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Employment Intensity of Output: An Analysis of Non-Agriculture Sectors

Textile Sector

Institute of Applied Manpower Research

Planning Commission, Government of India

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Executive Summary

Textile sector has been recognized as labour intensive though its share of employment in manufacturing has declined from 18.1 percent to 16.8 percent during the decade. So, the study was undertaken to identify the factors responsible for jobless growth of this industry and Government policies that affect the growth of the sector.

Objectives of the Study

1. To study the structure and growth of Textile industry in India
2. To analyse the performance of the Textile sector in terms of employment and output
3. To assess the capital intensity and labour productivity in the Textile sector in the country

Methodology and Sampling

The analysis was done primarily on the basis of secondary data from NSSO and CSO for the period 1999-2000, 2004-05 and 2009-10. The qualitative information about the industry was gathered through the primary survey of Textile Associations and industry players from all the four regions. Focus Group Discussions (FGDs) with various stakeholders (Government Officials, representatives from associations/enterprises etc.) were also conducted.

Findings of the Study

Production and exports have been the major growth drivers of the Indian textile industry which is contributed by various sub-sectors of this industry. The Powerloom Sector of the industry contributes around 62 percent of the total cloth production in the country and provides employment opportunities to 4.86 million people. India's Cotton Sector is the second largest producer of cotton products in the world. It provides huge employment opportunities to around 50 million people in related activities like cultivation, trade, and processing. The Cotton/Man-made fiber textile industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. There were 1,946 cotton/man-made fiber textile mills (non-SSI) in the country with an installed capacity of 43.13 million spindles, 5,20,000 rotors and 52,000 looms. The handloom sector accounts for about 15 percent of the total cloth produced in the country (excluding wool, silk and Khadi). This sector is the second largest sector in terms of employment, next only to agriculture. The sector employs 43.31 lakh persons in weaving and allied activities with 23.77 lakh handlooms. Of the total adult workforce, 10 percent of the workers are SC, 18 percent are ST, 45 percent are OBC and 27 percent are from Other Castes.

The Indian Handcrafts Industry is highly labour intensive, cottage based and decentralized industry. It provides employment to a vast segment of craft persons specially women in rural and semi-urban areas and generates substantial foreign exchange for the country, while preserving its cultural heritage. Of the total workforce engaged in handicrafts, estimated 56.1 percent are women and 28.30 percent belong to SC/ST category. The Woolen Textile Sector is basically rural based organized and decentralized sector. India is the 7th largest producer of wool, and has 1.8 percent share in total world production. The Industry is highly dependent on import of raw wool due to inadequate production. Indian Jute Industry is the largest producer of raw jute and jute products in the world. India is the second largest exporter of jute goods in world. Regarding the Sericulture and Silk Sector, India is the 2nd largest producer of silk with varieties such as, Mulberry, Eri, Tasar, and Muga in the world and contributes 18 percent of the total world raw silk production.

Exports of textiles and clothing products have increased after the implementation of Multi-Fibre Act (MFA) in 2005.It reached from US$ 14.52 billion in 2004-05 to US$ 22.4 billion in 2009-10 which is a 12.5 percent of total export from India.

The Indian textile industry is facing severe competition from countries like Taiwan, South Korea, China and Japan because of high cost of production due to exorbitant rise in raw material prices, high labour cost, obsolete technology, high tax rate, electricity charges and octroi and other infrastructural problems such as power cuts, transactional cost, transport problem and stringent labour laws. The textile industry being an export oriented industry, devaluation of rupee is a big issue. The industry is facing shortage of skilled and unskilled workers. There is a shortage of workers due to MNREGA since people from other states are not coming in search of job.

The Index of Industrial Production (IIP) details out that the textile is growing above 6 percent annually during the decade except in 2008-09 when it recorded a steep decline with a negative growth of 3.6 percent which is a period of global economic slowdown.

The sector comprises of both organized and unorganized segments of the industry but small and medium enterprises dominate the textile industry. During the first half of the decade i.e. from 1999-2000 to 2004-05, it is unorganized sector which was growing with higher rate both in textile and in overall manufacturing, but in the second half of the decade i.e. 2004-05 to 2009-10 registered manufacturing took the momentum and grew by 9.5 percent and 10.5 percent in textile and in overall manufacturing respectively, which may be due to technological upgradation and easy access to finance facility of the organized sector. Also, there is an impact of global slow-down during 2008-09 in which unregistered sector could not resist.

Tamil Nadu is at the top in textile sector contributing 20 percent in the total output of the state followed by Gujarat (16 percent) and Maharashtra (13 percent). In Dadra & Nagar Haveli textile

is contributing 10 percent in total value of output which is more than the contribution of States which are so-called textile hub like Andhra Pradesh (4%), Rajasthan (7%), West Bengal (5%), and Uttar Pradesh (3%).

Textile sector is the major employer in the manufacturing (16.8%) and continued to employ around 2 percent of India's workforce. The textile sector also occupies an important position in the entire scenario of the organized factory sector in terms of employment (12%).

The share of textile sector employment of the state in the total textile sector employment in India recorded an increasing trend in West Bengal (from 10. 7% to 16.8%, a robust growth), Gujarat (from 6.1% to 9.1%), Andhra Pradesh (from 7.5% to 9.1%), Tamil Nadu (from 19.7% to 20.8%), Haryana (from 1. 6% to 2.9%), and Maharashtra has a constant share of 7.5 percent. In 2009-10, more than 34 percent of total textile workers are employed in the southern states of India indicating that major textile activities are concentrated in the southern region. In J&K, the share of textile workers to total manufacturing employment has declined; yet, more than 50 percent of manufacturing employment in the state is still in the textile sector.

The sub-sectoral analysis of the textile sector indicates that major employer in this sector are manufacture of other cordage, rope nets etc. (19.7%) followed by Finishing of Textile (7.3%) and Weaving, Manufacture of cotton and cotton mixed fabrics (13.6%). The sector is dominated by the low skilled workers engaged in Craft and Related Trades and technical activities (67%). Highly skilled workforce constitutes just 10 percent (NCO 13-32).

Small scale unorganised sector dominates the industry. The employment in the unorganised textile sector has increased from 72.5 percent to 73.9 percent in the first half and then declined to 66.7 percent during second half of the decade and hence a corresponding increase in the organized sector. In an absolute term, the employment in the organized sector has grown continuously from 2.17 million to 2.81 million over the decade 1999-10 to 2009-10. Such a structure may arise due to the policies on tax, labour and other regulations that favoured small scale, labour-intensive enterprises and due to less stringent regulations for this sector.

During the decade the capital intensity and labour productivity of the sector have increased from 4.0 to 9.7 and 6.4 to 14.3 respectively which were robust during the second half of the decade. This may be due to the Government's initiative, the Technology Upgradation Fund Scheme (TUFS) for modernization and technology upgradation in the textile sector launched in 1999. In its operational life span, TUFS has propelled investment of 2,07,747 crore so far; 75 percent of the beneficiaries under TUFS are from the Small and Medium Enterprises sector. Firms allocate less amounts on R&D and technical training.

The investment scenario is positive because the size of the textile market in India is quite big. The Government has been routing the FDI for technology and design development, superior production techniques, better labour condition, formulation of compliance norms and development of textile parks and mega clusters. The FDI has increased from US$ 0.0043 billion in 2004-05 to US$ 0.155 billion 2009-10.The sector is targeting US$ 6 billion FDI by 2015.

Chapter I

Introduction

1. Background

A high rate of economic growth was understood as a means to employment growth but it is a fact that growth has not yielded expected results in the area of employment growth. The rate of growth of employment was found to be much lower than the rate of growth of economy. Hence, providing employment to the ever increasing labour force and encouraging inclusive development become an area of central concern in planning process. The same is reflected from the eleventh Five Year Plans onwards. One of the objectives of the current 12th Five Year Plan is to create productive and decent employment to absorb the ever increasing labour force.

The share of agriculture sector in total employment is continuously declining; still agriculture sector is the major (53%) employment provider to Indian workforce (NSSO survey 2009-10). But the main concern is its low productivity as 53 percent of the Indian workforce is producing barely 15 percent of GDP. Therefore, main challenge is to create productive employment opportunities in the non-agriculture sector.

During the development process the economies followed a transformation path from primary (agriculture & allied) to secondary (manufacturing) and tertiary (services) in successive stages. The share of manufacturing sector in GDP increased overtime and in the process the sector absorbed people shifting from agriculture for better employment prospects. However, it has not contributed much to India's growth story. The share of India's manufacturing sector in the employment and GDP has remained stagnant at 11.1-10.5 percent and 15-16 per cent respectively during the decade 1999-2009 (Table-1). So, similar to the other emerging economies the manufacturing sector in India could not become the engine of growth.

