

INDIAN TEXTILE INDUSTRY & FOREIGN DIRECT INVESTMENT (FDI)

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Abstract

Indian textile industry has been famous all over the world since ancient times. So foreign people and companies invest in various industrial sectors of India, The textile industry has not been left out. The present research study is an analytical study of India's textile industry and Foreign Direct Investment (FDI). The first main purpose of which is to analyze the amount of foreign direct investment in India's textile sector during 2010-11 to 2018-19 and the second main purpose is to know the foreign direct investment made by the top five countries in India's textile sector during 2017-18. Apart from this, other secondary objectives are to obtain general information about the Indian textile industry and foreign direct investment. The data for the present research study is collected through secondary sources. The data obtained has been analyzed by presenting it in tabular form and also in graph form. Finally, the end of the present research study is critically evaluated by the researcher.

Key-words: Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Textile Industry

INTRODUCTION

In modern times, many industries have come into existence due to the development of technology, in which the textile industry is becoming an important unit in the economic sector. The specialty of the textile industry is to make unique fabrics from the raw materials required using natural resources. Among the many textile manufacturing units of the world, the Indian textile industry is one of the most important textile manufacturing units in the world. The reason for this is the availability of sufficient fertile black soil, irrigation facilities, and required manpower in India. Hence, India has abundant production of cotton and due to this, it ranks second in the world in the production of cotton cloth after China. The cotton textile industry has existed in India since the Indus Valley Civilization. At that time, the cloth was manufactured using ancient methods. At present, the "Technology Upgradation Fund Scheme (TUFS)" has been launched by the Central Government to enable the mills to modernize their machinery. Today, many towns in the country have textile mills. Among them, Mumbai, Ahmedabad, Bhiwandi, Solapur, Kolhapur, Nagpur, Indore, and Ujjain are the main and traditional centers.

Foreign direct investment means investments made by foreign nationals and institutions in the country. Which is also known as private foreign investment. For example, a foreign company making a contractual investment in an Indian company is called Foreign Direct Investment (FDI). According to Raghuram Rajan, Economic Adviser to the Government of India, FDI can reverse the softening trend in India's economic growth. Apart from this, credit rating can also be improved through FDI. Which can be considered an important matter from the perspective of India's economic reforms. FDI proves to be a boon for the overall development of a developing country like India.

RESEARCH OBJECTIVES

The objectives of the present research study are as follows:

1. To know the volume of FDI in Indian textile industry sector from 2009-10 to 2018-19.
2. To know the volume of FDI made during 2017-18 by the top five countries in Indian textile industry sector.
3. Getting general information about Indian textile industry and FDI.

RESEARCH METHODOLOGY

The present research study is an analytical study of the Indian textile industry and Foreign Direct Investment (FDI). The main purpose of which is to analyze the FDI in the textile industry sector of India. The data for the present research study is collected through secondary sources. The data obtained has been analyzed by presenting it in tabular form and graph form. Finally, the end of the present research study is critically evaluated by the researcher.

Brief information about the textile industry of India :

India ranks second in the world in the production of cotton cloth after China in the field of the textile industry. India produces 36 million bales of cotton every year. After China, India exports 5.2% of total global exports at US \$ 772 billion. India ranks second in the world with 0.33 billion US \$ jute exports. In the world, India holds the second rank in fiber production with a share of 13%. It ranks second in the world in raw silk production with an 18% share. India is a country with a 59% looms capacity, and also it has the 24% spinning capacity in the world. 45 million people are directly employed and 60 million people are indirectly employed in Indian Textile Industry. About 27% of the foreign exchange is received from the textile industry. The textile industry stake 2% of the country's GDP.

Brief information about Foreign Direct Investment (FDI) :

Foreign direct investment means investments made by foreign nationals and institutions in the country. It's also known as Private Foreign Investments. Foreign investment takes two forms: **(1) Direct Investment:** These investments are usually made to carry out production or economic activity. Currently, these types of investments are mostly made by multinational companies. They establish their branches in foreign countries or carry out the economic activity by collaborating with a company in that country through partnership. **(2) Portfolio Investment:** These types of investments are made by buying financial assets such as bonds and shares issued in that country. The objectives behind these two types of foreign investment are different. There may be various objectives behind making direct investments; For example, a foreign company wants to tap into the domestic market for its product or service, which is one of the objectives of some firms manufacturing automobiles in India. Beverage companies like Coca-Cola and Pepsi have moved to different countries to expand the market for their products. In some other instances, foreign firms enter to take advantage of falling production costs in that country. In such cases, the objective may be to produce the product in one country and export it to other countries. Some parts of the various auto parts manufactured in India by foreign companies are exported. In some cases, such foreign companies are used to paying less tax in the home country. It is true that in most instances the objective of direct investment is to earn special profits, but in some instances, the objective is also to create a kind of economic empire by capturing a large share of the international market for the commodity.

