

Impact of COVID-19 on the Indian Textile Industry

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Abstract: *The outbreak of the pandemic has heavily affected all the industries. The textile industry in India and around the world has taken a huge hit. Through this research, we observe that despite the slowing down of operations, India can leverage this situation to emerge as a global textile hub.*

Keywords: COVID-19, Textile Industry

The Indian Textile industry accounts for approximately 4% of the global textile market. The economic landscape of this industry can be identified through indicators such as the economic importance of its activity, its growth, the jobs it generates, the relationship it maintains with other sectors of the economy and its participation in foreign trade. After agriculture, the next biggest employment generator in this country is the textile industry, with over 105 million employees. Approximately 7% of the industrial output in value terms, 2% of the GDP and 15% of the country's export earnings is contributed by this industry.

The Indian clothing manufacturers association have claimed that the Indian textile industry has been hit hard by the outbreak of the virus and has therefore impacted their exports as well as sales of apparel products in the domestic market. The domestic demand for apparel is estimated to fall by more than 40% due to the lockdown caused by the ongoing pandemic. The virus has affected China, Europe and USA, the 3 biggest markets for Indian textile exports. India exports about \$16 billion worth of apparel annually. Estimates and studies state that the yarn exports will decline by 35-40% while garments exports will decline by about 30-35% during this fiscal year. Hence, the Indian textile value chain will undoubtedly face adverse repercussions of the pandemic. This reduction in demand and revenue levels will lead to downsizing of operations, possible closure of units and job losses in Indian textile and apparel industry.

The nationwide lockdown has led to the shutdown of all textile and garments related factories. This has caused a massive issues in the business community with regards to cash crunch, supply chain disturbance and manpower-related issues. The big brands and chain stores all over the world are closed, e-commerce websites are not accepting any orders and majority of the buyers are cancelling or postponing orders since they have big pending inventories. Even once the lockdown is lifted; it will not be smooth and easy to restart the operations. There is a possibility that the migrant workers will remain in their hometowns, leading to a shortage of manpower. Issues like renegotiations of orders, cancelling of shipments, reductions in the profit margins are likely to arise. Since there are job layoffs in all the sectors, consumers will only purchase the essential commodities for a while. Big fashion labels have already announced cancellation of their orders and relieving of their labourers due to this pandemic. There has been an estimate by the brands of a drop of around 70% in their sales. Hence the textile industry will face a difficult time.

In order to regrow and avoid a massive negative impact, the Confederation of the Indian Textile Industry has asked for help from the government. Since about 80% of the industry comprises of MSME's, they do not have the resources and reserves to pay their workers salaries when there is no production. A survey conducted shows that lot of these companies are planning on shutting down their operations while the others have estimated a 40% drop in revenue. This can lead to an estimate of approximately 1 crore job cuts if there is no wage subsidy or revival package from the government. The confederation has also asked for an imposition of duty on imported garments from Bangladesh for the coming year to help the local industry cope with the effects of COVID-19. The dangers due to the duty free imports of garments from Bangladesh and the back-door entry of the Chinese fabrics into India has consequently impacted the MSME dominated textile industry. Since the Indian government is considering levying an additional COVID import duty on certain products, the Clothing Manufacturers Association of India is urging the textiles ministry to extend such an import duty on imports of garments and fabrics from all countries including those with whom they have FTAs or zero duty agreements. This would enable the Indian government to collect about US\$100 to \$150 million.

Being the initial victim of the coronavirus outbreak, China had to enforce a production lockdown early this year and vastly disrupted the textile supply chain. Brands who sourced goods solely from China were in a fix and were forced to explore other countries for sourcing in a short time period. Due to this, they will now look into business opportunities in Bangladesh, India, Vietnam or Cambodia as the manufacturing costs, supply and labour wages in these countries are comparatively lower. Indian manufacturers will have to maximise their internal capabilities and build their efficiency in order to emerge as a better option than their competitors. Even though the Indian market is currently in a bad position, there is hope of revival because of the anti-China wave across the world. The American and Japanese governments are already trying to push Chinese companies and products out of their countries, hence presenting a golden opportunity for India to step in. Currently, during this difficult time, the textile manufactures can focus on the production of medical protective clothing and masks. The current supply is unable to meet the demand which will continue to grow in the coming months. Hence, the medical textile sector can grow and increase their exports to the western countries.

We can see that there is a positive outlook to this pandemic. Some of the brands will follow the strategy of diversification and reduce their dependency on China to prevent such a situation in the future. India can utilise this and present itself as a credible alternate to increase its textile and apparel exports. The Indian companies must also look beyond US and Europe and expand into markets like Japan and South Korea. Although not immediately, but over time, the Indian textile industry will continue to grow and emerge worldwide. However, in the short run, the government must help cushion this labour intensive industry from facing any major losses.