

SWOT ANALYSIS OF “MAKE IN INDIA” IN TEXTILE & FASHION INDUSTRY OF RAJASTHAN

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ABSTRACT

Rajasthan is growing and well known hub for production of synthetic fibres, yarns and fabrics, value added and speciality fabrics, a wide range of natural and synthetic textiles, garments and fashion products. The “Make in India” initiative is providing immense opportunities for global as well as national textile and fashion companies and retail brands in Rajasthan for investment. The upcoming areas of production include medical textiles, technical textiles, geo-synthetics, nonwoven products and organic textiles. These require skill development opportunities for the youth of Rajasthan to boost up “Make in India” initiative. The textile industry of Rajasthan plays a significant role in the global fashion and textile economy and has ample opportunities for employment generation and industrial growth with technological advancement. To exploit its full potential, pro-active work in domestic as well global market is the need of the hour. For revenue generation and employment creation production of garments and fashion items should be amplified with proper implementation of “Make in India” initiative including branding and export of Khadi and other Handloom products in addition to welfare and sustenance of local indigenous artisans. “Make in India” initiative can pave the way towards sustainable business growth and economic enablement of textile and fashion sector of Rajasthan.

KEYWORDS: Fashion and Textiles, Global Market, Make in India, SWOT Analysis.

Introduction

The government of India has planned and instigated “Make in India” program to assist developing India to encourage investment, nurture innovation, and construct best-in-class manufacturing infrastructure - as a “Global Manufacturing Destination” on the whole. The Make in India movement is launched to electrify the manufacturing sector of the country and to increase the inward investment. It aims at pushing manufacturing growth to over 10 per cent annually through continuous actions of new regulation and relicensing of industry and making India more manageable to financiers. The textile and fashion sector is an important sector to aid in constructing self-reliant India. The textile and fashion industry proves to be a promising sector as India is anticipated to have the youngest workforce in the world till 2050, contrary to the rest of the world, including China that will be ageing at that time.

The Textile and Apparel Industry has been estimated at over US\$ 743 billion worldwide. Its current growth rate is CAGR 4% which is expected to increase up to CAGR 6% and expected to reach at 1,230 billion by 2025. Out of the total share, apparel sector constitutes 60% of the global market whereas textile sector found to be remaining 40%. There are mainly two segments of global Textile and Apparel Industry – (i) Fibre and Yarn section that includes both natural and man-made fibres and yarns (ii) Processed Fabrics section comprising Readymade Garments (RMGs) & apparel, textiles made of various fibres and yarns as well as technical textiles. The world trade in the textile and clothing sector is projecting with very high growth rate, primarily driven by apparel and cotton textiles.

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The fashion and apparel industry is a prospective area in which investments can be expected since India offers 100 per cent Foreign Direct Investment (FDI) in single brand retail and 51% in multi brand retail. The textile industry is currently one of the largest and most important industries in the Indian economy by way of significant contribution to GDP (4%), manufacturing output, employment generation and export earnings (12%). The nation is also home to 24% of the world's spindle capacity and 8 percent of rotor capacity, along with a loom capacity (consisting of both handlooms and mechanized) of 63 percent, which is the highest in the world. Indian textile industry is also the second largest employment generating industry, after agriculture with direct and indirect employment of more than 95 million people. It employs skilled and unskilled people, which make it extremely important from the prospective of Make in India mission. This is a traditional, rich and well-established industry, enjoying considerable demand in the domestic as well as global markets. Textile industry in India basically consists of non-integrated medium, small and numerous micro ventures of spinning, weaving, finishing and apparel-making. Such a structure arose due to the policies on tax, labour and other regulations that favoured small-scale, labour-intensive enterprises, while discriminating against large-scale, capital-intensive operations. In view of the labour-intensive nature and de-centralised character, Indian textile industry is also in a position to make positive and meaningful contribution towards achieving the cherished objective of 'inclusive' growth.

