Volume 4 Issue 3 July 2016 ISSN: 2320 – 4168

AN ANALYSIS OF TREND AND GROWTH RATE OF TEXTILE INDUSTRY IN INDIA

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Abstract

Indian history witnesses the wonderful achievements of the textile industry. Currently the Indian textile industry is one of the most important industries of our economy not only in terms of output but also in terms of foreign exchange earnings and employment generation. For example, it contributes about 14 percent to industrial production, 4 percent to the GDP and 17 percent to the country's export earnings. In the global textile market the major importers are USA, European Union and Canada. Asia has been the principal sourcing region for imports of textiles and clothing by both USA and European Union. The present paper attempts to analysis the trend& growth of the Indian textile industry.

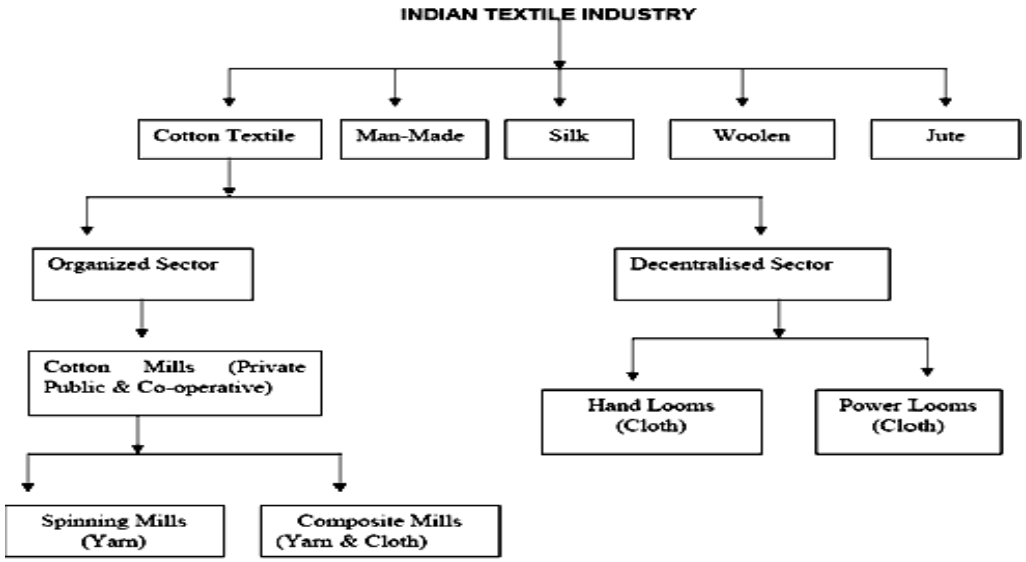
Introduction

Thetextile industryis depending on agriculture sector in getting raw materials and also called agro-based industry.India is the world's second largest producer of textiles after China. It is the world's third largest producer of cotton-after China and the USA-and the second largest cotton consumer after China. The textile industry in India is one of the oldest manufacturing sectors in the country and is currently it's largest. The Indian textile industry is one of the second largest in the world with a massive raw material and textile-manufacturing base. International trade in textiles and clothing has played an important role in the development process of many countries and has also facilitated their integration in to the world economy. In the Developed Countries, the process of industrialization and Subsequent prosperity in a way commenced with the mechanization of textile production in the early 19th Century. In the developing countries, on the other hand, the sector has come to occupy an important place in terms of its contribution to national output, employment and exports. Developing countries as a group account for more than one half of world exports of textiles and clothing. The below chart indicates about the structure of Indian textile industry.

Structure of Indian Textile Industry

The India textile industry is comprised mostly of small-scale, nonintegrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a option of government policies that have promoted labor-intensive, small-scale operations and discriminated against larger scale firms in India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 276

composite mills are now operating in India. The structure of Indian textile industry is given in Chart 1.



Research Methodology

The present analysis is to trend and growth rate of area, production and yield rate per hectares of the cotton and textile industry in the selected state of India. The suitable growth rate estimated by use of annual component growth rate. The primary data not used in this study due to time constrain therefore, the secondary data used in this study.

