

Global Economic Challenge and its Impact on Indian Textiles Industry

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The world economy displayed a sign of sluggish growth even before the pandemic struck. Covid-19 acted as a powerful catalyst in this process whereby the economy was nearly crushed. The ripple effects of this global economic challenge have been felt across geographies, sectors, and industries. Indian textile industry was one of the industries which felt the pinch.

There is great historical significance attached to this industry in terms of its role in boosting the economy, expanding global integration, and making the Indian craft and talent reach the world. In the recent phase of India occupying the position of an emerging economy, the **textile industry** has contributed significantly to national output, employment, and exports.

The World Trade Organisation (WTO) rightly remarked, "In no other category of manufactured goods do developing countries enjoy such a large net exporting position as they do in the textile sector"

The following statistics not only prove the importance of textile industries but also reflect its massive potential to accelerate economic growth: India's textile industry adds about 14 percent to industrial production; 4 percent to the country's gross domestic product (GDP); 17 percent to its export earnings; and is a source of employment for over 35 million people. It is the second-largest employment generator after agriculture.

While 2020 arrived as a year with promising growth, it quickly turned into a nightmare for the economies worldwide. The whole world came to a standstill, with lockdowns and curfews being imposed everywhere. Economic activity had to halt in order to prevent the spread of the virus and the loss of lives. This had a devastating effect on aggregate consumer demand as well as supply chains.

Indian domestic textile and apparel market has been estimated at US\$ 75 billion in the financial year 2020-21. The market fell 30 percent from US\$ 106 billion in the financial year 2019-20. The exports have fallen by roughly 15 percent and the imports have declined by approximately 35 percent. The calamity has indeed made sure that its presence is felt every step of the way.

Major Challenges

The reasons for this decrease are explored below

Demand Side: The Indian textile sector which was already dealing with issues like obsolete technology, slow pace of upgrades, lack of infrastructure, distributed industry structure, etc also received a blow from a drastic fall in exports because of Global Financial Crisis and increased competition from emerging countries such as Vietnam, Bangladesh, etc. Restrictions on trade since 2020 have to lead to an unforeseen rise in inventories. Even as economies open up with the advent of vaccinations, the fear of new variants looms large, engulfing major economies like the US and the UK in an ongoing crisis. This has severely affected the Indian textile's exporting volume. The nationwide closure of markets, shopping complexes and a strict halt of everyday activity lead to a crumbling fall in consumer demand domestically as well.

Supply Side: Government mandates lead to the closure of several manufacturing outlets and factories as these didn't classify as essential services. Despite the initiation of nationwide unlocking, the textile industry hasn't been able to recover due to disruptions in supply chains at various levels. Procuring raw material from other nations like China have been affected by trade restrictions, manufacturing activity along with social distancing norms has proved to be difficult.

Everything from procurement of raw material from other nations to sustaining factories in absence of domestic and global demand is contributing to the heap of difficulties for this sector.

The Way Ahead

It is quite evident how the sector has been negatively impacted on various fronts. This impact is not limited to statistics and a fall in revenue but has

significantly impacted a multitude of livelihoods that are deeply involved in the Indian textile industry.

While the government has announced welfare packages and schemes, there is a need to make them more comprehensive. Tax concessions, relaxation of customs, and duties for exporters are some of the ways through which the blow of the hardships can be softened.

Amidst this crisis, an opportunity has also presented itself which should be welcomed with rigor. With world players strictly focusing on the domestic market and recovery, India has a chance to emerge as a manufacturing hub. Turning this vision into reality will need active support and participation from the government and citizens alike.