



Promotional measures to textiles industry in view of make India programme

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Abstract: An attempt is made in this paper to analyze the promotional measures of Textiles in India. The textile sector in India accounts for 10% of the country's manufacturing production, 5% of India's GDP, and 13% of India's exports earnings. Textile and apparel sector is the second largest employment provider in the country employing nearly 51 million people directly and 68 million people indirectly in 2015-16. Efforts are being made to restore glory of cottage based traditional sectors like handlooms, handicrafts, jute and wool through an integrated approach covering entire value chain. To provide encouragement to textile manufactures and farmers of raw materials, the government has been providing incentives like minimum support price to cotton farmers, upgrading the technology for handloom weavers and providing centres for trade facilitation. Make in India is an initiative launched by the Government of India to encourage multi-national, as well as national companies to manufacture their products in India.

Key words: Make in India , traditional sectors, minimum support price

Introduction

The Indian textile industry exhibits rich cultural heritage of India with wide variety of fabrics, techniques and hues that reflect the diverse set of people and traditions across the country. One of the oldest industries in India, it covers an extensive spectrum of segments, from hand woven/hand-spun, unorganized segment on one end to capital and technology intensive organized segment on the other. India is the largest producer of Jute in the world and is the second largest producer of silk and cotton globally. This sector offers tremendous employment opportunities for people, especially in the rural regions. The textile sector in India accounts for 10% of the country's manufacturing production, 5% of India's GDP, and 13% of India's exports earnings. Textile and apparel sector is the second largest employment provider in the country employing nearly

51 million people directly and 68 million people indirectly in 2015-16. Efforts are being made to restore glory of cottage based traditional sectors like handlooms, handicrafts, jute and wool through an integrated approach covering entire value chain. To provide encouragement to textile manufactures and farmers of raw materials, the government has been providing incentives like minimum support price to cotton farmers, upgrading the technology for handloom weavers and providing centres for trade facilitation. The emphasis on the handloom brand, such as through the National Handloom Day and launch of the 'India Handloom Brand,' has been pivotal in reviving the sector, making it technology driven, and positioning it in mainstream fashion. This is encouraging the youth to wear more handloom products, hence increasing the market reach for these products. The power-loom industry is also growing, with incentives like financial assistance for upgrading the



technology. Funds up to 50% of the cost of the up gradation is being provided by the Government.

Make in India is an initiative launched by the Government of India to encourage multi-national, as well as national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. India emerged, after initiation of the programme in 2015, as the top destination globally for foreign direct investment (FDI), surpassing the United States of America as well as the People's Republic of China. In 2015, India received US\$63 billion in FDI. The major objective behind the initiative is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India.

OPPORTUNITIES OF TEXTILES INDUSTRY UNDER MAKE IN INDIA PROGRAMME:

India offers huge scope for manmade fibre and filament manufacturing as currently India's fibre consumption is cotton dominated contrary to the global trends. With change in consumer preferences and awareness about health and hygiene, consumption of manmade fibres is poised to grow in future in the following areas also.

Spinning: Indian spinning sector is highly advanced and competent globally in terms of price, quality and standards. Second largest installed spindle capacity in the world with more than 50 million spindles in 2014-15. Second largest

installed rotor capacity in the world with more than 8 million rotors in 2014- 15.

Weaving: India has already achieved strength in manufacturing of knitted and woven fabric however opportunities in value added and specialty fabrics still need to be explored. World's highest installed weaving capacity with more than 4.9 million looms (including 2.4 million handlooms) in 2014-15.

Apparel: It is estimated that apparel sector generates 56-84 jobs per USD 0.15 million investment as compared to industry average of 6 jobs generated per USD 0.15 million investment. Looking at the high employment generating potential, Government of India has extended various benefits to this sector. Also, investors can benefit from the market access arrangement of India with countries like Japan, South Korea, ASEAN, Chile etc. Apparel has contributed highest i.e. 42% to the textile and apparel export basket of India during 2015-16. Also, it is one of the focus areas of Government of India as the sector has huge employment generation potential.

Growth drivers-make in India:

- Rising per capita income, higher disposable incomes, favorable demographics and shift in preference for branded products.
- Increase in participation of women in workforce and awareness about hygiene & safety by Indian consumers.
- Changing lifestyles and increasing demand for quality products are set to fuel the need for apparel.
- Favorable government policies and incentives for manufacturers.