Sources of Data

Data related to the Textile Sector was meticulously collected. Sources of data include books, newspapers, journals, tax journals, economic magazines, research reports of various educational institutes and internet. A wide range of research reports on the Textile sector of the economy have been examined. Research papers and articles from different leading institutions of the country have been thoroughly studied. Articles in the newspapers and journals relevant to the subject have also been examined in detail and also Foreign Trade Statistics.

Review of Literature

This analysis presents a brief review of earlier studies related to textile industries Trend, Growth, Productivity and Efficiency.

Subramanian M.S (1992) studied the partial and total factor productivity growth of labour and capital, nature of returns to scale and estimate of the elasticity of substitution between capital and labour in cotton textile industry in Tamil Nadu. The total factor productivity has also declined in the absence of technical progress in the cotton textile industry. The study suggested improvement in the quality of textile labour, massive investment in textile machinery, healthy industrial relations and use of appropriate technology for the better performance of textile industry in Tamil Nadu.

Balasubramnaiam and Salisu (1993) investigated the proximate reasons for the observed decline in employment in the UK textiles and clothing sectors during the period 1980-89. It provided estimates of important penetration, growth in demand and growth in labour productivity for the two industries groups. Utilizing the statistical techniques, the study analysed and suggested that the growth in labour productivity Rather than export penetration may be the principal reason for the observed loss of jobs in the industry groups.

Seshaiah *et al.,* (2006) attempted to analyse the "Production Structure of the Indian Textile Industry" by estimating a Tran's log production functions, in which capital, labour, energy materials and liberalization index are the input determinants. The factors that influenced productivity are also identified and found the entrepreneurial skill ratios as negative and low throughout the period of study.

Anbumani *et al* (2009) estimated the impact of new textile policy (2000) and post-MFA regime on technical efficiency of Indian textile industry during 2000-07. They found a declining trend in the technical efficiency and negative technical efficiency change during 2000-07, implying negative impact of new textile policy on the Technical efficiency of Indian textile industry.

Role of Textile Industry in India

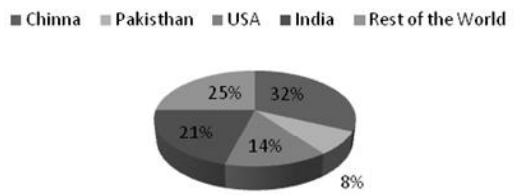
India is the 15th largest economy in the world with a GDP of USD 3.319 trillion and a GDP per capita of USD 2, 900. In 2008, the textile sector contributed about 14% of industrial production, 4% of the GDP and provided direct employment to over 33 million people. The textile sector is the second largest provider of employment after agriculture. Cotton is one of the principal crops of India and plays a vital role in the country's economic growth by providing substantial employment and making significant contributions to export earnings. The cotton cultivation sector not only engages around 6 million farmers, but also involved another about 40 to 50 million people relating to cotton cultivation, cotton trade and its processing. One of the earliest to come into existence in India, it accounts for 14 per cent of the total industrial production, contributes to nearly 30 per cent of the total exports and is the second largest employment generator after agriculture. Indian economy is largely dependent on the textile manufacturing and trade in addition to other major industries about 27 per cent of the exchange earning are on account of export of textiles

and clothing alone. Around 35 million people are directly employed in the textile manufacturing activities and 4 per cent to the GDP.

- It contributes to nearly 30 per cent of the total exports
- It contributes about 27 per cent of the exchange earning
- About 35 million people are directly employed in the textile manufacturing activities
- It contributes 9 per cent of excise collections,
- Contributes 4% to the Gross Domestic Product (GDP)
- Accounts for 17% of total Exports

India's Position in Global Textiles Industry

- India's position in the World Textiles Economy Second largest producer of raw cotton.
- Third largest producer of cotton yarn.
- Third largest producer of cellulosic fibre/yarn.
- Second largest producer of silk.
- Fifth largest producer of synthetic fibre/yarn.
- Largest producer of jute



The textile sector also has a direct link with the rural economy and performance of major fibre crops and crafts such as cotton, wool, silk, handicrafts and handlooms, which employ millions of farmers and crafts persons in rural and semi-urban areas.

