

# Policy and Schemes for Indian Textile Industry

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**Abstract:** Indian textile industry is known globally for its products. Over the years, the Indian textile industry rapidly grew due to various government policies and domestic factors. Textile industry is a diverse sector, which includes everything from small handloom factories to large garment plants. For making India's development inclusive, the central government introduced some policy and schemes like- national textile policy, technology up-gradation fund schemes, schemes for integrated textile parks, scheme for incubation in apparel manufacturing and welfare schemes etc. The role of these policy and schemes in the development of the Indian textile industry has been discussed in the present paper. The main purpose of this paper is to analyse the causes and consequences of government's intervention in India's textile industry, focusing in the process on the key ideas, issues and interests that have motivated policy outcomes.

**Keywords:** Indian Textile Industry, Policy, Schemes, Government.

## 1. INTRODUCTION:

Indian textile industry is known globally for its products and it is the second largest producer and exporter of textiles and garments China being the first in the world market. Indian market accounts for about 14 percent of the world's production of textile fibers and yarns. It has a vast variety of textile production which includes cotton, jute, handicraft, silk, hosiery and wool. India is first in jute production, second largest producer of silk, cotton, manmade fiber and filament and third in cellulosic fiber in the world. The textile industry occupies an important place in Indian economy too. It has a wide spectrum of industries extending from the organized large and medium scale units to small scale units which constitute an important segment of the economy. It has a unique position as a self reliant industry, from the production of raw materials to the delivery of finished products with substantial value-addition at each stage of processing. The textile and clothing industry is a major contributor in the gross domestic product, employment and exports of the economy. This sector contributes 4 percent to the GDP of India. It is one of the major contributors to the total output of the fast growing Indian industrial sector with 14 percent share of the total industrial production. This sector plays an important role in terms of employment generation (after agriculture). Since the production process including marketisation of textile industry require huge services therefore it provides employment to 45 million people directly and 60 million people indirectly. It is also one of the major sources of export earnings for the country and its contribution is about 15 percent of total export earnings. Apart from the above domestic factors, government intervention in the form of policy and schemes also helps the textile industry to grow rapidly.

The main objectives of this paper are given below:

- To analyse the causes and consequences of government's intervention in India's textile industry.
- To evaluate the role of the policy and schemes in the development of the Indian textile industry.
- Examine the policy outcomes and future prospective of the current schemes.

The present section gives a brief introduction of the Indian textile industry. In this section we discussed growth, structure and main forms of organization of textile industry. In the second section we outline the evolution of national policy towards the textile industry. Further, the government initiatives in the form of different schemes and its contribution in the textile growth are discussed in the third section. Finally, in the fourth section we attempt a conceptual framework in the context of India's textile industry.

## 2. Policy for textile sector:

Over the years there were significant changes in the textile policy at the national level which played a crucial part in transforming the textile industry to its current state. It is important to trace those policies so as to understand under the circumstances in which particular policy initiatives were taken to improve the competitiveness of the Indian textile industry.

The detailed review of policy initiatives at the national level can be done chronologically by dividing the whole period into two parts: a) 1985-2000, and b) 2000-2019. This section provides the details of the policies at the national level which are discussed separately for above two periods.

#### **a) Textile policy: 1985-2000**

This period marks the embarkation of a new order which was entirely different from the earlier state of affairs. The introduction of the New Textile Policy of 1985 heralded a decisive shift from the framework of state controlled import substitution to that of the liberalized market economy. In the NTP, emphasis of the policy shifted to productivity rather than employment and this objective of expanding the output at the cost of shrinking employment is a significant departure from earlier policy measures. The main objectives of the policy were emphasis on productivity, removal of all constraints and curbs on powerlooms and mills, removal of all constraints on mills sector with respect to fiber mix, process wise segmentation of textile industry rather than sector wise, and grant of complete freedom to mills in closing or shifting units.

One of major policy moves in order to advance the level of technology of Indian textile sector came in the year 1999. The Government of India, Ministry of Textiles introduced Technology Upgradation Fund Scheme (TUFS) for textile and jute Industries on 1st April, 1999, for a period of five years. The main objective of TUFS was to finance the upgradation of technology of the textile production units. The scheme was extended by three years up to March 31, 2007. The Scheme was modified in April 1, 2007, for a period of five years i.e. to last till 2011-12. However, the scheme got discontinued from 29th June, 2010 till 27th April, 2011 and was re-launched with effect from 28th April, 2011 as Restructured-TUFS (R-TUFS) initially for the period upto 31st March, 2012, which was further extended till 31st March, 2013. Government of India continued the TUFS as Revised Restructured Technology Upgradation Fund Scheme (RR-TUFS) with effect from April 1, 2013 to March 31, 2017.

At the international level, MFA which served as a memorandum guiding textile and clothing trade was replaced with Agreement on Textiles and Clothing (ATC) in 1995. With ATC coming to the fore, gradual opening up of the Indian textile industry started. Under ATC, barriers on major Indian and Chinese exports, especially, final products very much remained in force up to 2004. MFA was officially phased out after 2004 December where all the laws acting as barriers to trade were repealed and competition became the order of the day. This policy was one of the most monumental policy moves which put Indian textiles on the path of liberalization.