As expected, the structural change in the employment is taking place with the economic growth but at low pace. The expansion in employment has taken place in the industrial sector (manufacturing and non-manufacturing sectors) and in service sector but remained low at 22.7 percent (10.5%+12.2%) and 24.4 percent respectively in 2009-10. Their contribution to GDP was accounted as 28.1 percent from Industry and 57.3 percent from Services in 2009-10. This shows that the output growth of Indian economy is mainly contributed by the services sector. So, in case of India the development process appears to have skipped the second stage of economic transition (Industrial sector growth), moving direct to growth in the services sector.

In the secondary sector (Manufacturing+Non-manufacturing), we observed that the manufacturing sector is laggard, there is decline in the employment share and slight increase in GVA share over the decade indicating a very slow and jobless growth of the sector. Again in the non manufacturing sector there is sharp increase of 7.0 percent point in the employment (mainly

because of increase in construction sector) share where as the corresponding increase in the share of GVA is 0.4 percent point indicating a low productive employment growth. Hence, the secondary sector which is the main engine of growth of an economy has not yielded expected results both in the area of employment and output growth. The services sector however is performing better in terms of growth in the GVA share but have a sluggish growth in terms of the employment share (Table 1.1).

Table 1.1: Sectors' Share in Employment and GVA

Sectors	1999-00		2009-10	
	Share in Employment	**Share in GVA**	**Share in Employment**	**Share in GVA**
Agriculture	59.9	23.8	52.9	14.6
Manufacturing	11.1	15.5	10.5	15.9
Mining & quarrying	0.5	3.1	0.6	2.3
Electricity, gas & water supply	0.3	2.3	0.3	2.0
Construction	4.4	6.4	11.3	7.9
Non manufacturing	5.2	11.8	12.2	12.2
Manufacturing+ Non manufacturing	16.3	27.3	22.7	28.1
Services	23.7	48.9	24.4	57.3
Total	100.0	100.0	100.0	100.0

Source: NSSO and CSO (IAMR Concept Paper)

The slow and jobless growth of manufacturing sector is a matter of great concern. The Eleventh Plan targeted growth in manufacturing at 10-11 percent but actual performance was only about **7.7** percent. As a result, the share of the manufacturing sector in GDP is only 15 percent in India, compared with 34 percent in China and 40 percent in Thailand. The slow pace of growth of the manufacturing sector at this stage of India's development is not an acceptable outcome. Manufacturing must provide a large portion of the additional employment opportunities required for India's increasing number of youth. Agriculture cannot be expected to provide more jobs. On the contrary it should be releasing labour which has very low productivity to be absorbed in other sectors. While the services sector has been growing fast, it alone cannot absorb the 250 million additional income-seekers that are expected to join the workforce in the next 15 years. Unless manufacturing sector becomes an engine of growth, providing at least 100 million additional decent jobs, it will be difficult for India's growth to be inclusive (12^{th} plan approach paper).

Keeping in view the declining share of employment and the stagnant and low share in India's GVA of manufacturing sector, Government of India formulated a new National Manufacturing

Policy (NMP, 2011[1]) with the prime objective that manufacturing sector to contribute at least 25 percent to the National GDP and increase the rate of job creation to create 100 million additional jobs by 2025.

2. Selection of the Sector

The manufacturing sector in India consists of 15 sub sectors. This study examined which of these 15 sectors experienced an increase in employment over the decade 1999-00 to 2009-10 and which sector has potential to grow. Textile has continued to remain the major employer in the manufacturing sector though its share has declined from 18.1 percent to 16.8 percent during the decade (Annexure A.1). The sub-sectors which experienced increase in total employment are: wearing apparel and leather products (from 8.5% to 16.5%); motor vehicles and other transport equipment (1.4% to 3.1%); furniture, manufacturing n.e.c., watches and clock (7.7% to 8.4%); paper and paper products (3.0% to 3.2%); basic metals (from 2.7 to 2.8%). These sectors also experienced robust growth in GVA in the latter half of the decade. In terms of employment elasticity of output it is found that wearing apparel has highest (1.59) employment elasticity (EE) i.e. labour intensive growth with low labour productivity followed by motor vehicles and transport equipment (EE=0.82), recycling (EE=0.63) and paper & paper products (EE=0.32). These sectors are categorized as the employment generating sector. Textiles (EE=0.05), other non-metallic mineral products (EE=0.13), basic metals (EE=0.20), electrical machinery (EE=0.02), furniture (EE=0.26), come under the category of jobless growth since their employment elasticity is less than 0.3. Food products (EE=-0.32), tobacco products (EE=-0.16), wood products (EE=-0.43), coke (EE = -0.29), chemical (EE = -0.24), fabricated metal products (EE=-0.01) represent the category of job losing sectors since they have observed the negative employment elasticity (Annexure A-2).

Among the aforementioned categories, one sector from each category has been chosen based on their percentage share in employment. Thus, wearing apparel, textile and food and beverages as a representative case of employment generating, jobless growth but major employer and job losing

[1] Under the new NMP 2011 the following industry verticals will be given special attention:

Employment intensive industries: Textiles and garments; leather and footwear; gems and jewellery; and food processing industries.

Capital Goods: Machine tools; heavy electrical equipments; heavy transport, earth moving and mining equipments.

Industries with strategic significance: Sectors like aerospace; shipping; IT hardware and electronics; telecommunication equipment; defence equipment; and solar energy.

Industries where India enjoys a competitive advantage: Automobiles; pharmaceuticals; and medical equipment.

Small and Medium Enterprise: The SME sector contributes about 45% to the manufacturing output, 40% of the total exports, and offers employment opportunities both for self-employment and jobs, across diverse geographies. The National Manufacturing Competitiveness Programme, being implemented by M/o MSME will be strengthened.

Public Sector Enterprises: Public Sector Undertakings, especially those in Defence and Energy sectors, continue to play a major role in the growth of manufacturing as well as of the national economy. A suitable policy framework will be formulated in this regard to make PSUs competitive while ensuring functional autonomy.

sub-sectors respectively are selected in the manufacturing sector for in depth analysis. Each of these sectors was studied independently for in-depth analysis.

With this background, the current study confines itself to an in-depth study of the textile sector. The textile industry holds significant status in the Indian economy through its contribution to the total industrial output, employment generation and total export earnings. Currently it contributes about 14 per cent to industrial production, 4 per cent to the GDP, 12 per cent of total export and 20 per cent of the workforce in the organized manufacturing sector (Report of Working Group on Boosting India's Manufacturing Exports, 12th Plan). Textile is the major employer in the manufacturing sector and accounts for 16.8 percent of all manufacturing employment in 2009-10 though it has observed a declining trend from 18 percent in 1999-2000. Over the decade the sector has observed a jobless growth.

Table 1.2: Share of Textile Sector's Employment in Manufacturing Sector and Overall Economy

	Employment(millions)		
Sectors	**1999-00**	**2004-05**	**2009-10**
Share of Textile in Manufacturing (%)	17.8	18.1	16.8
Share of Textile in Total (%)	1.98	2.21	1.83
Total Employment (in millions)	396.76	457.46	460.22

Source: NSSO and IAMR Concept Paper

The current study identifies the factor causing the jobless growth in textile sector which is the major employer in manufacturing sector of the economy.

3. Objectives

- To analyse the employment and output trend of textile industry.
- To identify the factors responsible for jobless growth in the textile industry.
- To review the Government policies which effects the growth of the sector?

4. Hypotheses

H1-Change in production techniques/processes in favour of capital intensive technology replaced the labour.

H2-Increases in investment, increased FDI and government initiatives (resulting in increased scale of operation) resulted in jobless growth of the sector.

5. Methodology

The study is mainly based upon the secondary data from NSSO; CSO; Concerned Ministry/Department; Sector specific associations; etc. In addition various policy documents were also examined. The overall employment data of the sector at three point of time i.e. 1999-2000, 2004-05 and 2009-10 is collected from NSSO. Employment in organized manufacturing and output data were collected from CSO.

For identifying various issues pertaining to employment and output a primary survey has also been conducted. A structured questionnaire has been canvassed to the various textile sector associations and sector-specific detailed discussions held. Focus Group Discussions (FGDs) with various stakeholders i.e. Government Officials representatives from associations/enterprises etc. were also conducted.

To supplement it some enterprises (big players) were identified across the country in consultation with the sector-specific associations. These enterprises were also canvassed a structured questionnaire and detailed discussions about the issues and factors affecting the growth of employment in the sector were held.

6. Limitation

Through the primary survey only qualitative data could be received. So the non availability of primary data the results are basically based on the analysis of secondary data

7. Structure of the Report

The paper is divided into six sections. Following this introduction chapter II discusses the main features of India's Textile sector, gives details of sub-sectors, issues of this sector and its contribution in total export earnings. Chapter III discusses the dynamics of employment and output in the sector and issues related to labour laws. Impact of technological development on the sectors is discussed in Chapter IV. Section V presents the impact of FDI on the growth of the sector conclusions and recommendation for policy implications are presented in chapter VI.