It has been estimated that one out of every six households in the country depends directly or indirectly on this sector. The below chart 2 indicates that the average percentage share of production of cotton of India in 2007/2009. India is playing an ever-important role in the world's cotton market. Set to bypass the United States and become the world's second largest producer of cotton in 2007, India has seen its cotton sector undergo critical changes in recent years. This handbook explores the various facets of cotton production in India — from the introduction of biotechnologies and the subsequent increase in production to the despair of small-scale cotton farmers and analyses the domestic and international forces at play. Cotton subsidies and agricultural policy are closely examined.

Trend and Growth of Textile Industry

India has several advantages in the textile sector, including abundant availability of raw material and labour. It is the second largest player in the world cotton trade. It has the largest cotton acreage, of about nine million hectares and is the third largest producer of cotton fibre in the world. It ranks fourth in terms of staple fibre production and fourth in polyester yarn production. The textile industry is also labour intensive, thus India has an advantage. Mills, power looms and handlooms constitute three independent sectors of the Indian textile industry. The mill sector is organized, mechanized and modernized production of yarn whereas the power loom and handloom sectors have remained technologically backward and stagnant. Almost all the spun yarn made in India come from

the organized sector, reflecting the highly capital intensive nature of yarn spinning. Weaving in the mill sector has been gradually suffering due to the competition from the power loom and the trend may continue. The power looms sector plays a pivotal role in meeting the clothing needs of the country. India has already completed more than 60 years of its independence. The analysis of the growth pattern of different segment of the industry during the last five decades of post-independence era reveals that the growth of the industry during the first two decades after the independence had been gradual, though lower and growth had been considerably slower during the third decade. The growth thereafter picked up significantly during the fourth decade in each and every segment of the industry. The peak level of its growth has however been reached during the fifth decade i.e., the last ten years and more particularly in the 90s. The Textile Policy of 1985 and Economic Policy of 1991 focusing in the direction of liberalization of economy and trade had in fact accelerated the growth in 1990s. The spinning spearheaded the growth during this period and man-made fiber industry in the organized sector and decentralized weaving sector. The Table 1 shows that the trend and growth rate of cotton in India from 2002/03 to 2010/12. Table 1 indicates that the cultivated area, production and yield rate of per hectare from selected states of India.

Area (in lacks of hectare)

Table 1 indicate that the area cultivated production and yield rate in kgs/hectare. In the cultivation of area (in lacks hectare) from north states of India (Punjab, Hariyna and Rajastan) during the period of 2002-2003. The cultivated area increased to 16 lacks hectare but it decrease to 14 lacks hectare during the period of 2009-2010, 2011-2012. the cultivated area of central states of India is 50 lacks of hectare during the period of 2002-2003 it has increased to 72 lacks of hectares, during period 2011-2012 similarly in the cultivated area south Indian states was 13 lacks of hectare it has increased 25 lacks of hectare in 2011-2012. The cultivation area from north Indian states is lower than that of central states and south Indian states of India

Production (in lacks of bales)

Production of cotton was 21.3 in lacks/bales and it increased to 35 lacks/bales during the period of 2011-2012 from the north Indian states. Similarly the production from central Indian states was 74.5 lacks/bales it has increased to 202 lacks/bales in 2011-2012 in the production of same from the south Indian states 27.8 and it has increased to 68 lacks/bales during period 2011-2012.

Yield rate: (in kg per hectare)

The yield rate /hectare increased from 2002-2003 to 2011-2012 at significantly due to various varieties of seeds and irrigation facilities invented and implemented all over the states of India due to the impact of green revolution. At aggregate level the cultivated area was 77 in 2002-2003 and it has increased to 117, 2011-2012. The production was 136 and it has increased to 325 in 2011-2012 and yield rate per hectare also increased from 302 in 2002-2003 to 496 in 2011-2012.

