en.wikipedia.org>).

A flagship scheme named Technology upgradation fund scheme was launched by government in 1999 to bring the technology level of Indian textile industry at par with other nations. Under the scheme, loans in the form of interest and capital subsidies are provided to entrepreneurs at subsidized rates only for purchasing the eligible machinery. Reduced cost of capital encourages the investors to invest more on the technology upgradation

Table 1 : Major schemes under ministry of textiles, Government of India

Scheme	Year of start	Component covered under scheme	Government assistance
Technology upgradation fund scheme (TUFS)	1999	Technology upgradation	10% and 15%
Scheme for integrated textile parks	2005	Infrastructure facilities	40%
Integrated processing development scheme	2013	Effluent treatment plant	75%
Integrated skill development scheme	2010-11	Need based training	75%
Comprehensive powerloom cluster development scheme	2008	Common Facility Centres (CFCs) , Mini-Industrial Parks	60%
Pilot Scheme of <i>in situ</i> upgradation of plain powerlooms	2013-14 to 2016-17	Upgradation of their existing ordinary looms with additional features	50%
Group insurance scheme for powerloom workers	2003	Insurance cover in the case of natural death, accidental death as well as partial and permanent disability	Rs. 60,000/- , Rs. 1,50,000/-
Group workshed scheme	2003	Establishment of worksheds for shuttleless looms	40% of the unit cost of construction
NER textile promotion scheme	2013	Technology, infrastructure, skill, sericulture, jute and market development	90%

Source: Ministry of textiles

in all the segments of industry. Till 2010, maximum investment was generated in spinning segment and there was comparatively less investment in other sectors as shown in Fig. 1.

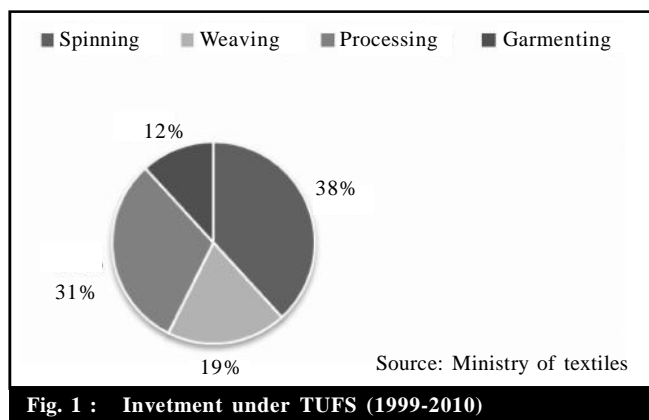


Fig. 1 : Investment under TUFS (1999-2010)

The investments in downstream sectors such as processing and garmenting have significantly lagged the targeted investments. The garmenting sector faces challenges related to high labour cost and its non-availability. Whereas the processing sector faces challenges related to pollution and environmental clearances. In order to create downstream capacities in weaving, processing and garmenting to achieve a balanced growth across the value chain, the TUFS was restructured w.e.f. April 2011 as R-TUFS with sectoral caps on investments and hence, subsidy. The R-TUFS was further modified in October 2013 to Revised Restructured TUFS (RR-TUFS) for continuation during the 12th Five Year Plan. Under RR-TUFS, the interest subsidy on standalone spinning projects was reduced to 2 per cent and capital subsidy on weaving projects was increased to 15 per cent from 10 per cent while retaining the sectoral cap for the spinning sector. The total budgeted subsidy under RR-TUFS was about Rs. 119 bn, out of which about Rs. 93 bn was for committed liabilities under ongoing schemes and about Rs. 27 bn was for new projects. During the period 1999-2015, a total of about Rs. 213 bn has been provided as subsidy under TUFS to the textile industry which has attracted investment of about Rs. 2,714 bn and generated about 5 million jobs (<http://www.icra.in>).