Chapter II

Textile Sector Profile

The textile industry is one of the most important industries of the Indian economy and it is the largest employment provider in manufacturing sector. It has witnessed phenomenal growth in recent years and attracted fair amount of foreign direct investment (FDI). The textile and apparel industry in India is estimated to be about US$ 36 billion. It is the largest foreign exchange earner, contributing to approximately 14 percent of India's exports and 14 percent of industrial output. India's solid performance and growth in textile sector is fuelled by several key advantages that the country enjoys in terms of abundant availability of raw material and cheap labour, large domestic market, presence of supportive industries and supportive policy initiatives by the government.

The textile industry in India is highly fragmented. It is vertically integrated across the whole value chain and interconnected with various operations. The organised sector consists of spinning mills and composite mills. The unorganised sector consists of handlooms, power looms and handicrafts. The major sub segments of the textile industry are cotton, blended, silk, wool and manmade. The major products in which Indian textile industry deals is readymade garments, suiting and shirting, shirts and trousers, fabrics, bed linen and embroidery work.

1. Major Textile Sub-sectors

Powerloom Sector

This part of industry includes fiber and filament yarn manufacturing units. The Power looms sector is decentralized and plays a vital role in India Textiles Industry. It produces large variety of cloths to fulfill different needs of the market. It is the largest manufacturer of fabric and produces a wide variety of cloth. The sector contributes around 62 percent of the total cloth production in the country and provides employment opportunities to 4.86 million people.

Cotton Sector

Cotton is one of the major sources of employment and contributes promisingly in export. This sector provides huge employment opportunities to round 50 million people including in related activities like Cultivation, Trade, and Processing. India is second largest producer of cotton products in the world. The Cotton/Man-made fibre textile industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals. As on 30.11.2011, there were 1946 cotton/man-made fiber textile mills (non-SSI) in the country with an installed capacity of 43.13 million spindles 5,20,000 rotors and 52,000 looms

(Annual Report 2011-12, Ministry of Textile). The new Textile Policy aims at improving the quality of cotton to that of international standards through effective implementation of the Technology Mission on Cotton (TMC).

Handloom Sector

The handloom sector plays a very important role in the country's economy. It is the second largest sector in terms of employment, next only to agriculture. This sector accounts for about 15% of the total cloth produced in the country excluding wool, silk and Khadi(Annual Report 2011-12, Ministry of Textile).

The handloom Sector employs 43.31 lakh persons in weaving and allied activities with 23.77 lakh handlooms. This sector is weaver specific/occupational in nature, with the majority of weavers belonging to the poorest and the marginalized sections of the society. Of the total adult workforce, 10 percent of the workers are SC, 18 percent are ST, 45 percent are OBC and 27 percent are from Other Castes as per the report of Handloom Census of India (2009-10).

For assisting the Handloom Weavers, including SC/ST and women, the Government of India is implementing various developmental schemes through state Governments with the objective of (i) Employment Generation, (ii) Modernization and upgradation of technology, (iii) Input Support, (iv) Marketing support, (v) Publicity & Exhibition, (vi) Infrastructural support, (vii) Welfare measures, (viii) Development of Exportable Products (ix) Research & Development.

Handicraft Sector

The Indian handcrafts industry is highly labour intensive, cottage based and decentralized. It plays a significant & important role in the country's economy. It provides employment to a vast segment of craft persons in rural & semi urban areas and generates substantial foreign exchange for the country, while preserving its cultural heritage.

Office of the Development Commissoner (Handicrafts) has six generic schemes viz. Baba Saheb Ambedkar Hastshilp Vikas Yojana; Design and Technology Up-gradation Scheme; Marketing Support Services Scheme; Export Promotion Schemes; Research & Development Schemes & Human Resource Development. All these schemes play a vital role in the empowerment and uplift of women artisans and artisans belonging to Scheduled Castes and Scheduled Tribes.

Of the total workforce engaged in handicrafts, estimated 56.1 percent are women, and 28.30 percent belong to SC/ST category (Source: Census Survey, 2011-12). There are certain crafts, which are practiced predominantly by women like embroidery, mat weaving, etc. Special attention is being paid to ensure that a large number of women artisans get benefit of all the

developmental schemes, such as training, marketing related programmes, national awards, exhibitions, etc. Out of total Budget allocations of Rs.245 crore for 2011-12, Rs.28 crore was earmarked for SC category & Rs.2.00 crore was for ST category.

Woolen Sector

The Woolen Textile sector is an organized and decentralized sector. The major part of the industry is rural based. India is the 7th largest producer of wool, and has 1.8 percent share in total world production. The share of apparel grade is 5 percent, carpet grade is 85 percent, and coarse grade is 10 percent of the total production of raw wool. The Industry is highly dependent on import of raw wool material, due to inadequate production.

Jute Sector

Jute Sector plays very important role in India Textile Industry. Jute is called Golden fiber and after cotton it is the cheapest fiber available. Indian Jute Industry is the largest producer of raw jute and jute products in the world. India is the second largest exporter of jute goods in world.

Sericulture and Silk Sector

The Silk industry has a unique position in India, and plays important role in textile industry and export. India is the 2nd largest producer of silk in world and contributes 18 percent of the total world raw silk production. In India silk is available in varieties such as, Mulberry, Eri, Tasar, and Muga. Sericulture plays vital role in cottage industry in the country. It is the most labour-intensive sector that combines both agriculture and industry.

2. Exports Scenario

Exports have been the major growth driver of the Indian textile industry. Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textile exports quota stood discontinued. India's textile and clothing (T & C) exports registered a robust growth of 25 percent in 2005-2006 recording a growth of US$ 3.5 billion over 2004-05 in value terms thereby reaching a level of US$ 17.52 billion and the growth continued in 2006-07 with T&C exports of US$ 19.15 billion recording an increase of 9.28 percent over the previous year and reached US$ 22.15 billion in 2007-08 registering an increase of 15.7 percent but declined by over 5 percent in 2008-09. Exports of T&C grew from US$ 21.22 billion in 2008-09 to US$ 22.41 billion in 2009-10 and touched US$ 26.82 billion in 2010-11. In the financial year 2011-12, export of T&C grew by 28.94 percent over the period 2010-11.

The details of India's textile exports during the last 4 years are at Table 2.1.

Table 2.1: Textiles Industry Export Scenario

Export value US$ billion (INR billion)

Export Item	**2007-08**	**2008-09**	**2009-10**	**2010-11 (p)**
Cotton textiles	6.9 (276.0)	4.8 (218.0)	5.7 (270.2)	8.4 (380.4)
Manmade textiles	3.2 (127.9)	3.3 (150.9)	3.97 (187.8)	4.4 (211.3)
Wool and woolen textiles	0.44 (17.8)	0.48 (22.0)	0.47 (22.2)	0.43 (19.6)
Silk textiles	0.66 (26.5)	0.68 (31.1)	0.6 (28.2)	0.59 (27.1)
RMG	**9.1 (365.0)**	**10.4 (471.1)**	**10.1 (476.1)**	**10.6 (483.6)**
Handicrafts (including carpets)	1.5 (58.4)	1.1 (49.5)	1.0 (45.5)	1.2 (54.5)
Coir and coir products	0.16 (6.5)	0.15 (6.8)	0.16 (7.6)	0.15 (6.9)
Jute	0.33 (13.2)	0.30 (13.8)	0.22 (10.3)	0.46 (20.8)
Total textile export	22.2 (891.2)	21.2 (963.1)	22.4 (1060.5)	26.8 (1220.6)
% textile export	13.6%	11.5%	12.5%	10.6%
Total export of all items	163.0 (6558.6)	185.3 (8407.6)	178.8 (8455.3)	252.3 (11481.7)

Source: Annual Report 2011-12, M/o Textile

The export basket comprise a wide range of items including cotton textiles, handloom textiles, manmade fibre textile, wool and woolen products, silk, jute & handicrafts including carpets.

Export of cotton textile declined from US$ 6.9 billion in 2007-08 to US$ 4.8 billion 2008-09, and then appreciated to US$ 5.7 billion in 2009-2010 and further US$ 8.4 billion in 2010-11. Export of manmade textile registered a growth from 2007-08 to 2010-11.

Export of Handicrafts was of the order of US$ 1.45 billion in 2007-08 and reduced drastically to US$ 1.09 billion in 2008-09 and went down further to US$ 961.67 Million in 2009-10. However, during the financial year 2010-11, the exports of handicrafts appreciated to USD 1.19 billion, recording a surge of 24.46 percent.

In the liberalized post quota period, India emerged as a major sourcing destination for buyers from all over the globe. Commercially the buoyant retailers across the world were looking for options of increasing their sourcing from the Indian markets. Indian manufacturers were also proactively working towards enhancing their capacities to fulfil this increasing demand.