Textile is an important industry for Rajasthan, representing over 20 per cent of the investment made in the state. Rajasthan contributes over 7.5 per cent of India's production of cotton and blended yarn and over 5 per cent of fabrics. Rajasthan has leading position in spinning of polyester viscose yarn & synthetic suiting and processing, printing & dyeing of low cost, low weight fabric. Besides, it manufactures wide range of products, ranging from handicrafts, synthetic and cotton textile yarn and garments. The key factor favouring development of textile industry in Rajasthan is availability of cotton and wool in the state. Therefore, the study has been conducted to analyse strengths, weaknesses, opportunities and threats for "Make in India" initiative in Textile & Fashion Industry of Rajasthan.

Objective of the Study

The aim of this study is to explore and investigate strengths, weaknesses, opportunities and threats for "Make in India" initiative in Textile & Fashion Industry of Rajasthan.

Research Methodology of the Study

This study is a review of the Make in India campaign, especially in context of textile and fashion industry of Rajasthan. It looks into the current status of textile and apparel production in Rajasthan – strengths and weaknesses in production and marketing, as well as challenges and prospects for the effective implementation and enactment of Make in India initiative. The current study is primarily based on the secondary data obtained from various sources, such as websites, censuses and organizational reports, government reports, compendium and organisational records of different government departments, textile and apparel producers and marketers along with data from several research journals and magazines. On the flip side, primary data was collected through personal interviews and meetings with the producers and dealers in the field of textiles and apparel production and marketing in Rajasthan accompanied with market surveys. The research methodology utilized in this research paper is descriptive and analytical.

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Strengths

Abundance of raw material, easy availability of labour, big sized domestic market and the rich heritage of traditional textiles are some of the major strengths of the textile and fashion industry of Rajasthan. These can be stated as under:

- **Abundance and Diversity of Raw Material:** Rajasthan is very much self-sufficient in textile and fashion production due to availability of raw material in abundance, especially natural fibres. Raw material e.g., cotton and wool is easily accessible to the textile manufacturers of Rajasthan that leads them to efficient and cost-effective production as it minimizes the operational efforts. Cotton production capability of the state is invincible due to the favourable land, weather, and other such conditions. The industry is exceptionally rich in natural fibres fabrics like cotton (largely attributable to quite a dominant position in cotton cultivation and production) and man-made fibres as well. Rajasthan also possesses dominance amongst the largest producing states of man-made fibres. The industry also has an extensive and diversified assortment of fibres available to the producers both natural and man-made which serve as an added advantage to the people in the industry.

- **Easy Availability of Labour:** Lower labour cost advantage is another attribute, which imparts strength to the industry. Rajasthan has always been enjoying the advantage of easy accessibility and availability of cheap and skilled/ semi-skilled labour, due to population occurrence and poor economic conditions, which serves as spine of the domestic textile and fashion industry. International brands and manufacturers keep an eye at Rajasthan because of the low priced labour obtainable here as it cuts down the labour costs and thereby enabling them to gain additional profit. Labour costs in India as well as in Rajasthan, are as low as 75% per hour in comparison to 100 % in China.
- **Huge Domestic Market:** Higher demand for textile and fashion products in domestic market is natural consequence of huge population of the state and the country. Furthermore, incessantly rising income levels, increasing purchasing power of the people, improved standards of living and enriched quality of life leads to increased demands for quality products hence requires increased production and supply of apparel and other fashion items. A growing domestic market enables manufactures to mitigate risks while allowing them to build competitiveness in the global markets. The domestic textiles and apparel market stood at an estimated US\$ 100 billion in FY19.
- **Traditional Textiles and Handloom Sector:** The rich textile and costume legacy of Rajasthan has its worldwide repute and status. The unique, intricate, colourful and vibrant fashion ethos of Rajasthan is extremely fascinating and demanded not only in local markets but in national and international markets as well. The textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country. Traditional textiles, handloom and hand embroidery sectors contribute to more than 75% of total textiles production in the country.
- **Existence of Wide Range of Activities across the Textile Supply Chain:** The synergised activities throughout the supply chain - from raw material to value added products - such as spinning, weaving, knitting, processing, finishing, garment manufacturing and value addition either at one platform or in adjacent areas in India has led to cost efficiencies. The presence of activities across the value chain aids the local manufactures by sourcing required material locally, thereby reducing the lead-time and investment in inventories.

