

Textiles & Garments Industry - Overview

The Indian textile industry is one of the oldest sectors in the country and has a formidable presence in the national economy in terms of its contribution to output, employment and foreign trade. The domestic textile industry contributes about four per cent to GDP and accounts for 17 per cent of the total export trade (share in exchange earnings). It is the second largest employer next to agriculture providing direct employment to 35 million people.

Major policy reforms implemented by the government, rising incomes, healthy demand and phasing of the export regime have accelerated the growth of the Indian textile industry, particularly during the last decade. As per the Eleventh Five Year Plan of the Planning Commission, the market size of the textile industry is estimated to have more than doubled to US\$ 115 billion in 2011-12 from US\$ 47 billion in 2005-06.

The Indian textile industry has also gained a significant presence in the global textile economy. Growing foreign trade and its vast natural raw material availability base has made India:

- the second largest producer of cotton, largest producer of jute and second largest producer of silk in the world
- the second largest producer of cellulosic fibre and synthetic fibre/yarn globally.

Since the liberalization in the early nineties, total textile exports have grown at a healthy CAGR of 12 per cent per annum. Exports of Cotton textiles (including cotton yarn & fabric) and readymade garments account for 70 per cent share of the total textile exports. USA continues to remain the top export destination till date. Indian textile exports stood at Rs.1.2 trillion in 2010-11.

However, India still lags far behind China in terms of world export share in textiles & clothing. India's share in world textile exports in 2000 (pre-quota regime) was 3.7 per cent while in 2009 (post-quota regime), it has increased to a mere 4.3 per cent. China during the same period has managed to more than double its textile export share from 10 per cent to 28 per cent. Similarly, India's share in global garment exports rose from 2.8 per cent to 3.6 per cent, while China's share increased from 18 per cent to 30 per cent. This clearly indicates that India has not been able to fully exploit the opportunity provided by the phasing out of the Multi Fibre Agreement (MFA) in 2005.