Post 2008-09 witnessed a significant slowdown in textiles production due to a combination of factors such as slowdown in demand, high raw material prices, pilling up of stocks etc. During April-November, 2011 man-made fiber production and filament yarn production recorded a decrease of about 2 percent and 7 percent respectively. However, blended and

100 percent non-cotton yarn production increased by 5 percent during the year April-November, 2011. There was 2 percent increase in cloth production by mill sector. During April-November, 2011 production by handloom increased by 3 percent, power loom and hosiery sectors decreased 4 percent and 16 percent respectively.

On export promotion, the Ministry of Commerce & Industry had notified that the export of cotton waste including yarn waste & garneted stock (ITC code 5202) would be free with effect from 1st Oct, 2011 and the registration of export contracts with DGFT was not required. The Ministry also embarked on a Plan Scheme namely the Common Compliance Code to prepare and orient the Indian Garment & Apparel Industry towards more socially and environmentally compliant industrial environment of globally acceptable standard. The first installment/grant-in-aid for the scheme amounting to Rs.3.5 crore was released to the AEPC on 28th October, 2011.

During November, 2011 provisional export of handmade carpets & other floor coverings had shown an increase of 62.76 percent in rupee terms and 44.19 percent in US $ terms as compared to November 2010. The Export of other handicrafts items increased by 26.77 percent in rupee terms and by 12.31 percent in US $ terms during November, 2011 as compared to November 2010. The total provisional export of handicrafts including hand knotted carpet during November, 2011 is estimated at Rs.674.74 crores (US $ 132.85 million), whereas the export in November 2010 was of Rs. 480.66 crores (US $ 106.82 million), thus showing an increase of 24.36 percent in rupee terms and 40.37 percent in US $ terms.

3. Supportive Government Initiatives

The Ministry of Textiles has taken various policy initiatives in the last few years to improve the competitiveness of the Indian Textile industry. Various schemes such as Technology Up-gradation Fund Scheme (TUFS), Scheme for integrated Textile Parks, Development of Mega Cluster, Integrated Skill Development Scheme, Technology Mission of Technical Textiles etc. have been launched with the objective of accelerating growth in exports and investment in the textile sector. The Government has taken several positive steps detailed below.

i) Integrated Textile Parks Scheme

In order to provide a world class infrastructure for textile units as well as facilitate the needs for them to meet international social and environmental standards, this scheme envisages the creation of textile parks in the public and private partnership mode. Currently, 30 parks are in various stages of implementation and 50 more are planned for the next five year.

ii) Technology Upgrading fund Scheme

To facilitate technological upgrading in the sector, the Government launched TUFs with effect from 1st April, 1999 initially for five years and extended it further up to 2011-12. The scheme

provides for reimbursement of 5 percent interest paid on term loans for technological upgrading of textile machinery.

iii) Technology Mission on Cotton

In February 2000, the government launched the Technology mission on cotton with the objective of addressing the issue of rising productivity, improving quality and reduction of contamination in cotton.

iv) Fiscal Rationalization

The 2006 budget reduced the excise duty on all manmade fibers and yarns from 16 percent to 8 percent. The year 2007 budget carried it forward by reducing the custom duties on polyester fibers and yarns from 10 percent to 7.5 percent.

4. Issues of Textile Industry in India

General Issues

1. Highest incidence of sickness
2. The obsolete technology and machinery in majority of plant
3. Government regulations like the obligation to produce controlled cloth are against the interest of the industry.
4. The cotton yield per hectare of land is very low in India.
5. Competition from the man-made fabrics and synthetics
6. India has been facing severe competition from other countries like Taiwan, South Korea, China and Japan.
7. The cotton textile industry is frequently plagued by labour problems.
8. The industry faces number of other problems like power cuts, infrastructural problems, lack of finance, exorbitant rise in raw material prices and production costs etc.
9. Suspension of cotton yarn export registration from 1st December 2010, mass closure of dying units in Tamil Nadu following Court order and poor off take by the downstream sectors resulted in piling up of yarn stock to the tune of 500 mn kgs; the level of 10 percent central excise duty on all branded garments and made-ups further reduced the domestic demand; DEPB/duty drawback benefit on cotton yarn were withdrawn from April 2010. The spinning mills across the nation had to cut back production by 30 percent in May 2011 to deplete the yarn inventory; and the spinning sector lost over Rs.11,000 crores in just five months facing the worst possible crisis in the history.
10. There has also been losses to fabric producers on high cost yarn stock from the last quarter. With these huge losses, the textile units have almost eroded their working capital and hence not able to meet their obligations' for repayment of loans and interest thereon.

Specific issues **(based on field survey)**

Southern Region

Textile Committee, Bangalore

1. Competition from China
2. Bangladesh is performing fairly well than China and India because of the cheap labour. In Bangladesh, rules and labour regulations are not stringent enough. However, in China, labour cost is very high in comparison to both Bangladesh and India.
3. Size of Bangladesh's Government sector is about five times than India.
4. From demand size, tsunami is one of the factors for which demand for government has decreased.
5. Pollution Control Board is also very strict in some places. For instance, production of dying industries was stopped by them in Tripur.
6. Wage rate in India is always 30-35 percent higher than minimum wages.
7. In addition, much technological up-gradation has not taken place in this sector.
8. At few places technology has replaced labour.
9. 75 percent fabrics come from unorganised sector.
10. Textile policy – Multistage taxation
11. Increase in cost of input (cotton/thread)
12. Stringent Labour laws
13. Shortage of skilled & unskilled workers.

Western Region

1. Skilled shortage of spinners and weavers
2. Shortage due to NREGA-people from other states not coming
3. The government policy of 80% job reservation for locals should be done away with
4. The new land acquisition policy is deterrent to the Industry
5. They should clear out Exit Policy
6. Tax rate, electricity charges and octroi are very high.

Wool Industry

1. Custom duty on raw wool and fine animal hair
2. Custom duty on wool waste and woolen rags
3. Custom duty on Nylon staple fibre and polypropylene staple fibre
4. Import duty on wool.

Eastern Region

1. Textile policy of West Bengal Government

2. Technology upgradation fund scheme.(Mills get loan at subsidized rate which has impact on increase in employment)
3. Textile park
4. Electricity duty

Northern Region

1. Change of land policy
2. Labour laws
3. Devaluation of rupee a big issue
4. NREGA
5. Quality and quantity of electricity
6. Infrastructure issue-condition of roads is very poor
7. Wastage disposal system
8. Suggestion, common treatment plan should be there.

5. Constraints

1. Power supply/rate
2. Infrastructure facility
3. High Fuel rate
4. Labour laws
5. Lack of qualified managerial personnel and lot of local interference
6. 80% reservation for locals
7. Strike and lockouts
8. Availability of raw material
9. Fluctuating prices of raw material which causes less utilization of machine and hence less output
10. Delays in sanction and disbursement of various TUF Subsidies

Chapter III

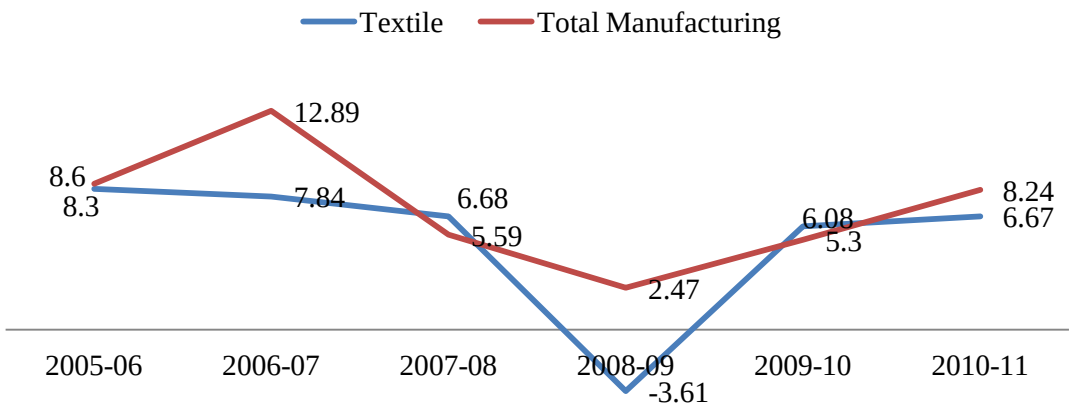
Dynamics of Output and Employment in Textile Sector

The textile industry plays an important role in the Indian economy through its contribution in the total industrial output, employment generation and total export earnings. The textile industry is the major constituent of manufacturing sector in terms of its contribution in employment generation. It provides direct employment to over 35 million people that include substantial number of SC/ST and women. It generates massive potential for employment in the sectors from agricultural to industrial (Annual Report 2011-12, Ministry of Textile).The growth of textile depends on the growth of production and its export.

