Boosting Textile Industry Through Technology Upgradation

**Syllabus subtopic:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

**Prelims and Mains focus:** about the current issues impacting textile industry and steps taken by the government to address them

**Context:**
After extensive discussions with stakeholders and with a view to promote ease of doing business in the country and achieve the vision of generating employment and promoting exports by way of technology upgradation in textile sector through “Make in India” with “Zero effect and Zero defect”, the old version of **Technology Upgradation Fund Scheme (TUFS)** was revised and accordingly a new scheme viz. **Amended Technology Upgradation Fund Scheme (ATUFS)** was launched in January 2016 with an outlay of Rs. 17,822 crore upto 2022.

**About ATUFS**

- **The objective of the scheme** is to facilitate augmenting of investment, productivity, quality, employment, exports along with import substitution in textile industry and also to indirectly promote investment in textile machinery manufacturing.

- **Under the scheme**, higher incentives have been provided to garmenting/technical textiles for reimbursement of Capital Investment Subsidy. The guidelines of ATUFS have been further revised with a view to make online portal for implementation (i-TUFS) an end to end solution.

- The **Scheme for Production and Employment Linked Support for Garmenting Units (SPELSGU)** under ATUFS is to incentivise production and employment generation in the garmenting sector.

- The additional incentive of 10% will be provided to both the garmenting and made-ups units registered under ATUFS on achievement of employment projected by them.
In order to promote handloom sector across the country, financial assistance is provided under the following schemes for raw materials, purchase of looms and accessories, design innovation, product diversification, infrastructure development, skill upgradation, marketing of handloom products and loan at concession rates:

1. National Handloom Development Programme (NHDP)
2. Comprehensive Handloom Cluster Development Scheme (CHCDS)
3. Handloom Weavers’ Comprehensive Welfare Scheme (HWCWS)
4. Yarn Supply Scheme (YSS).

Measures taken to streamline the process under ATUFS

- **Delegation of Powers**: Financial powers were delegated to Textiles Commissioner to approve all JIT reports and release payments upto Rs. 5 crore. All individual cases with a subsidy amount more than Rs. 5 crore, will be forwarded to the Ministry of Textiles after according approval of Textile Commissioner for obtaining concurrence of Internal Finance Wing and release to the banks/lending agencies.

- **Geo-tagging and digital signature**: System of geo-tagging of machinery has been implemented and digital signatures by the units/ banks/ offices of Textile Commissioner have also been introduced in the i-TUFS software.

- **Admissibility of Packing List for verification of serial number of imported machinery**: Inter Ministerial Steering Committee (IMSC) in its meeting held on 27.02.2019 had decided to seek a clarification from D/o Revenue with regard to acceptability of packing list for verification of machine serial number in respect imported machinery. In view of advice of Department of Revenue, it has been clarified that Packing List in respect of imported machinery be allowed for verification of machinery serial number.

- **Serial Number of machineries not mentioned in the invoice, packing list or any other shipping document**: IMSC in its meeting held on 24.10.2019 decided that in case the machine serial number is not mentioned in the original invoice / shipping documents, a certificate indicating the machine serial numbers against the machines supplied through a particular invoice can be obtained from the OEM and the claim can be accepted if such machinery with specified serial number is verified by the Joint Inspection Team (JIT) at the time of physical inspection of the unit.

Details of various other actions taken by the Government to boost textile sector

i. **Special Package for Textile and Apparel sector**: Rs 6000 crore package was launched in June 2016 to boost employment and export potential in the apparel and
made up segments. This package consists of Remission of State Levies for garmenting and made-ups; additional production and employment linked subsidy of 10% under ATUFS for garmenting; assistance for the entire 12% employers’ contribution towards EPF; fixed term employment in garmenting, increasing overtime caps; and income tax concessions under section 80JJAA for the garmenting sector.

ii. **Textiles India 2017:** The Ministry of Textiles organized a 3-day mega textile exhibition namely, Textiles India 2017 from 30th June to 2nd July, 2017 at Gujarat. The principal objective of organizing the said mega event was to bring all segments of the Textiles sector under one umbrella trade event and showcase the strength of the Indian Textiles sector to the world. This event witnessed participation of buyers from 105 countries, international delegates and representatives and artisans and weavers.

iii. **Enhanced Customs Duty to boost domestic manufacturing:** To boost indigenous production and Make in India, Government has increased Basic Customs Duty from 10% to 20% on 501 textile products.

iv. **Power Tex India:** A comprehensive scheme for powerloom sector was launched in April, 2017 with an outlay of Rs. 487 crore for three years. This scheme has components relating to powerloom upgradation; infrastructure creation and concessional access to credit. The scheme has been designed to attract investment of Rs. 1000 crore and employment to 10000 persons in the powerloom sector and will also result in higher returns to powerloom units.

v. **National Handloom Development Programme and National Handicrafts Development Programme:** These programmes aim at holistic development of handloom and handicrafts clusters through integrated approach. The strategic interventions under the programme include financial assistance for new upgraded looms and accessories, design innovation, product and infrastructure development, skill upgradation, training, setting up of Mega clusters for increasing manufacturing and exports, easy access to working capital through customized Mudra loans for weavers and artisans and direct marketing support to weavers and artisans.