Table 1: Cultivated area, Production and Yield rate of per hectare from Selected States of India

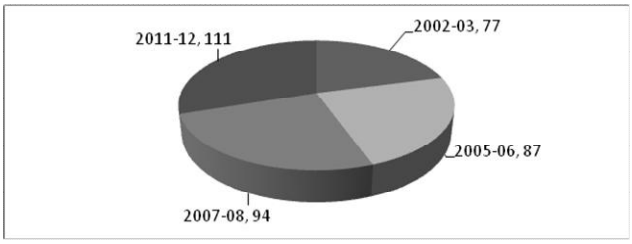
Year	2002-03			2003-04			2004-05			2005-06			2006-07			2007-08			2008-09			2009-10			2010-11			2011-12(p)*		
State	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y
Punjab	4.5	7.5	284	4.5	10	389	5.1	17	551	5.6	20	610	6.1	24	672	6	20	563	5.27	17.5	565	5.1	14	474	5.3	16	513	5.6	17	516
Haryana	5.2	8.8	287	5.3	12	372	6.2	17	452	5.8	12	350	5.3	15	481	4.8	15	528	4.56	14	522	5.1	15	495	4.9	14	484	6.1	16	450
Rajasthan	3.9	5	220	3.4	9.2	452	4.4	10	388	4.7	9	325	3.5	9	437	3.7	9	415	3.02	7.5	422	4.4	11	421	3.4	9	457	5.3	15	481
North total	14	21	267	13	31	399	16	43	466	16	41	433	15	48	549	15	44	514	12.9	39	516	15	40	465	14	39	489	17	48	481
Gujarat	16	31	317	16	50	516	19	73	651	19	89	794	24	103	733	24	110	772	23.5	90	650	26	98	635	26	103	665	30	115	647
Maharashtra	28	26	158	28	31	191	28	52	311	29	35	207	31	50	274	32	62	330	31.4	62	335	35	63	306	39	82	355	41	85	353
M.P	5.5	18	561	5.9	20	565	5.8	16	472	6.2	19	521	6.4	19	505	6.3	20	540	6.25	18	490	6.1	15	417	6.5	17	445	7.1	18	433
Central total	50	75	254	50	101	342	53	141	450	54	143	450	61	172	477	62	192	522	61.2	170	472	67	176	444	72	202	476	78	55	504
A.P	8	20	418	8.4	27	557	12	33	476	10	33	543	9.7	36	630	11	46	690	14	53	644	15	52	599	18	53	505	19	55	504
Karnataka	3.9	5	216	3.1	4.2	228	5.2	8	261	4.1	6	247	3.8	6	270	4	8	337	4.08	9	375	4.6	9	336	5.5	10	312	5.5	14	434
T. Nadu	0.9	3	600	1	3.8	619	1.3	5	659	1.4	5	607	1	5	850	1	4	687	1.09	5	780	1	5	817	1.2	5	697	1.2	5	702
South Total	13	28	368	13	35	480	18	46	428	16	44	472	15	47	551	16	58	603	19.2	67	594	20	66	552	25	68	472	25	74	498
Orissa	0.5	1	321	0.5	1	333	0.7	1	250	0.8	1	215	0.7	1	239	0.8	1	224	0.84	2	405	0.5	1	315	0.8	2	459	1	2	333
Others																						0.2	1		0.5	2	756	0.5	2	739
Total	-	125	-	-	168	-	-	231	-	-	229	-	-	268	-	-	295	-	-	278	-	-	293	-	-	313	-	-	344	-
Loose Cotton	-	12	-	-	11	-	-	12	-	-	12	-	-	12	-	-	12	-	-	12	-	-	12	-	-	12	-	-	12	-
Grand Total	77	136	302	76	179	399	88	243	470	87	241	472	91	280	521	94	307	554	94.1	290	524	103	305	503	111	325	496	122	356	496
North total	Compound Growth Rate (2002/03 to 2005/06)									4.45	21.	16.1	Compound Growth Rate (2005/06 to 2009/10)									-3.0	-0.8	2.4	CGR (2010-12)			5.1	6.1	1.1
Central total	Compound Growth Rate(2002/03 to 2005/06)									2.65	21.	19.0	Compound Growth Rate (2005/06 to 2009/10)									7.4	6.9	-0.4	CGR (2010-12)			4.8	-38.7	4.2
South Total	Compound Growth Rate(2002/03 to 2005/06)									6.92	15.	8.29	Compound Growth Rate (2005/06 to 2009/10)									7.9	13.	5.2	CGR (2010-12)			6.9	3.8	-3.4
G. Total	Compound Growth Rate(2002/03 to 2005/06)									3.6	0.0	0.01	Compound Growth Rate (2005/06 to 2009/10)									5;1	7.1	1.9	CGR (2010-12)			5.1	4.6	-4.2