1. Growth of Output in Textile

Index of Industrial Production (IIP) details out that the textile is growing above 6 percent annually after 2004-05 except in 2008-09 when it recorded a steep decline with a negative growth of 3.6 percent which is a period of global economic slowdown. During 2007-08 and 2009-10 its growth rate was even higher than the overall manufacturing sector (Chart-1)

Chart 1: Growth Rate of IIP of Textile and Manufacturing Sector



Source: National Accounts Statistics 2011, CSO, Govt. of India

Textiles sector comprises of both organized and unorganized segments of the industry.[2] From the analyses it is observed that share of unregistered textile manufacturing has been growing during the decade under consideration. The contribution of registered textile reduced from 56.5 percent

[2] Organized segment comprises of manufacturing units registered under the factories act of 1948 while the unorganized segment comprises of un-registered manufacturing units.

during 1999-00 to 41.6 percent in 2004-05 and slightly improved to 45.9 percent in 2009-10 in the total GDP of textile sector. This indicates that small and medium enterprises dominate the textile industry. However, in case of overall manufacturing sector it is vice-versa. The registered manufacturing is dominating the sector. The unregistered manufacturing sector has recorded only 32.6 percent in total manufacturing GDP, during the decade 1999-00 to 2009-10. The contribution of textiles sector in manufacturing has continued to remain on an average 10 percent per annum (Table 3.1).

Table 3.1: Share of Registered and Unregistered Segment in Textile and Manufacturing Sector GDP

Year	Textile			Manufacturing			% of Textile in Manufacturing
	Registered	Unregistered	Total	Registered	Unregistered	Total	
1999-00	56.5	43.5	100.0	67.2	32.8	100.0	9.8
2004-05	41.6	58.4	100.0	64.5	35.5	100.0	10.8
2009-10	45.9	54.1	100.0	67.4	32.6	100.0	9.8

Source: CSO, National Accounts Statistics, 2010-11

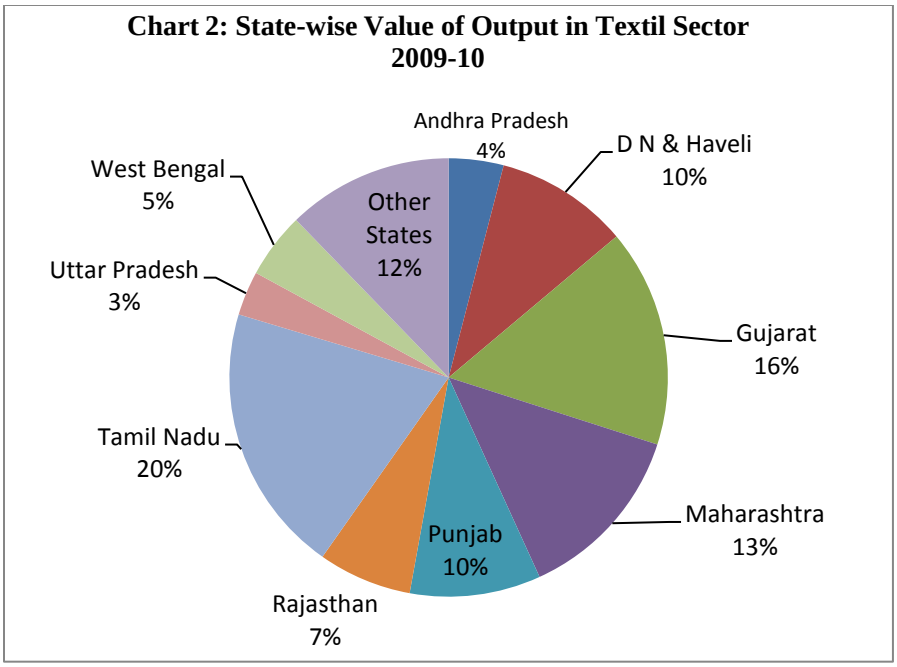
From the analyses it is also observed that during the first half of the decade i.e. from 1999-2000 to 2004-05, it is unregistered sector which was growing with higher rate both in textile and in overall manufacturing but in the second half of the decade i.e. 2004-05 to 2009-10 registered manufacturing took the momentum and grew by 9.5 percent and 10.5 percent in textile and in overall manufacturing respectively which may due to technological upgradation and easy access to finance facility of the organized sector. Also, there is impact of global slow down during 2008-09 in which unregistered sector could not resist (Table 3.2).

Table 3.2: Growth of Registered and Unregistered Sector

Year	Textile (CAGR)		Manufacturing(CAGR)	
	Registered	Unregistered	Registered	Unregistered
1999-00				
2004-05	4.9	18.2	8.5	11.1
2009-10	9.5	5.7	10.5	7.7

Source: National Accounts Statistics, 2010-11, CSO, Govt. of India

The state-wise contribution of textile sector reveals that Tamil Nadu is at the top with 20 percent share in the total output followed by Gujarat (16 percent), Maharashtra (13 percent). It is surprising to note that the small state Dadra & Nagar Haveli is contributing 10 percent in total value of output which is more than the contribution of States which are so called textile hubs like Andhra Pradesh, Rajasthan, West Bengal and Uttar Pradesh (Chart-2).



2. Employment Scenario

One of the important characteristics of the textile industry in the economy is its employment potential. The textile industry is the second largest provider of employment after agriculture. It provides direct employment to over 35 million people which include substantial number of marginalized group. It generates massive potential for employment in the sectors from agricultural to industrial (Annual Report 2011-12, Ministry of Textile). Textile sector is the major employer with 16.8 percent employment in the manufacturing sector. It continues to employ around 2 percent of India's workforce (Table 3.3). The generation of employment opportunity by the textile industry is large, generating up to 12 million jobs covering both agricultural as well as industrial sectors (Sharmila Jankiraman). From cultivation of cotton and the collection of silk worms up to the production of cloth a huge workforce is required. The sector was expected to boom after the abolition of Multi-fibre Agreement[3] in 2005. But the expected results were not found, the employment in sector slightly declined, as is evident from the table below.

[3]An international trade agreement on textile and clothing that was active from 1974 till 2004. The agreement imposed quotas on the amount that developing countries could export in the form of yarn, fabric and clothing to developed countries.
Under the MFA, the United States and the European Union restricted imports from developing countries in an effort to protect their own domestic industries. Under the agreement, each developed country was assigned a quota or quantities of a specific item which could be exported to the U.S. and EU (from Internet).

Table 3.3: Share of Textile Sector's Employment in Overall Economy

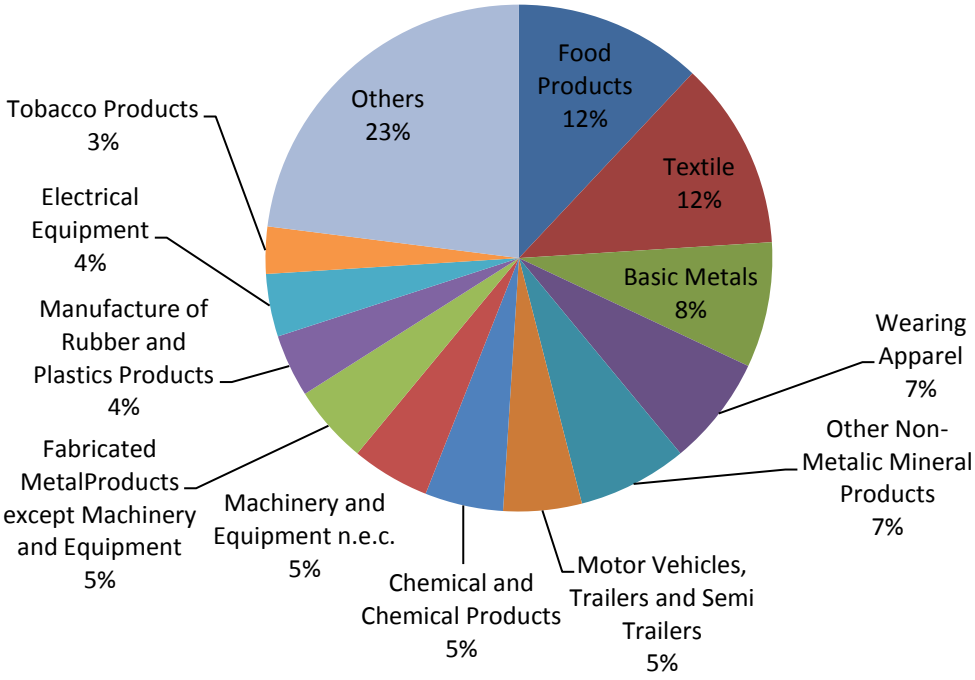
Sectors	Employment		
	1999-00	2004-05	2009-10
Textile sector (in millions)	7.85	10.10	8.43
Manufacturing Sector (in millions)	44.05	55.77	50.74
Total employment (in millions)	396.76	457.46	460.22
Share of Textile in Manufacturing (%)	17.83	18.11	16.61
Share of Textile in Total Employment (%)	1.98	2.21	1.83

Source: 50th, 61st, 66th round survey of NSSO

Employment Scenario in Registered Textile Segment

From the tables 3.1 and 3.2 it is evident that the share of unregistered segment is higher in the textile sector but recent rate of growth of registered segment is higher than unregistered segment. So the importance of registered sector cannot be undermined from the structural point of view. Structurally, this segment consists of all enterprises registered under factory Act, 1948. It will not be wrong to consider the organized factory sector as a representative of the registered textile sector in India. The textile sector also occupies an important position in the entire scenario of the organized factory sector in terms of employment (12 percent) (Chart 3). Considering these facts an attempt has been made to have a broad view of the organized factory sector with regard to the textile sector in India.