#### **b) Textile policy: 2000-2019**

This period marked the beginning of policies which were directly linked towards enhancing the export competitiveness of textile sector. In the previous period the objective of enhancing the export competitiveness was never focused upon.

In New Textile policy (NTP) was introduced in 2000. The prime objective of NTP was to facilitate the textile industry in order attain the top global position in terms of textile exports. This was the first policy move which had textile trade promotion as one of its key objectives. For achieving textile trade promotion the following were the policies introduced.

- Implementation of TUFS to cover all manufacturing segments under textile sector.
- Increase cotton productivity by 50 per cent by implementing Technology Mission (TM) on cotton.
- Assist the private sector in setting up world class textile complexes and processing units in different parts of country.
- Review the working of Textile Research Associations (TRA) to focus research on industry needs.
- To develop infrastructural facilities in the predominantly textile and apparel export oriented areas in close cooperation with state governments and financial institutions and the private sector.
- Evolving a suitable mechanism to facilitate textile industry associations to deal with disputes under the various agreements of the WTO.

Thus with NTP the agenda of textile export promotion came to the fore. The policy initiatives implemented under NTP were to achieve the target of textile export promotion. Apart from NTP, there were textile policies introduced under last three Five Year Plans (FYP) launched in this period in order to improve the competitiveness of the textile sector.

In 10th FYP (2002-2007), Textile Centre Infrastructure Development Scheme (TCIDS) was launched in order to improve the infrastructure facilities at potential growth centre and to remove bottlenecks in exports. Under the scheme INR 20 crore were to be allotted to each centre. TUFS scheme which was already approved was further extended and additional INR 1,270 crore was provided under the 10th FYP. In order to improve the raw material resource base of cotton additional INR 150 crore was provided to Technology Mission (TM) on cotton under 10th FYP.

In the 11th Five Year Plan (2007-2012) the focus was on the growth of entire manufacturing sector in general and textile sector in particular. In order to promote the competitiveness of the textile sector the special Technology Mission on cotton launched in 2000 was continued in this plan as well. Along with cotton the Technology mission on jute, silk and wool were also launched during the 11th FYP in order to enhance the productivity of segments producing these important raw materials. The TUFS scheme was continued in this plan as well. The Scheme of Integrated Textile Parks (SITP) was launched in 2005 to create textile parks aimed at fixing the issues in various sub-sectors of textile value chain was a huge success and was extended in this plan as well. Additional INR 3,000 crore was provided to implement the SITP in 11th FYP. Also, the working group was set-up to guide the government to consider FDI proposals from textile machinery manufacturers on selective basis.

Under the 12th Five Year Plan (2012-2017) a special focus was on enhancing textile sector's competitiveness. Along with that there were several textile infrastructure development projects announced during this phase for achieving the textile growth target of 11.5 per cent in volume terms and 15 per cent in value of exports. First, TUFS scheme was continued as Revised Restructured TUFS (RRTUFS) for different segments of textile industry so as to upgrade their technology. RR-TUFS is introduced with an overall plan allocation of INR 11952.80 crore in the 12th plan period. Second, for increasing the competitiveness of the cotton sector the Technology Mission on cotton was continued in this FYP as well. Third, in order to promote the innovation in designs the scheme for setting up Centre of Excellence for product innovation was announced in 12th FYP. Fourth, the SITP was extended to this plan as well in order to develop the textile specific infrastructure.

### 3. Schemes for textile sector:

In keeping with goal of making India's development inclusive and participative, the Government's central focus has been on increasing textile manufacturing by building the best-in-class manufacturing infrastructure, upgradation of technology fostering innovation, enhancing skills and traditional strengths in the textile sector. Some of the major initiatives and highlights of 2018-19 (Ministry of Textile) are listed below:

- **Technology Upgradation Fund Scheme (TUFS):** The scheme was initially approved in April, 1999 upto 31st March, 2004 and subsequently extended in 2004 up to 2007. In 2007, the Scheme was further extended with modifications such as additional capital subsidy (CS) of 10% for the segments of Technical Textiles and Garments and is referred as Modified TUFS (MTUFS). The scheme was suspended during 29.06.2010 to 27.04.2011 which is known as "Blackout Period". The Scheme was restructured and the Restructured TUF Scheme (RTUFS) was implemented from 28.04.2011 to 31.03.2012. The Scheme was revised further as Revised Restructured Technology Up- gradation Fund Scheme (RR-TUFS) in 01.04.2012 and implemented till 11 July 2016. A total of 10766 UIDs have been issued under RRTUFS with project cost of Rs. 53805.49 crore and subsidy value of Rs. 7259.26 crore.
- **Amended Technology Upgradation Fund Scheme (ATUFS):** ATUFS in place of RRTUFS was introduced on 13 January 2016 with one time capital subsidy for eligible benchmarked machinery. Segments which have got higher employment and export potential such as Garmenting and Technical Textiles are eligible for Capital subsidy at the rate of 15% subject to a cap of Rs. 30 crore. Segments such as Weaving for brand new Shuttle-Less Looms (including weaving preparatory and knitting), Processing, Jute, Silk and handlooms will get subsidy at the rate of 10% subject to a cap of Rs. 20 crore.
- **Integrated Skill Development Scheme (ISDS):** The Integrated Skill Development Scheme (ISDS) was introduced by Ministry of Textiles as a pilot scheme on October, 2010 with an outlay of Rs.272 crore, including Rs.229 crore as Government contribution with a physical target to train 2.56 lakh persons. It covered the entire value chain of the textile industry. ISDS main phase was approved on 23rd August 2013 for the 12th plan period upto 2016-17 with an allocation of Rs.1900 crores to train 15 lakh persons. ISDS addressed the critical gap of skilled manpower in textile industry through industry-oriented training programmes. It was implemented till 30.11.2017.
- **Scheme for Capacity Building in Textile Sector (SCBTS):** On the basis of the learning from the ISDS, the Ministry has introduced new skill development scheme covering the entire value chain of the textile sector excluding Spinning & Weaving in organized Sector, titled "Samarth" Scheme for Capacity Building in Textile Sector (SCBTS) from 2017-18 to 2019-20 with an outlay of Rs. 1300 crore. The scheme will have National Skill Qualification Framework (NSQF) compliant training courses with funding forms as per the Common Norms notified by Ministry of Skill Development and Entrepreneurship (MSDE). 10 lakh people are expected to be skilled and certified in various segments of Textile Sector through the scheme, out of which 1 lakh will be in traditional sectors.

- **Scheme for Integrated Textile Parks (SITP):** The ‘Scheme for Integrated Textile Parks (SITP)’ has been under implementation since 10th Five Year Plan to provide the textile industry with world-class infrastructure facilities. The project cost covers common infrastructure and buildings for production/support depending on the needs of the ITP with total financial support of 40% of the project cost subject to a maximum of Rs. 40 crores. There is flexibility in setting up ITPs to suit the local requirements. Till now, 59 sanctioned textile parks are under various stages of implementation. Once fully operational, all the above parks are expected to house about 5909 textile units, generate employment for about 3,46,093 persons and attract investment of over Rs. 26825 crore. An amount of Rs. 1332.54 Crores has been released under SITP in these fifty nine textile parks. So far, twenty two parks are complete as per scheme guidelines.
- **Integrated Processing Development Scheme (IPDS):** Integrated Processing Development Scheme (IPDS) has been approved by CCEA in October 2013 at a total cost of Rs.500 crores for implementation during 12th Five Year Plan. The objectives of the Scheme is to enable the textile processing sector in meeting environmental standards through appropriate technology including marine, riverine and Zero Liquid Discharge (ZLD). The State Governments have been requested to forward suitable proposals, duly recommended by the State Pollution Control Boards for up-gradation of existing textile processing units or for setting up new processing units in their States for consideration of the Ministry along with their commitment to meet 25% of the project cost.
- **Scheme for Incubation in Apparel Manufacturing (SIAM):** The Scheme for Incubation in Apparel Manufacturing (SIAM) was launched on pilot basis in January 2014 with initial outlay of Rs.38.80 crores for setting up three Incubation centers. The objective of the Scheme is to promote new entrepreneurs in apparel manufacturing by providing them an integrated workspace with complete ecosystem and plug and play facility which help them in reducing time, cost and efforts involved in setting up a new incubation centre. Three projects for setting Incubation centers by i.e. HSIIDC in Haryana, SPINFED in Odisha & IIDC in Madhya Pradesh have been sanctioned under the scheme.
- **Scheme for Textile Industry Workers’ Accommodation (STIWA):** The Scheme for Textile Worker’s Accommodation was launched in 2014 with an outlay of Rs.45 crores for implementation during the 12th Five Year Plan. The objective of the Scheme is to provide safe, adequate and conveniently located accommodation for textile and apparel industry workers in the proximity of areas of high concentration of textile and apparel industries.

#### 4. CONCLUSION:

The existing National Textile Policy 2000 was framed about 20 years ago. Since then, the industry has undergone various changes on the domestic and international front. The domestic textile industry has seen large-scale modernisation and technological up-gradation in the last decade faces new challenges. But presently, the country is facing its worst ever health and economic crisis due to the COVID-19 virus and the total shutdown of the economic activities (from 25 March to 31 May). To overcome this situation, on 12 May 2020 the Indian government has announced a special relief package of worth 20 lakh crores. This package provide a special assistance to the MSMEs of around 50,000 crore. This will also act as working capital for the textile sector and provide more liquidity in the economy. The formulation of the New Textile Policy 2020 has been under consideration. This new policy will have a special focus on manufacturing of apparel and garment, technical textiles, man-made fibre products and exports. The New Textile Policy 2020 will help in positioning India as a fully integrated, globally-competitive manufacturing and exporting hub. The policy will entail the strategy and action plan for the country's textile and apparel segments, while maintaining pre-eminent position in handicraft and handloom sectors.

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