Note: A= Area, P=Production, Y= Yield Rate/hectare, (Area in lakh hectares/ Production in lakh bales of 170 kgs/ Yield kgs per hect) Source: Cotton Advisory Board,

Interpretation

Area

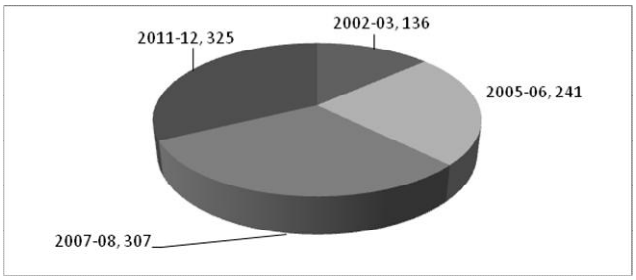
Chart 1: Area Cultivated (in lakhs of Hectares)



The compound growth rate estimated for the total of north Indian state, central Indian state and south Indian state by area, production and yield rate for the 2002-2003 to 2005-2006, 2005-2006 to 2009-2010 and 2009-2010 to 2011-2012 respectively. The analysis of growth rate so that a negative (-3.03%) growth rate registered during the period of 2005-2006 to 2009-2010 in the north Indian state. The growth rate of the same has a registered positive growth from central and south Indian states.

Production

Chart 2: Production Cultivated (in lakhs of bales)

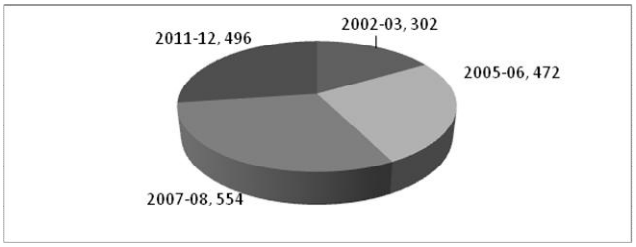


The compound growth rate of production is negative (-0.8239) in 2005-2006 to 2009-2010, as well as (-38.77). In 2009-2010 to 2011-2012

Yield rate

India's Textile Exports

Chart 3: Yield Rates (in kgs per hectare)



The compound growth rate is negative from 2005-2006 to 2009-2010 and 2009-2010 to 2011-2012 (-0.447) and(-3.432) in 2009-1010 to 2011-2012. India's textile and clothing industry is one of the main stays of the national economy. It is also one of the largest contributing sectors of India's exports worldwide.

The vision statement for the textile industry for the 11th five year plan (2007-2012), inter-alia, envisages India securing 97% share in the global textiles trade by2012. At current prices the Indian textiles industry is pegged at US$ 55 billon, 64% of which services domestic demand. The textile exports basket consist of cotton, wool, silk, jute, handicraft, coir man-made fibre textiles etc. Further, the export basket consists of variety of items: cotton yarn and fabrics, wool and silk fabrics, man-made yarn and fabrics, etc., of which man-made textiles and silk showed the highest growth rate. The Textile Policy of 1985 heralded a new beginning for the textile industry by focusing on the deep-rooted structural weaknesses. The reforms in 1990s further boosted the textile industry. The textile industry was de-licensed and reforms on fiscal and export front were pursued. As a result, Exports of textiles and clothing product from India have increased steadily over the last few years, particularly after 2004 when textile export quota were discontinued. The textile exports recording a modest growth of 10.10% in the fiscal year 1999-2000. The year 2000-01 had, however shown are mark able growth of 15% over the previous year exports. However, a declining trend has been noticed in the textile exports since the beginning of the year 2001, which is mainly due to the slow-down in the economies of some of the major importing countries such as US and increased competition from our neighbouring countries like china, Bangladesh etc.

Indian textiles and clothing exports is facing various constraints of infrastructure, high power and transaction cost, incidence of state level cess and duties, lack of state-of-the-art technology etc. Textile exports during the period of 2001 amounted to US$ 10381.8 million as against US$ 12037.6 million during these month in the previous year, recording a decline of around 11%. This indicates the downtrend in textile exports has been reversed and they are back on path of export growth. The textile exports show the upward trend after 2002. Textile exports during the period 2006, 2007, 2008 were 19146.04 US$ million, 22146.78 US$ million, 21226.34 US$ million recording a growth of 9.28%, 15.67%, 4.15% as compared to the corresponding period of previous year. During the period April-September 2010 the textile exports were 11264.58 US$ million.