Chart 3:Percentage Share of Persons Engaged in Major Industries in the Factory Sector



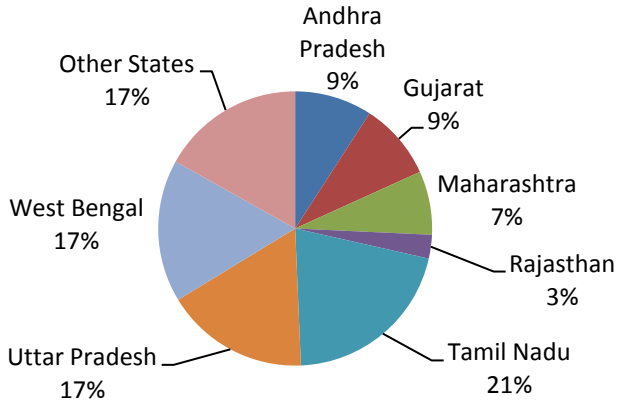
Source: Annual Survey of Industry, 2009-10

3. Geographical Distribution of Textile Employment

The state-wise distribution of employment in textile sector during 2004-05 to 2009-10 reveals that share of textile employment of the state in the total textile employment in India recorded an increasing trend in West Bengal (from 10. 7 % to 16.8%, a robust growth), Gujarat (from 6.1 % to 9.1%), Andhra Pradesh (from 7.5% to 9.1%), Tamil Nadu (from 19.7% to 20.8%), Haryana (from 1.6% to 2.9%), and Maharashtra has a constant share of 7.5 percent while the other states have observed a declining share in textile employment specially Uttar Pradesh (from 21.1% to 17.0%). In 2004-05, Uttar Pradesh had the highest 21.1 percent textile employment but in 2009-10 the place was replaced by Tamil Nadu with 20.8 percent share in the total textile employment. In 2009-10, more than 34 percent of total textile workers were employed in the southern states of India indicating that major textile activities are concentrated in the southern region. It is also observed that the share of textile employment in the overall manufacturing sector employment has decreased at all India level and in majority of the states except in the states Gujarat, Haryana, Tamil Nadu, West Bengal. It is interesting to find that in J&K though the share of textile workers to total manufacturing has declined still more than 50 percent of manufacturing employment is engaged in the textile sector. In Tamil Nadu and Gujarat the textile workers constitute 33 percent and 22 percent of manufacturing workers respectively (Annexure A-3).

Regional analysis further indicates that in Northern region the highest concentration of textile activities are found in UP employing 16.6% of textile workers. In Eastern region the highest concentration of textile activities are found in West Bengal (17% textile employment) and in Western region the highest concentration of textile activities are found in Gujarat (8.9%) followed by Maharashtra (7.3%) (Chart 4).

Chart 4: State-wise Distribution of Textile Eemployment-2009-10



Source: Annexure A-3.

4. Sub-sector-wise Distribution of Textile Workers

The sub-sectoral analysis of the textile sector indicates that major employers in this sector are Manufacture of other cordage, rope nets etc (19.7%) followed by Finishing of textile (17.3%) and weaving, manufacture of cotton and cotton mixture fabrics (13.6%). Weaving, manufacture of silk and silk mixture fabrics and man-made fiber and man-made mixture fabrics also together employ around 14 percent of textile workers. Details of other sub-sectors are presented in Table 3.4.

Table 3.4: Sub-sector-wise Distribution of Textile Workers, 2009-10

NIC	Description of the Industry	Workers in number	% Share
17111	Preparation and spinning of cotton fiber including blended* cotton	478806	5.7
17112	Preparation and spinning of silk fiber including blended* silk.	76891	0.9
17115	Weaving, manufacture of cotton and cotton mixture fabrics	1147396	13.6
17116	Weaving, manufacture of silk and silk mixture fabrics	700289	8.3
17118	Weaving, manufacturing of man-made fiber and man-made mixture fabrics	486592	5.8
17119	Preparation, spinning and weaving of jute, mesta and other natural fibers including	167686	2.0

17121	Finishing of cotton and blended cotton textiles	157590	1.9
17124	Finishing of man-made and blended man-made textiles.	75671	0.9
17126	Finishing of other textile	1456308	17.3
17214	Manufacture of bedding, quilts, pillows, cushions and sleeping bags (manufacture	81840	1.0
17215	Manufacture of tarpaulin	118178	1.4
17222	Manufacture of cotton carpets	78514	0.9
17223	Manufacture of woollen carpets	132777	1.6
17226	Manufacture of carpets, rugs and other covering of jute, mesta and coir	141571	1.7
17231	Manufacture of thread, including thread ball making	145367	1.7
17232	Manufacture of jute/hemp rope and cordage	126442	1.5
17239	Manufacture of other cordage, rope nets etc	1664926	19.7
17291	Embroidery work and making of laces and fringes	231432	2.7
17292	Zari work and making of other ornamental trimmings	157856	1.9
17301	Manufacture of knitted and crocheted cotton textile products	295451	3.5
	Other Textile Manufacturing	508845	6.0
	Total	8430428	100

Source: IAMR Paper on Working Group on Creating Employment in the 12th Plan

5. Occupation-wise Textile Workers

The textile sector is dominated by the low skilled workers engaged in Craft and Related Trades and technical activities which are evident from the data in table below. Highly skilled workforce constitutes just10 percent (NCO 13-32), while workers engaged in Handicraft, Printing, Other Craft and related trades together constitute 67 percent. Technical people are engaged in occupations like Machine Operators and Assemblers, Labourers in Manufacturing and Transport.

Table 3.5: Distribution of Workers in Textile Sector by Occupations (NCO), 2009-10

NCO Code	Description of Occupation	Employed	% Share
13	Corporate Managers	676977	8.0
21	General Managers	10443	0.1
22	Physical, Mathematical and Engineering Science Professionals	22454	0.3
31	Other Professionals	125908	1.5
32	Physical and Engineering Science Associate Professionals	18918	0.2
42	Office Clerks	73786	0.9
51	Customer Services Clerks	17969	0.2
61	Models, Sales Persons and Demonstrators	23325	0.3
72	Extraction and Building Trades Workers	10801	0.1
73	Metal, Machinery and Related Trades Workers	26249	0.3

74	Precision, Handicraft, Printing and Related Trades	544965	6.5
81	Other Craft and Related Trades Workers	5107298	60.6
82	Stationary-Plant and Related Operators	22059	0.3
83	Machine Operators and Assemblers	869181	10.3
91	Drivers and Mobile Plant Operators	23318	0.3
92	Sales and Service Elementary Occupations	51680	0.6
93	Agricultural, Fishery and Related Labourers	39269	0.5
99	Labourers in Manufacturing and Transport	713806	8.5
Total	WORKERS NOT CLASSIFIED BY OCCUPATIONS	22103	0.3
	Total	8430427	100.0

Source: IAMR Paper on Working Group on Creating Employment in the 12th Plan

6. Textile Workers in Organised and Unorganised Sector

Small scale unorganised sector dominates the industry. In the proportionate term if we see unorganised employment has increased from 72.5 percent to 73.9 percent in the first half of the decade and then declined to 66.7 percent during second half of the decade hence a corresponding increase in the organized sector. It can be seen from the data that in an absolute term the employment in the organized has grown continuously over the decade 1999-10 to 2009-10 (Table 3.6).

Table 3.6: Employment by Organised and Unorganised Sector in Textile Sector

(In Millions)

Year	Organised	Unorganised	TOTAL
1999-2000	2.17 (27.64)	5.69 (72.46)	7.85
2004-2005	2.64 (26.14)	7.46 (73.86)	10.10
2009-2010	2.81 (33.33)	5.62 (66.67)	8.43

Note: Figures within parenthesis are percentage distribution

Source: 50th, 61st, 66th round survey of NSSO

From the above it is evident that in this sector the employment is generated in the organised segment which is a good indicator but still the sector is dominated by informal employment. Such a structure may be arose due to the policies on tax, labour and other regulations that favoured small scale, labour intensive enterprise and the regulations are less stringent.