Weaknesses

To get maximum benefit from the make in India campaign, there is a need to work on eliminating the weaknesses faced by domestic manufacturers, such as obsolete technology, rigidity of labour laws and infrastructure bottlenecks. The major weaknesses of the industry are encapsulated as follow:

- **Highly Fragmented and Unorganized Sector:** Due to high level of fragmentation in the industry, especially the home based activities like handloom weaving, tailoring and embroidery - the manufacturers are not able to fully capitalize on existence of the entire value chain. Unorganized weaving and other sectors make it unable to figure out actual data of production, supply, export and import. Approximately 95% of the weaving sector is unorganized in nature that therefore creates difficulties in execution of developmental schemes, training programmes or other up gradation plans. In terms of technology adoption in the weaving sector, India has only 2% share in global shuttle-less looms installed capacity.
- **High Dependence on Cotton:** The dominance of cotton fibres in the textile industry of Rajasthan for production, consumption and trade of fashion and textile items is one major cause of its lagging behind in the international market; whereas major share of international market is comprised of stretchable, comfort fit garments like swim suits, sportswear, etc. made up of manmade and synthetic fibres. Moreover, the speedily growing global market of industrial and technical textiles also calls for additional involvement of synthetic fibres.
- **Low Labour Productivity:** The majority of the workforce available in Rajasthan is illiterate, unskilled/ semiskilled that renders them inefficient to work with latest machines and upgraded technology and hence work manually. The labour productivity in Rajasthan is much lower than in other competing countries, subsequently turning domestic manufacturers incompetent to a certain extent in meeting out the speedily changing demands of international fashion market. The workforce requires skill training in order to meet contemporary fashion requisites round the globe.

- **Labour Laws:** The labour laws practiced in Rajasthan are inappropriate and unfavourable for the textile manufacturers. These adversely affect the labour class in terms of their wages and working conditions - the wages paid to the textile workers are not sufficient; the facilities provided to them at their work places are improper and inappropriate hence they have to lead unhealthy and poor quality life. Rigid labour laws prevailing in Rajasthan are unfavourable for fashion and textile industry due to its labour intensive nature. The textile and apparel industry specifically provide more employment to female workforce therefore the manufacturers have to encounter several problems including production work in night shifts.
- **Technology Obsolescence:** The technological laggard in the fragmented textile and apparel sector of Rajasthan is still a far sight and more working hours are essential to attain the demand and supply targets, particularly for most of the small scale textile industries. Unlike in developed countries, textile factories in Rajasthan are not fully automated and remain labour-intensive. Technological obsolescence has compelled the textile industry to focus on investments for extensive technological advancements to produce high quality fashion goods that confirm international standards that can be accepted globally.
- **Infrastructure Bottlenecks:** The infrastructure of all the textile manufacturing units of Rajasthan whether small scale or large scale is not appropriate as compared to the mandatory norms laid down by the government. The poor qualities of infrastructure and groundwork arrangements result into inferior quality and less quantity in comparison to many international competitors.
- **Fluctuation in Prices:** The fluctuation of prices of raw material, particularly cotton fibres and yarns makes loss to the poor cotton growing farmers and the textile workers at the lowest level of the production and supply chain. The government should fix prices for raw material as well as finished products to aid the textile and apparel sector to grow and generate more employment.
- **Inefficient and Inappropriate Services:** There are many issues regarding the services provided by textile manufacturers and supplier working in the state, viz. delays in lead times and shipment, poor packaging of fashion products, supply of defective items, inability to cater large order quantities, non-adherence to agreements and standards, poor communication between merchandizers and buyers, etc.
- **Lack of Research and Development:** Consistent research and development work are essential components for sustainable growth of any industry including the fashion and textile sector. The utmost need is to conduct research in global fashion market to forecast fashion trends and develop innovative products according to the mood and requirement of global market. Textile and fashion research institutes can intensify their work with help of government funds and other resources.