Table 2 Textile of Export Sector Wise (in $ Millions of US)

Year/Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Readymade	4619	5334	5786	6034	7986	8282	9070	10383	10063	4735
Cotton	3082	3661	3600	3544	4601	5564	6859	4803	5711	3017
Manmade	1088	1417	1821	2051	2040	2398	3177	3326	3971	2043
Silk	437	451	545	594	693	706	658	685	596	271
Wool	289	269	338	417	456	424	443	485	470	220
Handicraft	737	1190	1085	1014	1314	1365	1452	1091	962	513
Coir	46	65	78	105	133	146	160	150	161	72
Jute	83	174	242	276	296	260	328	303	218	235
Total textile export	10382	12264	13449	14036	17520	19146	22147	21226	22419	11264
%	-11	3.98	21	3.97	24.84	9.28	15.67	-4.15	5.61	-

Source: Foreign Trade Statistics

Problems of Textile

Cotton textile industry is based many problems. The result is that many cotton mills became inefficient and uneconomic-one-dirt of the cotton mills became sick and was closed down. Following are some of the problems faced by the industry.

- Shortage of raw materials-Raw material determines 35 per cent of the total production cost. The country is short of cotton, particularly long- staple cotton which is 9 per cent of the world output of cotton.
- Obsolete machinery-In India most of the cotton textile mills are working with old and obsolete machinery.
- Power shortage-Textile mills are facing acute shortage of power. Supplies of coal are difficult to obtain and frequent cuts in electricity and load shedding affect the industry badly. This leads to loss of man hours, low production and loss in the mills.
- Low productivity of labour-Low productivity is another major problem of cotton textile industry. And also industrial relations are not very good in the country. Strikes, layoffs, retrenchments are the common features of many cotton mills in the country.
- Competition in foreign market-The Indian cotton textile goods are facing stiff competition in foreign markets from Taiwan, South Korea and Japan whose goods are cheaper and better in quality. It is really paradoxical that in a country where wages are low and cotton is internally available, production costs should be so high.

While certain traditional buyers of Indian textile goods like Myanmar, Indonesia, Sri Lanka, Ethiopia, Aden etc. are facing severe balance of trade problem some European countries like France, Germany, U.K. and Austria etc. have imposed quota limitations over the Indian textile imports. Acute world recession has badly affected the export prospects.

The cotton textile industry of the country is thus facing both short-term and long-term problems. Former includes problems of high prices, shortage of raw materials, liquidity problems due to poor sales and accumulation of huge stocks due to poor demand in the market. The long term problems of the industry include the slow pace of modernisation, out dated technology resulting into low productivity, high cost of production, low profitability and increasing sickness of mills.

Conclusion

India is the world's second largest producer of textiles and garments after China. It is the world's third largest producer of cotton-after China and the USA - and the second largest cotton consumer after China. The textile and garment industry in India is one of the oldest manufacturing sectors in the country and is currently the largest. The textile and garment industry fulfils a pivotal role in the Indian economy. It is a major foreign exchange earner and, after agriculture, it is the largest employer with a total workforce of 35 mn.

In 2005 textiles and garments accounted for about 14 per cent of industrial production and 16 per cent of export earnings. In cotton yarn production India has made a mark in the world textile scenario. It is the largest exporter of the cotton yarns in the world. Besides yarn exports, India's growing garment industry is working as a driving force to improve the yarn quality and to increase the production of cotton yarn.

In the cultivation of area (in lacks hectare) from north states of India (Punjab, Hariyna and Rajasthan) during the period of 2002-2003. The cultivated area increased to 16 lacks hectare but it decrease to 14 lacks hectare during the period of 2009-2010, 2011-2012. the cultivated area of central states of India is 50 lacks of hectare during the period of 2002-2003 it has increased to 72 lacks of hectares, during period 2011-2012 similarly in the cultivated area south Indian states was 13 lacks of hectare it has increased 25 lacks of hectare in 2011-2012.

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