7. Trend in Some Ratios of Capital (K), Output (Y) and Employment (N)

In 2000-01 capital productivity, capital intensity and labour productivity had fallen sharply. Even though there had been a slight increase in all these measures by 2004-05 and 2009-10.

Table 3.7: Trend in some Ratios of Capital (K), Output (Y) and Employment (N)

Year	Capital Productivity (Y/K)	Capital Intensity (K/N)	Labour Productivity (Y/N)
1990-91	3.6	10.3	37.3
1997-98	1.5	34.1	52.7
2000-01	1.4	4.0	6.4
2004-05	1.8	4.4	7.8
2009-10	1.5	9.7	14.3

Source: Annual Survey of Industries

Labour productivity increased along with increased capital intensity and decreased capital productivity indicates that output has increased because of technological upgradation not because of employment growth. This is a serious problem given the fact that the international market is becoming more and more competitive requiring high productivity and capital intensity.

Chapter IV

Impact of Technological Development

The Indian textiles industry does not have the same technological edge as the textile industry in developed countries. In spite of a strong and diversified fibre and production base the Indian textiles industry has suffered from severe technological obsolescence and lack of economics of scale. The industry is characterized by a large number of firms, mostly small and technologically backward and some fairly large and technologically dynamic. These in turn are influenced by factors that are external as well as internal to the industry such as lack of plant modernization and lack of timely availability of spare parts. This is mainly in the weaving and processing segments. As per Agreement on Textile and Clothing (ATC), from 1st January, 2005 the quota has been removed in respect of exports from India to anywhere in the world. Such change will increase competition not only in the international market, but also in the domestic market. To meet the challenges the industry is required to become competitive, cost effective and quality oriented.

Though industry is gearing itself for this challenge, simultaneous help and assistance is required from Government of India particularly for modernization of industry. The Technology Upgradation Fund Scheme (TUFS), which is the flagship Scheme of the Ministry of Textiles, is the scheme for modernization and technology upgradation in the textile sector. The scheme was launched on 1.4.1999 for a period of 5 years and was subsequently extended up to 31.3.2007. The scheme had been restructured w.e.f. 28.4.2011 with approval upto 31.3.2012.

This Scheme aimed at earmarking available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology so that its viability and competitiveness in the domestic as well as international markets may enhance. The thrust areas of TUFS are to enhance subsidy for weaving, processing, technical textiles and garmenting segments which have great potential for employment generation as well as value addition. From the actual performance of TUF scheme it is observed that though maximum number of applications is from weaving segment but the disbursement was highest in spinning segment. Again the physical progress in terms of number of units sanctioned is higher in SSI segment indicating the mismatch between the target group and the actual beneficiary. However, in terms of amount sanctioned and disbursed, the same is much higher in non-SSI segment from Table 4.1.

Table 4.1: Performance of TUFS, 1999-10 to 2009-10

	Sanctioned		Disbursed	
Segment	**No. of applications**	**Amount (in crores)**	**No. of applications**	**Amount (in crores)**
Spinning	3320	28360	3309	25519
Processing	2236	8177	2222	6839
Garmenting	1982	4205	1950	3755
Weaving	3959	6773	3944	5697
All Segments	28302	85091	28180	74627
Segment	Sanctioned		Disbursed	
	No. of Applications	Amount	No. of Applications	Amount
Non-SSI	8366	78208.58	8344	68521.70
SSI	19936	6882.26	19836	6104.87
Total	28302	85091	28180	74627

Source: Ministry of Textile Website

State-wise performance of TUF scheme indicates that Gujarat, Tamil Nadu, Punjab, Maharashtra and Rajasthan are the major states having availed of assistance under TUFS in terms of amount sanctioned and disbursed. Number of units sanctioned and disbursed is highest in Gujarat. However, amount sanctioned and disbursed, is much higher in Tamil Nadu, Maharashtra and Punjab. The details are given in Table 4.2.

Table 4.2: State-wise Performance of TUFS (Amount in crores)

State	**Sanctioned**		**Disbursed**	
	No. of Applications	Amount	No. of Applications	Amount
Maharashtra	2070	18974.96	2059	16770.72
Tamil Nadu	6089	22666.22	6083	20448.68
Punjab	2934	15507.65	2926	11321.01
Rajasthan	1109	5808.75	1109	5306.48
Gujarat	13155	8314.40	13152	6902.46
Others	2945	13818.87	2851	13877.22
Total	28302	85091	28180	74627

Source: Ministry of Textile Website

The Technology Upgradation Fund Scheme (TUFS), has helped overcome this technological disadvantage to some extent. It has also helped in the transition from a quantitatively restricted textiles trade to market-driven global merchandise. It has infused an investment climate in the textiles sector and, in its operational life span TUFS has propelled investment of 2,07,747 crores.

The Scheme was expected to neutralize the global disadvantages faced by the Indian textiles industry in the field of power, transactional costs and other additional costs borne by the industry due to poor infrastructure. The Scheme was crucial to achieve the creation of a higher level of infrastructure to modernize the textiles sector. Seventy five percent of the beneficiaries under TUFS are from the SME sector. It was also crucial for all the inter-connecting sectors such as spinning, weaving, knitting, processing and garmenting.

The survey results of textile associations indicated that firms in the industry spent very small amounts on R&D and technical training. However, the interviews with industry people indicated that firms did carry out some product and process changes. The majority of these technological changes were implemented by the firms themselves without the support of TUF because of complicated procedures.

Chapter V

Foreign Direct Investment in the Sector

FDI has made an intensive impact on the growth of the sector especially in the technological and machinery part of the sector. Eleventh five year plan gave top priority to the FDI for the sectors growth. The Government has been routing the FDI for technology and design development, superior production techniques, better labour condition formulation of compliance norms and development of textile parks and mega clusters.

FDI has steadily increased from US$0.009 billion in 2003-04 to US$0.185 billion in 2007-08 but showed steady decrease till 2010-11.The sector is targeting US$ 6 billion FDI by 2015 to be invested in Textile machinery, fabric and government manufacturing as well as technical textile. The expected growth of India textile industries will be worth about $220 billion by the year 2020. The push is to invite upscale technology into the sector to make it more export oriented with the hope that the technical textile segment in India will attract investments.

The Department of Industrial Policy and Promotion (DIPP) brought out a policy for consolidated foreign direct investment which was implemented from April 10, 2012. The fresh FDI policy had taken over from the consolidated FDI policy that had been effective during 2011 and the press notes that had been issued to this effect before April 9, 2012.

DIPP has stated in a press release that it does not feel it necessary to make regular changes to the circular. This means that from now on the FDI policy will be reviewed only once a year instead of 2 times, as was done previously. As stated in the press release, it can be expected that the next combined FDI policy will come into effect on March 29, 2013.

Table 5.1: FDI in Textile Sector in India

			Amount in Billions (US$)
YEAR	**Total All Sectors**	**Textile Sector**	**% of FDI in Textiles**
1991-2000	16.70	0.24	1.45
2000-01	2.46	0.005	0.08
2001-02	4.06	0.005	0.12
2002-03	2.7	0.054	2.00
2003-04	2.19	0.009	0.41
2004-05	3.22	0.043	1.34
2005-06	5.54	0.094	1.70
2006-07	12.49	0.127	1.02
2007-08	24.58	0.185	0.75
2008-09	27.33	0.158	0.58
2009-10	25.83	0.15	0.58
2010-11	19.43	0.13	0.67
2011-12 (Apr. Oct.)	20.30	0.074	0.36
Grand Total (2001 to 2012)	150.13	1.03	0.89

Source: Ministry of Textile Website

The investment scenario is becoming rosier day by day because the size of the textile along with apparel market in India is quite big and availability of the skilled labor in India is comparatively cheap in relation to the same in other parts of the world. The policies related to the Foreign Direct Investment in India are comparatively lenient and are transparent in nature among all the developing countries also there is no limit on foreign direct investment in the textile industry and hence 100 percent direct investment can be done by the foreign capitalists in the Indian textile industry But a glitch in this smooth road is the constant appreciation of the Indian currency with respect to US Dollar. The textile sector is losing much of its profitability because the large quantum of textile products produced by it is basically export-oriented.

Chapter VI

Summary and Conclusions

On the basis of the study, we arrived at the following conclusions:

There is slow and jobless growth of manufacturing sector during the decade 1999-2000 to 2009-10. Its share in the total GDP and employment has remained stagnant at 15-16 per cent and 11.1-10.5 percent respectively during the decade under consideration. With the objective of analysing the structure of India's textile sector, both from output and employment perspectives, the report has considered the performance and employment in the organized and unorganized subsectors, and the fiscal and tariff policies and their impact on employment. The textile industry in India is highly fragmented. The major sub sectors of the textile industry are power loom, cotton, handloom, handicraft, woolen, jute and sericulture and silk sectors. The organised sector consists of spinning mills and composite mills. The unorganised sector consists of handlooms, power looms and handicrafts.

