

Textiles to Transformation

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Textiles to Transformation: Policy Roadmap for India's Apparel Exports

Context

India's share in global apparel trade has remained stagnant at **3%**, despite being one of the largest textile producers. A recent analysis stresses the need for **policy reforms and innovation** to meet the **\$40 billion export target by 2030**. With increasing global competition from nations like Bangladesh, Vietnam, and China, India must overcome internal bottlenecks and boost competitiveness.

Overview of India's Textile & Apparel Industry

- **Heritage Sector:** India's textile sector is one of the oldest industries, deeply rooted in the cultural and economic fabric of the country.
- **Employment:** Employs over **45 million people**, making it the **second-largest employer** after agriculture.
- **GDP Contribution:** Contributes about **2.3% to India's GDP** and **12% of manufacturing employment**.
- **Export Share:**
 - India's textile and apparel exports stand at **\$37.8 billion**.
 - Global market size is **\$897.8 billion**, giving India a **4.2% share** in textiles and just **3% in apparel**.
- **MSME Dominance:** Over **80% of apparel units** are small-scale and fragmented, lacking scale and global integration.

Importance of the Textile and Apparel Sector

- **Massive Job Provider:**

- Labour-intensive, especially in states like **Tamil Nadu, Gujarat, and West Bengal**.
- **70%** of workers in key apparel hubs are **women**, contributing to **gender-inclusive employment**.
- *Example: Shahi Exports employs over **70,000 women** in its units.*

- **High Value Addition:**

- Covers entire value chain—from raw cotton to finished garments.
- Apparel exports bring in **higher value** than raw material exports.

- **Export Potential:**

- With current apparel exports at **\$37.8 billion**, India aims to reach **\$40 billion by 2030**.

- **Supports Allied Sectors:**

- Boosts **dyes, chemicals, logistics, retail, and machinery** industries.
- A **10% increase in garment output** significantly raises demand in spinning and processing sectors.

Government Schemes and Support

For Textiles

- **PM MITRA Parks:**

- 7 integrated parks planned to enhance competitiveness, reduce logistics cost, and provide plug-and-play infrastructure.

- **Amended TUFs (Technology Upgradation Fund Scheme):**

- Aims to promote **modernization and technology upgradation** in textile units.

For Apparel

- **RoSCTL Scheme:**

- Refunds **state and central taxes** and levies on exports, helping price competitiveness.

- **SAMARTH Scheme:**

- Skilling initiative targeting the **training of workers** in textile and apparel operations.

- **PLI Scheme for Textiles:**

- Focus on **Man-Made Fibre (MMF)** and **technical textiles**.
- Draft of **PLI 2.0** includes incentives for **large garment manufacturing units**.

Key Structural Bottlenecks

- **Fragmentation:**

- Over **80%** units are unorganised MSMEs with limited economies of scale.

- **High Capital Costs:**

- Average interest rates in India are around **9%**, compared to **3-4.5%** in China and Vietnam, affecting expansion.

- **Rigid Labour Laws:**

- Complex compliance and **overtime costs at 2x regular wages** hinder formalisation and scalability.
 - **Supply Chain Inefficiencies:**
 - Dispersed and uncoordinated production processes lead to **delays and higher logistics costs**.
 - **Low Female Labour Participation (FLFP):**
 - Despite sector's potential, FLFP remains underutilized outside major hubs.
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Way Forward

- **Capital Incentives for Scale:**
 - Provide **25-30% capital subsidy** and **5-7 year tax holidays** to units with **1,000+ machines**.
- **Labour Reforms:**
 - Rationalise overtime wages to **1.25x** (ILO standard).
 - Simplify labour law compliance to encourage formal hiring.
- **Link MGNREGA to Industrial Wages:**
 - Use **25-30% of MGNREGA funds** to subsidise wages in garment factories, enhancing employment and competitiveness.
- **Designate MITRA Garment Hubs:**
 - Set up 2 garment-focused industrial parks in **Uttar Pradesh** and **Madhya Pradesh** to promote decentralised industrial growth and reduce migration.
- **Export-Linked Incentive (ELI):**

- Shift focus from production-linked to **export-linked incentives**, rewarding market success and global competitiveness.
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Conclusion

India's apparel sector has **immense potential** to drive **employment, value addition, and exports**. But to achieve the **\$40 billion export target by 2030**, the sector requires:

- **Bold structural reforms,**
- **Scalable production models, and**
- **A supportive policy ecosystem.**

The success of players like **Shahi Exports** demonstrates what's possible — now it's time to **replicate and scale up** across the nation.



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