FDI policy: 100% FDI is allowed under the automatic route in the textile



sector; investment is subject to all applicable regulations and laws.

The Government of India has launched the following initiatives to strengthen textile production and encourage this industry to cater to the domestic and international market efficiently.

SECTOR POLICY

Technology Upgradation Fund Scheme (TUFS): TUFS has infused investment of more than USD 41.33 billion in the industry. Support has been provided for modernisation and upgradation by providing credit at reduced rates and capital subsidies.

Scheme for Integrated Textile Parks (SITP):

Scheme will provide funding for infrastructure, buildings for common facilities like design & training centre, warehouse, factories and plant & machinery, till now 74 textiles parks have been approved and are at various stages of implementation with 18 parks operational, 32 under implementation. The investment of USD 692 million is sanctioned by the government which will create 66,000 jobs.

Integrated Processing Development Scheme (IPDS):

IPDS is being implemented to make Indian textiles more competitive and environment-friendly.

Integrated Skill Development Scheme (ISDS):

ISDS plans to bridge that skill gap by training 1.5 million people for which USD 300 million has been allocated by the government.

Amended Technology Upgradation Fund Scheme for textiles industry (ATUFS)

ATUFS is designed to provide incentives to entrepreneurs and business owners for upgrading technologies. ATUFS facilities are expected to receive an investment of USD 15 billion and create 3 million jobs in the country.

Market Access Initiatives (MAI)

MAI was launched to promote the Indian exports in a sustained manner. The scheme funds various market studies and surveys to assist exporters. Market Development Assistance (MDA). To encourage exporters to conduct promotional activities for their products.

Technology Mission for Technical Textiles (TMTT)

TMTT has two mini missions to create a healthy ecosystem for the production of technical textiles in India. The Mini Mission I of the plan aims at standardisation, creating common testing facilities and several resource centres with IT infrastructure. Under Mini Mission II, support will be provided to create domestic and export markets for the technical textiles.

Special package for Textile and Apparel sector

To boost exports, labour- friendly policies, scaling up the production and to generate over 10 million jobs in the textile industry over the period of next three years.

Implications of Goods and Services Tax (GST) for Indian Textiles Sector

GST will result in 'Fibre-neutrality effect' on the Indian textiles sector,



according to the Ministry of Textiles, that means all man-made and natural fibres will be treated equally from the tax point of view.

Financial support

Key provisions of budget 2016-17:

- Basic Custom Duty on certain speciality fibres and yarns has been reduced from 5% to 2.5%. Basic Custom Duty has been exempted on import of certain fabrics of value equivalent to 1% of Free on Board (FOB) value of exports in the preceding year for the manufacturing of textile for exports.
- The Excise Duty of 2% without CENVAT credit and 12.5% with Central Value Added Tax (CENVAT) credit has been imposed on branded readymade garments and made up of price USD 15.38 or more.
- The tariff value of readymade garments and made up articles of textiles has been changed from 30% of retail sale price to 60% of retail sale price.
- The Excise Duty has been increased from 6% to 12.5% with CENVAT credit on re-cycled Polyester Staple Fibre and Polyester Filament Yarn.

Recent Packages provided to the sector:

The Outlay for Ministry of Textile is of USD 515.39 million (including USD 51.5 million for North Eastern Region, USD 25.77 million for Scheduled Caste Sub-Plan and USD 6.18 million for Tribal Sub-Plan) which is mainly for:

- Amended Technology Upgradation Fund Scheme (USD 227.7 million)

- National Handloom Development Programme (USD 84.15 million)
- National Handicraft Development Programme (USD 33.69 million)
- Development of Woollen Textiles (USD 4.46 million)
- Development of Silk Industry (USD 26.54 million)
- Power Loom Promotion Scheme (USD 17.7 million)
- Textile Infrastructure (USD 24.25 million)
- Research & Capacity Building including National Institute of Fashion Technology (USD 47.51 million)