Opportunities

As Rajasthan has abundant supply of labour, flexibility in labour laws and adequate skilling can bring the fashion and textiles industry towards modernization and augmentation. The growth expectancy of fashion and textile sector has been doubled as compared to its current status since the commencement of Make in India initiative. The fashion and textiles sector has momentous opportunities to grow. Some of these are described below:

- **Domestic and Global Market Prospective:** The price and quality are two major determining factors for rising demand of Indian textiles and apparel, especially printed and dyed textiles of Rajasthan, both in domestic and global markets. During last few years the textiles and apparel sectors have been obligated by increased investments. Even the local and domestic markets, other than global platforms, are also spectators of incessantly increasing consumer demand of fashion products that would provide strong way to the textile and apparel industry going forward. Increasing earnings and expending power of populaces round the globe has led to the emergence of certain new consumption categories and opened new vistas for textile manufacturers.
- **Government Policies and Incentives:** The government can play a major role in the growth of industry both vertically and horizontally. The government is planning to develop a large world class textile infrastructure in the country in the form of mega textile parks. The mega textile parks will encompass a complete value chain of this sector. There are numerous policies providing

assistance to the textile and fashion industry in flourishing and crowning their status space in international trade. Globalization, liberalization and privatization of the textile and apparel sector, removal of quotas, reduction of taxes, greater investments are certain foremost accountable aspects to name a few. Major growth driver for exports is the abolition of quotas post January 1, 2005, making the country to emerge as one of the top sourcing destinations in the world. The Indian government has come up with various incentives for the evolution, promotion and elevation of the textile and fashion industry through Make in India initiative.

- **Innovations in Product Development:** Development of innovative and diversified product range to meet out the existing global market demands leads into better customer satisfaction, increased sales and product developments lead to more range of products and a better demand leading to the higher repute and escalating profits which subsequently outcomes as better economy, increased GDP and increased foreign exchange. The textile and apparel manufacturers of Rajasthan are now becoming aware of potential market opportunity and increasing their capital investment for diversification of product portfolio that would support in alignment of local producers towards global demand.
- **Increasing Popularity of Traditional Textiles:** The rich legacy of traditional textiles of Rajasthan showcases attractive, intricate, elegant and vibrant costumes. The textile and fashion products - dyed, printed and embellished with traditional handwork and embroidery of Rajasthan are now intertwined with prevailing ideas and principles like sustainability, eco-friendliness, cultural diversity, adaptability, self-reliance, skill and innovation are becoming quiet relevant these days.
- **Research and Development:** The gradual increase in awareness regarding significance of research and development of textile and fashion products across the production and supply chain of activities accompanied by additional efforts and funding for technology up gradation is supporting Rajasthan based manufactures to highlight their products in international market and increase their share in global trade as well.
- **Emergent Retail Business Platforms:** Emerging retail business platforms including the malls, supermarkets and e-commerce platforms have enlarged the markets, even for the small retailers too. Thus the marketability of locally produced handmade items has also increased that aided in poverty elimination of traditional artisans and the country's economy to grow as well. These platforms have opened new horizons of progress for the minor segments of the industry such as handicrafts and home based manufacturing and value addition jobs.
- **Encouraging Young Entrepreneurs and Start-ups:** Young Entrepreneurs and Start-ups are provided with loans and subsidies to entice them towards this sector. Many schemes have been introduced such as one-window solution to deal with the problems of the industry, providing credit at concessional rates through interest subvention schemes; credit guarantees, capital subsidy, margin money subsidy and large warehouse infrastructure near all ports are in discussion.
- **Improvement in Product Quality and Services:** Domestic producers are now coping to meet international standards regarding product quality and services provided to their customers. Therefore, the exporters have incorporated robust client management systems, skilled and well-equipped workforce, employees who are well trained in handling international clients in order to win their confidence and to build market reputation.
- **Promotion of Domestic Brands:** Essential branding of Made in India products and promotion of the domestic brands globally can lend a hand in surging make in India initiative. Domestic brands are being replaced with international brands and their marketing is gaining impetus in local and domestic markets.
- **Growth of Technical Textiles:** Technical textile is expected to become one of the fastest growing segments in the industry. This segment caters to the sectors like automobiles, medical, sports, agriculture and industries. The textile industry of Rajasthan has immense potential for production of high quality technical textiles to undertake global requirements.