Scheme for *in-situ up-gradation of Plain powerloom comprehensive powerloom* is for development of powerloom industry. The decentralized powerloom sector is the lifeline of Indian Textile Industry

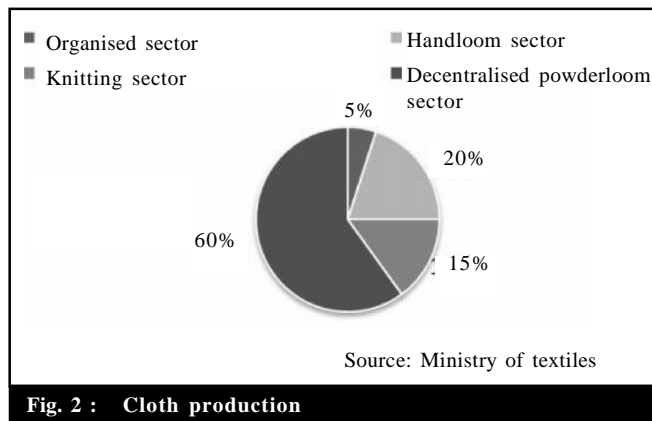


Fig. 2 : Cloth production

providing employment to 61.72 lakh persons and contributes 60 per cent to total cloth production in the country as shown in Fig. 2 (<http://texmin.nic.in>).

Benefit to this sector under TUFS has been negligible (less than 2%) due to less no of shuttleless looms. The existing looms are obsolete and high on energy consumption, located in most of the small units (4-8 looms) (<http://texmin.nic.in>). Under this scheme funds are provided for installing attachments in plain powerlooms (<http://ministryoftextiles.gov.in>).

Schemes for infrastructure development :

Infrastructure for water supply, power supply and sewage treatment etc in both organised and unorganized sectors of industry is highly desirable to give boost to the industrial growth. Scheme for integrated textile park is one the major schemes intended to provide financial support for common Infrastructure like compound wall, roads, street lighting, drainage, water supply, electricity supply, common sewage treatment plant, telecommunication lines, buildings for common facilities like testing lab, design centre, training centre, trade centre/display centre, common warehousing facility or raw material depot, common facilities like crèche, canteen, workers' hostel, labour rest and recreation facilities, etc. (<http://ministryoftextiles.gov.in>). The concept behind formulation of textile park is to bring many entrepreneurs together who can set up their units in cluster form which will reduce the operative cost and produce large volumes with input. The objective is to increase the production level at potential growth centres ensuring presence of complete value chain and creating employment avenues for local people. Till date 72 textile parks have been sanctioned under the Scheme for

Integrated Textile Parks (SITP), which are expected to provide employment to 4.5 lakh people with an investment of Rs. 30,000 crore (Anonymous, 2015).

Textile processing industry consumes large amount of water, chemicals which are released in the form of effluent in nearby areas. Due to increasing environmental awareness severe restrictions have been imposed on the textile processing units. In 2011, over 700 dyeing and bleaching units in Tirupur were closed down as they were creating high water pollution in nearby areas (Anonymous, 2012). Under the scheme of *Integrated Processing development scheme*, processing parks will be developed in which processing units will be brought together so that they can install common effluent treatment plant as small units can not afford such cost intensive technology. The scheme would cover water treatment and effluent treatment plant and technology (Group A); common infrastructure such as captive power generation plants on preferably green technology (Group B); and common facilities such as testing laboratories and R&D centres (Group C). Technical Research Associations (TRAs) under Ministry of Textiles have been requested to give specific attention to R&D projects for developing cost effective processing techniques to minimize water consumption and effluent generation (<http://texmin.nic.in>).

In decentralized powerloom sector, Mega cluster development scheme has provision for formulation of clusters with 5000 powerlooms. Apart from Common Facility Centres (CFCs) for pre and post loom weaving operations (warping, sizing, dyeing etc.) provision for other facilities like product design and development support centres, testing laboratories, common marketing and exhibition centres, common warehouse, workers hostels or dormitories, common Captive Power Plant, common Effluent Treatment Plants is also under the scheme. Development of clusters will help in employment generation at local level; cost of product gets reduced due to better infrastructure as well as enables the enterprises to expand their capacities (<http://texmin.nic.in>). Group workshed scheme is another scheme aiming at providing funds for construction of powerloom building for a group of at least 4 weavers or entrepreneurs. Provision of improved working conditions will improve the work efficiency of workers which will further enhance their competitiveness in the global market (<http://txcindia.gov.in>).