NER Textiles Promotion Scheme including Scheme for usage of Geo Textile in North Eastern Region & Scheme for Promoting Agro Textiles in North East (USD 39.88 million), etc. Tax Incentives: Presumptive taxation scheme under section 44AD of the Income Tax Act available for small and medium enterprises with turnover or gross receipts not exceeding USD 0.15 million has been enhanced to USD 0.30 million. The corporate income tax rate for the next financial year of the companies with turnover not exceeding USD 0.76 million (in the financial year ending March 2015) has been lowered from present rate of 30% to 29%, plus surcharge and cess. Service tax is exempted on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDU GKY) and services provided by Assessing Bodies empaneled by Ministry of Skill Development & Entrepreneurship. Higher drawback rate has been provisioned from 1.7.2012 onwards under notification No. 41/2012.



State Incentives: Apart from the above, each state in India offers additional incentives for industrial projects. Some of the states also have separate policies for the textiles sector. Incentives are in areas like subsidized land cost, relaxation in stamp duty exemption on sale/lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

Export Incentives:

- Export Promotion Capital Goods Scheme (EPCG).
- Duty Exemption & Remission Scheme.
- Merchandise Exports from India Scheme (MEIS).

Area based Incentives:

- Incentives for units in Special Economic Zones(SEZs) / National Investment & Manufacturing Zones(NIMZs) as specified in respective acts or the setting up of projects in special areas such as the North-East, Jammu & Kashmir, Himanchal Pradesh & Uttarakhand

Current trends in growth of India's textile industry

Market Size

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's Gross Domestic Product (GDP), and 14 per cent

to overall Index of Industrial Production (IIP). The Indian textile industry has the potential to reach US\$ 500 billion in size according to a study by Wazir Advisors and PCI Xylenes & Polyester. The growth implies domestic sales to rise to US\$ 315 billion from currently US\$ 68 billion. At the same time, exports are implied to increase to US\$ 185 billion from approximately US\$ 41 billion currently. Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles

Investments

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 2.41 billion during April 2000 to December 2016.

Some of the major investments in the Indian textiles industry are as follows:

- Raymond has partnered with Khadi and Village Industries Commission (KVIC) to sell Khadi-marked readymade garments and fabric in KVIC and Raymond outlets across India.
- Max Fashion, a part of Dubai based Landmark Group, plans to expand its sales network to 400 stores in 120 cities by investing Rs 400 crore (US\$ 60 million) in the next 4 years.
- Trident Group, one of the leading manufacturers and exporters of terry towel, home textile, yarn and paper in India, has entered into a partnership with French firm Lagardere Active Group, to launch a premium range of home textiles under the renowned French lifestyle brand Elle Décor in India.



- Raymond Group has signed a Memorandum of Understanding (MoU) with Maharashtra government for setting up a textile manufacturing plant with an investment of Rs 1,400 crore (US\$ 208.76 million) in Maharashtra's Amravati district.

- Reliance Industries Ltd (RIL) plans to enter into a joint venture (JV) with China-based Shandong Ruyi Science and Technology Group Co. The JV will leverage RIL's existing textile business and distribution network in India and Ruyi's state-of-the-art technology and its global reach.

- Giving Indian sarees a 'green' touch, Dupont has joined hands with RIL and Vipul Sarees for use of its renewable fibre product Sorona to make an 'environment-friendly' version of this ethnic ladies wear.

- Snapdeal has partnered with India Post to jointly work on bringing thousands of weavers and artisans from Varanasi through its website. "This is an endeavour by Snapdeal and India Post to empower local artisans, small and medium entrepreneurs to sustain their livelihood by providing a platform to popularise their indigenous products," said Mr Kunal Bahl, CEO and Co-Founder, Snapdeal.

- Welspun India Ltd (WIL), part of the Welspun Group has unveiled its new spinning facility at Anjar, Gujarat - the largest under one roof in India. The expansion project reflects the ethos of the Government of Gujarat's recent 'Farm-Factory-Fabric-Fashion-Foreign' Textile Policy, which is aimed at strengthening the entire textile value-chain.

Road Ahead

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export

demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period. The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalising guidelines for the revised Textile Upgradation Fund Scheme (TUFS). The Indian cotton textile industry is expected to showcase a stable growth in FY2017-18, supported by stable input prices, healthy capacity utilisation and steady domestic demand

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