Threats

In spite of the numerous growth prospects the textiles and apparel industry of Rajasthan has been encountering the following threats:

- **Highly Competitive Market:** The major threat to the domestic textile and fashion industry is technologically advanced countries involved in textile trade like China. China is the biggest technologically advanced buyer and seller of the textiles in the world. The competitiveness in international markets has been increased due to innovation in diversified fashion products and high grade research to anticipate both domestic and foreign needs. Low cost of labour in countries like Pakistan, Bangladesh, Sri-Lanka and Vietnam are also giving tough competition by producing low-priced fashion and textile items.
- **Geographical Constraints:** The existence of geographical restraints between Rajasthan as well as India and major buyer countries of international market, viz., United States of America and Europe is quite significant, therefore compliance of international orders received becomes challenging many times. Consequently the number of contracts between international merchandisers and Indian manufacturers reduces as compared to the countries that possess demographic advantages.
- **Price Hike:** Since some of the production units in China and Europe have been shut down due to environmental concerns and pollution norms, an unexpected upward increase in prices of basic raw materials has been observed in international markets. The increase in cost of imported raw materials has increased the prices of fibres, dyes and other processing material required. After lifting up of quota restrictions, the domestic manufacturers are incapable to participate and contend strongly on prices in the international markets, particularly, the players with financial prudence enjoy more liberty for negotiating and bargaining.
- **Balance in Price and Quality:** The demand for natural fibres is ever growing whereas the resources are limited in nature, which turns into incremental rise in the prices of the raw material used for textile production. The rising prices lead towards reduction in sales and subsequently fall in profit of the manufacturers that discourage them to withstand the competitive global trade. The continuously increasing cost of production has made it very difficult to balance quality and price of the fashion products satisfy the contemporary consumers round the globe. The expensive production rates of quality fashion goods cause higher prices of finished products affect the production of premium goods to minimum and hence decreased profits/sales of quality fashion and textile products.
- **Non-tariff Barriers:** Pressure to tackle non-tariff Barriers such as strict quality norms, packing rules together with topmost concern of today's market like compliances to various social and environmental compliances are some other threats in front of textile and garment exporters from the state. Dwindling compliance of socio-ecological protocols threatens the supply chain regarding its appropriate performance and the mounted pressure may be unbearable for some merchandisers, especially small and medium scale enterprises.
- **Threats from International Influences:** The textile industry of the developing or under-developed countries had been harassed a lot by the developed nations as they impose the tariffs, restrictions, regulations, policies, bilateral quotas on them. Regardless of GATT established in 1947, the developed countries assisted by these rules and regulations took benefits of the third world nations as the textile industry was not integrated until 1994. The quotas of Multi-Fibre Agreement (MFA) opposed the general idea of GATT of no tariffs and free trade among the countries. The Multi-Fibre Arrangement (MFA) was one of the earliest agreements or the regulations formed in 1974 with the main role of supervising the trade of textiles and garments between countries. Besides the decline in international trade, particularly export of fashion and textile items is non-welcoming indications for the industry as well as Make in India initiative in Rajasthan.

Conclusion

The impending textile and fashion industry of Rajasthan appears encouraging, sustained by robust inland consumption besides huge international demands. With rise in economic status and expanding powers of middle income group and the boosted concept of consumerism, many international players have been entered into the textile and apparel market, resulting in swift growth of the retail sector predominantly. The changing concepts of living, awareness regarding sustainability have given rise to selective narrative; on the other hand fast fashion and higher disposable income have resulted in escalating demands for fashion products. This has led to rise in demand for products creating a huge domestic and global market.

After the abolition of quota regime, the global textile industry is beholding resilient progression. Since the textile and fashion manufacturing operations are largely being shifted to the low –costing Asian countries from US and Western Europe, big domestic and international brands and manufacturers have established their manufacturing units in Rajasthan and developed retail markets with high investments in the state. However, the Make in India scheme is proving boon to the textile sector as the SMEs are taking active participation in the growth of the industry and realize the market potential. Despite various Government incentive and schemes the textile industry of Rajasthan facing tough competition from other countries regarding investment and environmental issues. It becomes extremely difficult for individual SMEs to overcome their constraints in isolation. There is a need to harness collective energies of the SME sector to take sturdy steps in the global textile and fashion market. Government's Make in India initiative, concerted efforts by government and industry bodies will go a long way in paving a smooth path for its success with increased penetration of organized retail, favourable demographics and rising income levels are expected to drive textile demand.

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