The textile industry of India contributes nearly 14 percent of the total industrial production and also contributes around 3 percent to the GDP and currently generates employment for more than 35 million people of the country. Exports have been the major growth driver of the Indian textile industry. Exports of textiles industry have increased steadily over the last few years. It has grown from US$ 21.22 billion in 2008-09 to US$ 22.41 billion in 2009-10 and touched US$ 26.82 billion in 2010-11.

The Indian Textile Industry is also globally well placed, in terms of installed capacity of spinning machinery, it ranks second after china while in weaving it ranks first in plain handlooms and fourth in the shuttle looms. Highest incidence of sickness, obsolete technology, high cost of inputs, labour problems, Government regulations, Stringent Labour laws, International Competition, infrastructural problems like power cuts, transport etc. are some of the major issues of the textile sector.

Index of Industrial Production (IIP) of the textile is growing above 6 percent annually after 2004-05 except in 2008-09 when it recorded a steep decline with a negative growth of 3.6 percent which is a period of global economic slowdown.

It is unregistered sector which was growing with higher rate both in textile and in overall manufacturing but in the second half of the decade i.e. 2004-05 to 2009-10 registered manufacturing took the momentum and grew by 9.5 percent and 10.5 percent in textile and in overall manufacturing. Textile industry has been continued to remain the major employer in the manufacturing sector though its share has declined from 18.1 percent to 16.8 percent during the decade. The sector was expected to boom after the abolition of Multi-fibre Agreement in 2005. But the expected results were not found, the employment in sector slightly declined.

The sector also occupies an important position with 12 percent share in the organized factory sector in terms of employment. In 2009-10, more than 34 percent of total textile workers were employed in the southern states of India indicating that major textile activities are concentrated in the southern region. In Northern region the highest concentration of textile activities are found in UP employing 16.6% of textile workers. In Eastern region the highest concentration of textile activities are found in West Bengal (16.4% textile employment) and in Western region the highest concentration of textile activities are found in Gujarat (8.9%).

The sub sectoral analysis of the textile sector indicates that major employers in this sector are Manufacture of other cordage, rope nets etc (19.7%) followed by Finishing of textile (17.3%). The textile sector is dominated by the low skilled workers engaged in Craft and Related Trades. Highly skilled workforce constitutes just10 percent.

The actual performance of TUF scheme indicates that there is a mismatch between the target group and the actual beneficiary.

100 percent direct investment through automatic route can be done by the foreign capitalists in the Indian textile industry. But the constant appreciation of the Indian currency with respect to US Dollar the textile sector is losing much of its profitability because the large quantum of textile products produced by it is basically export-oriented.

Better prospects of employment are possible and should be enhanced in the textile subsector by promoting huge investments. Even in the unorganized subsector, smaller firms are worse off than the bigger ones, in terms of various productivity measures. Hence, even small firms could be encouraged to expand by investing more while preserving their merits in being small, especially flexibility and customized production possibilities.

Investment could be encouraged by better credit disbursement policies. In this connection, it should be noted that the credit disbursement through the Technology Upgrading Fund Scheme (TUFS), should be promoted in the SSIs which has potential of employment generation.

The reasons for the low investment may be a lack of awareness among the entrepreneurs about these schemes; therefore, the Government should take steps to promote such useful schemes.

As for the unorganized textile subsector, employment has been increasing despite falls in capital and output, an issue that is in striking contrast to that in organized textile subsector. Government should create an industry friendly environment by reducing and relaxing the official procedures to promote this sector.

The excise and customs duties on man-made fibre textiles have been a barrier to increasing their purchases due to the fact that these duties are reflected in the prices and that the demand for these products is highly own-price elastic. A rise in demand for textiles without a fall in demand for conventional textiles could be ensured by a fall in prices of man-made fibre textiles.

ANNEXURES

Annexure A-1: Contribution of Sub-sectors in Employment and GVA of Manufacturing Sector

Sub-sectors	1999-2000		2009-10	
	Employment	**GVA**	**Employment**	**GVA**
1. Food products and beverages	13.75	11.53	10.5	8.71
2. Tobacco products	10.09	2.46	8.49	1.68
3. Textiles	18.16	9.74	16.78	9.32
4. Wearing apparel; dressing and dyeing of fur; and Tanning and dressing of leather; luggage, handbags, saddler harness and footwear	8.46	6.86	16.46	5.34
5. Wood and products of wood and cork, except furniture; articles of straw and plaiting materials	10.45	2.73	7.22	2.27
6. Paper and paper products and Publishing, printing and reproduction of recorded media	2.99	3.25	3.21	2.74
7. Coke, refined petroleum products and nuclear fuel and rubber and plastics products	2.81	5.81	1.64	10.37
8. Chemicals and chemical products	4.28	15.46	3.37	12.02
9. Other non-metallic mineral products	7.83	5.67	7.96	6.84
10. Basic metals	2.67	9.14	2.8	9.53
11. Fabricated metal products, except machinery and equipment ; machinery and equipment n.e.c.; Manufacture of office, accounting and computing machinery	8.5	10.85	7.54	11.1
12. Electrical machinery and apparatus n.e.c.; radio, television and communication equipment and apparatus	2.67	4.63	2.42	5.91
13Motor vehicles, trailers and semi-trailers; other transport equipment	1.44	5.45	3.12	7.61
14. Furniture; manufacturing n.e.c.; medical, precision and optical instruments, watches and clocks	7.68	6.38	8.39	6.48
15. Recycling	0.05	0.05	0.1	0.08
Total Manufacturing	100	100	100	100

Annexure A-2: Descriptive analysis of GVA growth, employment growth and employment elasticity of manufacturing sector by sub-sectors

Sub-Sectors	CAGR between 1999-2000 and 2009-10		
	Employment	GVA	Elasticity
1. Food products and beverages	-1.53	4.78	-0.32
2. Tobacco products	-0.58	3.73	-0.16
3. Textiles	0.36	7.29	0.05
4. Wearing apparel; dressing and dyeing of fur; and Tanning and dressing of leather; luggage, handbags, saddlery harness and footwear	8.11	5.10	1.59
5. Wood and of products of wood and cork, except furniture;articles of straw and plaiting materials	-2.51	5.82	-0.43
6. Paper and paper products and Publishing, printing and reproduction of recorded media	1.88	5.92	0.32
7. Coke, refined petroleum products and nuclear fuel and rubber and plastics products	-4.16	14.19	-0.29
8. Chemicals and chemical products	-1.23	5.08	-0.24
9. Other non-metallic mineral products	1.32	9.80	0.13
10. Basic metals	1.66	8.22	0.20
11. Fabricated metal products, except machinery and equipment ; machinery and equipment n.e.c.; Manufacture of office, accounting and computing machinery	-0.05	8.00	-0.01
12. Electrical machinery and apparatus n.e.c.; radio, television and communication equipment and apparatus	0.18	10.44	0.02
13. Motor vehicles, trailers and semi-trailers; other transport equipment	9.32	11.42	0.82
14. Furniture; manufacturing n.e.c.; medical, precision and optical instruments, watches and clocks	2.06	7.93	0.26
15. Recycling	8.62	13.62	0.63

Annexure A-3 State-wise Distribution of Employment in Textile Sector and its Share in Manufacturing Sector

States	% distribution of Employment in Textile		% Share of Textile in Manufacturing	
	2004-05	2009-10	2004-05	2009-10
Andhra Pradesh	7.49	9.13	17.67	16.05
Bihar	0.72	0.56	3.96	2.96
Chhattisgarh	0.09	0.22	1.59	3.05
Delhi	1.98	0.91	14.34	4.60
Gujarat	6.09	9.09	17.60	21.77
Haryana	1.55	2.88	12.29	15.96
Himachal Pradesh	0.20	0.03	10.06	1.90
Jharkhand	0.95	0.08	8.34	0.80
J & K	3.26	2.95	57.03	50.82
Karnataka	3.18	2.52	10.89	7.49
Kerala	3.51	1.67	17.68	8.18
Maharashtra	7.46	7.52	11.13	11.34
Madhya Pradesh	1.15	1.08	4.26	5.08
Orissa	1.91	1.21	9.36	6.93
Punjab	3.48	2.77	23.95	17.06
Rajasthan	5.34	2.80	20.92	13.34
Tamil Nadu	19.86	20.80	30.30	33.37
Uttar Pradesh	21.10	16.95	24.39	19.85
West Bengal	10.69	16.84	18.32	21.34
India	100.00	100.00	18.11	16.61

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