Schemes for workers' welfare :

Workers are an important component of the industry; they need to be trained, provided with improved working conditions, adequate compensation in case of accidents or death. Integrated Skill Development Scheme, Comprehensive Powerloom Mega Cluster Development Scheme, Group Insurance Scheme, Pilot Phase of Textile Industry Workers' Hostel and Social Security Scheme for Shepherds Skill development are the schemes implemented by textile Ministry for the welfare of workers. Skill development is essential to increase the workers' efficiency and to improve quality of products produced by them. Also need for technical skills increases when high end machineries are installed in units. With this concept Integrated skill development scheme was launched in 2010 to impart need based skills so that trainees can get employment in any of the textile industry. Under the scheme preference is given to women and weaker sections of the society. Over the last 5 years and around 4.20 lakh candidates have been successfully trained across diverse sectors like Apparel and Garments, Textiles, Handlooms, Handcrafts, sericulture, technical textiles, Jute, etc. (<http://textilescommittee.nic.in>).

Schemes for improving quality and quantity of raw material :

Indian textile industry is blessed with abundant and varied raw material such as silk, cotton and jute. Sericulture is considered a significant economic activity with its on-farm and off-farm activities in rural India as it involves low capital investment and high returns. Sericulture industry provides employment to approximately 7.65 million persons in rural and semi-urban areas in India (<http://vikaspedia.in>). Catalytic development programme (CDP) is a flagship Scheme of Sericulture, implemented by MoT through Central Silk Board in collaboration with State sericulture departments mainly to improving the quality, productivity and production of raw silk. There are various components under the programme intended to provide infrastructure in pre and post-cocoon sector, development of reeling and processing technologies and dissemination of information to the beneficiaries (www.csb.gov.in).

In case of wool, large proportion of wool produced in India is of inferior quality and does not conform to international standards. Also the productivity of Indian

sheep is very low. On an average, an Indian sheep yields only 0.86 kg of wool per annum against 4.08 kg yielded by an Australian sheep. Wool Development Board is running different schemes like *Integrated Wool Improvement and Development Programme*, *Quality Processing of Wool and Woolen Products* and *Social Security Scheme for Sheep Breeders*. Under *Integrated Wool Improvement and Development Programme*, there are three schemes i.e. *Sheep and Wool Improvement Scheme (SWIS)*, *Pashmina Wool Development Scheme (PWDS)* and *Angora Wool Development Scheme (AWDS)*. Government provides funds under these schemes for different components like feed supplement, breed improvement, health care of sheep, goat and rabbit, marketing of raw wool and training of breeders and artisans (<http://woolboard.nic.in>)

In jute sector, jute development board is responsible for increasing the production and consumption of jute products. Under Jute Integrated development Scheme focus is on the development of jute diversified products and creating awareness regarding using the biodegradable jute products. This will help the farmers, entrepreneurs economically and provide employment to the rural people engaged in jute product development (<http://www.jute.com>).

Schemes for export promotion :

Ministry of Commerce is responsible for promoting export of various products. Certain schemes like Merchandize Exports from India Scheme, Interest Equalization Scheme, Duty Drawback Scheme, Market Access Initiatives (MAI) Scheme and Market Development Assistance (MDA) Scheme cover the textile products also. Financial assistance is provided for export promotion of export potential products in different countries. Components like duty compensation to potential exporters, accessing new markets, developing exiting markets through organizing exhibitions, conducting market promotion activities, etc are covered under these schemes. This helps in increasing India's share in global market and enhancing India's export competitiveness in various countries (<http://ministryoftextiles.gov.in>).

Conclusion :

Indian government has now taken the role of a facilitator with launching of several initiatives for ensuring development of textile industry in an organised way. The

schemes help not only in generating revenue in industry but also increases export level and provides employment opportunities to local people which reduces migration. Co-ordinated actions are still required from all the stakeholders i.e. central, state and industry involved in implementation of the schemes. Because of the favourable support received from government, sectors like spinning has become well established and efforts are on the way to achieve balanced development across the value chain ranging from fibre to garmenting level. Emerging sectors like technical textiles are also gaining grounds which calls for intensive research in product and process development. Encouraging support from government over a period of time has created a conducive environment for growth ensuring sustainable development of industry. Efforts are still required for smooth functioning and speedy implementation of schemes avoiding red tapism. Still, attention is to be paid for creating awareness regarding incentives to the beneficiaries as most of the entrepreneurs are mere investors without having any technical knowledge. Recent initiatives like Make in India, Skill India, Pradhan Mantri Kaushal Vikas Yojana and Start up India will further give impetus to the growth.

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