vi. **'India Handloom Brand'** Scheme has been launched by the Government in 2015 to enhance the quality in weaving, designing and defect free handloom products for safeguarding the interest of the buyers in the domestic and international markets. It will promote production of niche handloom products with high quality, authentic traditional designs with zero defect and zero effect on environment.
vii. **SAMARTH- The Scheme for Capacity Building in Textile Sector (SCBTS):** The scheme has been approved with an outlay of Rs 1300 crore with a target to train 10 lakh people in various segments of textile sector by March 2020.

viii. **Silk Samagra:** Government of India has been implementing a Central Sector Scheme “Silk Samagra” for development of sericulture in the country with components such as Research & Development, Training, Transfer of Technology and I.T Initiatives, support to seed organisations, coordination and market development and, quality certification Systems (QCS)/ Export Brand Promotion and Technology Upgradation. R&D efforts have also been initiated to evolve new products by blending silk with other fibres such as wool, coir, cotton etc., which have demand in international markets.

ix. **Scheme for Integrated Textile Park (SITP):** This scheme is implemented in Public Private Partnership mode to attract private investments in developing new clusters of textiles manufacturing. Government of India provides financial assistance up to 40% of the project within a ceiling of Rs. 40 crores. 19 new projects were sanctioned from 2014 onwards.

x. **North East Region Textile Promotion Scheme (NERTPS):** This scheme promotes textiles industry in the North Eastern Region by providing infrastructure, capacity building and marketing support to all segments of textile industry. The scheme has an outlay of Rs. 500 crores during 2017-18 to 2019-20.

xi. **Integrated Wool Development Programme (IWDP):** Government of India has recently approved IWDP for implementation during 2017-18 to 2019-20 after integrating and rationalization of various schemes for holistic growth of wool sector by providing support to entire chain of wool sector from wool rearer to end consumer to increase the wool production as well as its quality.

xii. **Jute (ICARE):** A project Jute ICARE (Improved Cultivation and Advanced Retting Exercise) was introduced in 2015 for improving productivity and quality of raw jute through carefully designed interventions. The project has benefitted more than 1.33 lakhs farmers in various states in the country.

xiii. **JUTE - SMART:** The Office of the Jute Commissioner has developed an end-to-end web-based platform for procurement, inspection and dispatch of jute bags which is transparent, rule based, simple to use and real time.
xiv. **The Export Promotion Councils (EPCs)** work in close co-operation with various organizations of the Government to promote the growth and export of their respective sectors viz. readymade garments, cotton, silk, jute, powerloom, handloom, handicrafts and carpets, in global markets. EPCs participate and organize fairs and exhibitions and standalone shows in India & overseas markets to enhance exports and access new markets.

xv. **Enhancement of rates under Merchandise Exports from India Scheme (MEIS):** To further boost exports of apparel & made-up sectors, interest rates under Merchandise Exports from India Scheme (MEIS) has been enhanced from 2% to 4% for apparel, 5% to 7% for made-ups, handloom and handicrafts w.e.f. 1st November, 2017.

xvi. **Interest rate subvention:** Credit interest rate subvention for pre and post shipment was restored in 2015 for three years. The Government has enhanced interest equalization rate for pre and post shipment credit for the textile sector from 3% to 5% from 02.11.2018.

xvii. **Market Access Initiative (MAI):** The objective of scheme is to promote India’s exports on a sustained basis. The scheme is formulated on product-focus country approach to evolve specific market and specific product through market studies/survey. The following activities are eligible for financial assistance under the scheme:

- Marketing Projects Abroad
- Capacity Building
- Support for Statutory Compliances
- Studies
- Project Development
- Developing Foreign Trade Facilitation web Portal
- To support Cottage and handicrafts units
IN INDIAN SPINNING INDUSTRY FACING BIGGEST CRISIS,
RESULTING IN HUGE JOB LOSSES

The Cotton & Blends spinning industry is passing through biggest crisis similar to last seen in 2010-11

- State & Central level Taxes & Levies being exported in prices resulting Indian yarn Non-competitive in Global Markets.
- High Interest Rates.
- High cost of Raw materials as compared to Global prices, resulting in loss of Rs 20-25 per Kg. to Indian Mills.
- Cheaper imports of Garments and Yarn from Bangladesh, Sri Lanka & Indonesia, etc due to their lower cost of raw materials as compared to India.

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<th>Export of Cotton Yarn - Value in (April - June)</th>
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Source: DGCI&S

Effects on India’s Spinning Sector:
- Resulted in closure of approximately one third of spinning capacity across India
- Currently running mills are incuring huge cash losses
- Mills are not in a position to buy and consume the Indian cotton
- Upcoming Cotton Crop of about 40mn. bales valued at Rs. 46,000 cr. wouldn't find any buyer in India and abroad as India still has not moved to globally adopted price market driven Agri-commodity markets with Government directly supporting farmers at MSP level
- The Indian textile industry employing over 10 mn people directly and indirectly hereby seeks immediate attention of Government of India to prevent job losses and avoid the spinning industry from becoming Non Performing Assets (NPA)

Appeal to Govt. of India:
1. Scheme under Rebate of State & Central Taxes & levies (100% CCL) to be extended to Cotton and Blended yarns.
2. Interest subvention on Yarn Exports.
3. The Govt. should pay the Difference of MSP and market price of Seed Cotton (Kapai) to farmers by Direct Bank Transfer (DBT). The CCI and Nafed buying Seed Cotton (Kapai) at MSP results in distillation of market price of Ginned Cotton and makes raw material expensive than Global prices. Hence, this practice be replaced with Direct Bank Transfer (DBT) to farmers
4. Spinning Industry be allowed with immediate effect, 2 years of moratorium in term kurti installments.