The Need for New National Textile Policy

What is the issue?

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Indian textile sector is undergoing a huge contemporary changes but the last official national textile policy was framed 17 years ago.

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How important is textile industry?

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- India’s textile sector has the second-largest employment after agriculture, **employing 32 million workers.**
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- It has the potential to double this employment in the next seven years as per the vision document (for 2024-25).
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- It is a sector which provides livelihoods to millions of households.
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- It is also a storehouse of traditional skills, heritage, and a carrier of heritage and culture.
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What is the reason behind India’s slowdown?

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- India has a rich mix of synthetic and natural fibres and yarns, but still **it remains a cotton-focused country.**
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- India was finding it profitable to export raw cotton to China because of Chinese government’s support for stockpiling cotton yarn.

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- Also, the presence of cotton in yarn, fibre, fabric and garments is close to 70% of usage within India, which is also reflected in exports.
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- But, the global trend is exactly the opposite, i.e., it has 70% of synthetics and man-made fibres.
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- So, **India's domestic and export mix is the opposite of global fashion and demand trends.**
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What is the reason behind India's inverse trend?

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- The inverse skew of fibre usage in India is due to the **skewed tax treatment.**
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- Until the roll-out of the GST, the cotton value chain was completely free of indirect taxation.
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- Whereas the **man-made fibre suffered a dead-weight tax** of 12% excise.
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- That anomaly was supposed to be removed by uniform GST.
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- Instead of a fibre-neutral policy, we have a dual GST structure, with 18% GST on upstream, and 5% on all downstream, leaving an inverted duty structure.
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- This has already led to much disruption, as can be seen in shutdowns or strikes in powerloom clusters in Bhiwandi or Coimbatore.
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Why there is an urgent need for a policy document?

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- Textiles, along with agriculture, construction and tourism, has **large-scale job creation potential.**
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- It is a sector dotted with small and medium enterprises, which make up 80% of the units.

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- Thus, it is ideally positioned to be a poster child for ‘Make In India’.
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- This is also a sector which is undergoing a huge change due to automation, digital printing and the relentless rise of e-commerce.
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- These developments threaten to **completely change the face of this industry.**
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- India’s share of textile exports in total exports (at 12%), is half of what it was in 1996.
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- Bangladesh’s garment exports exceeded India’s in absolute terms back in 2003 and today, it exports twice that of India.
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- Even **late starter Vietnam overtook India** in 2011.
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- So, to address challenges like changing consumer and fashion trends, modernization of machinery, skill upgradation, a fibre-neutral tax policy and meeting the needs of the e-commerce phenomenon, we need a national policy and implementation plan.
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Source: Live Mint

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