DATA ANALYSIS

Table no. 1: Year-wise information of FDI Inflows in Indian Textile Industry

Year	FDI (US\$ Millions)	Difference (US\$ Millions)	Difference(in %)
2011-12	164.19	+34.54	+26.64
2012-13	103.89	-60.3	-36.73
2013-14	198.86	+94.97	+91.41
2014-15	197.42	-1.44	-0.72
2015-16	230.13	+32.71	+16.56
2016-17	618.95	+388.82	+168.96
2017-18	454.45	-164.5	-26.58
2018-19	198.14	-256.31	-63.37
2019-20	323.52	+125.38	+63.27
2020-21	298.67	-24.85	-7.68

Source: Dept. of Industrial Policy & Promotion, Ministry of Textiles, Government of India

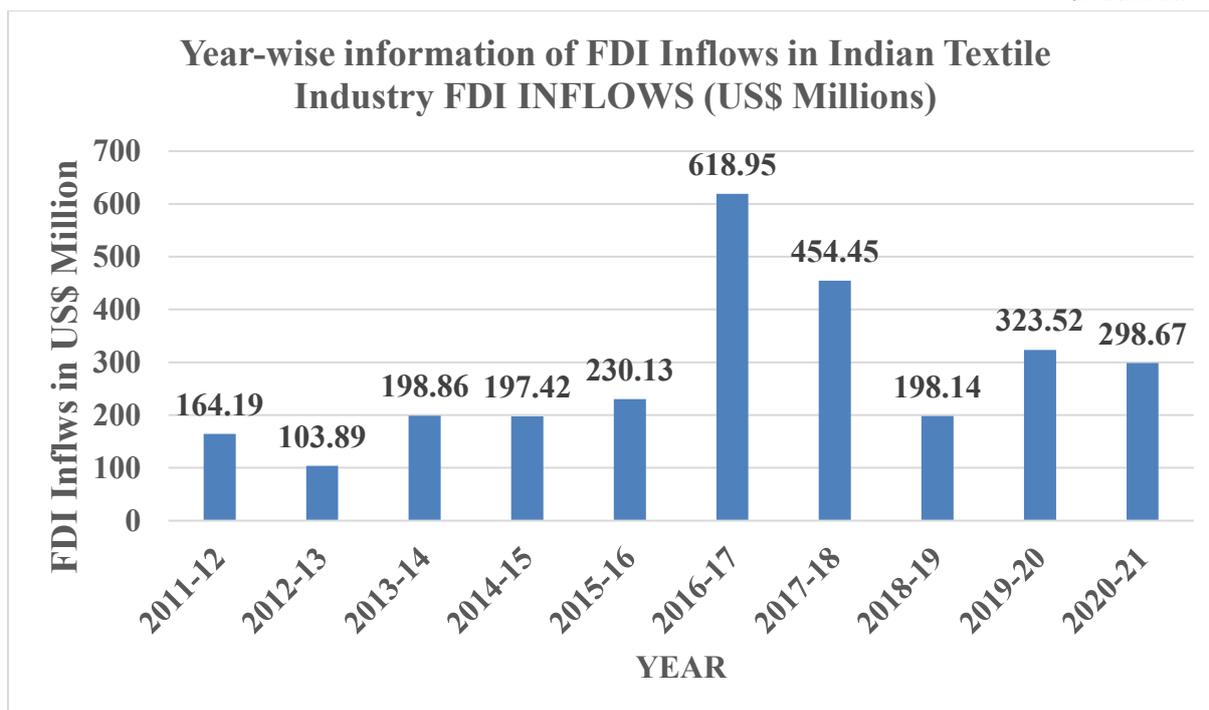
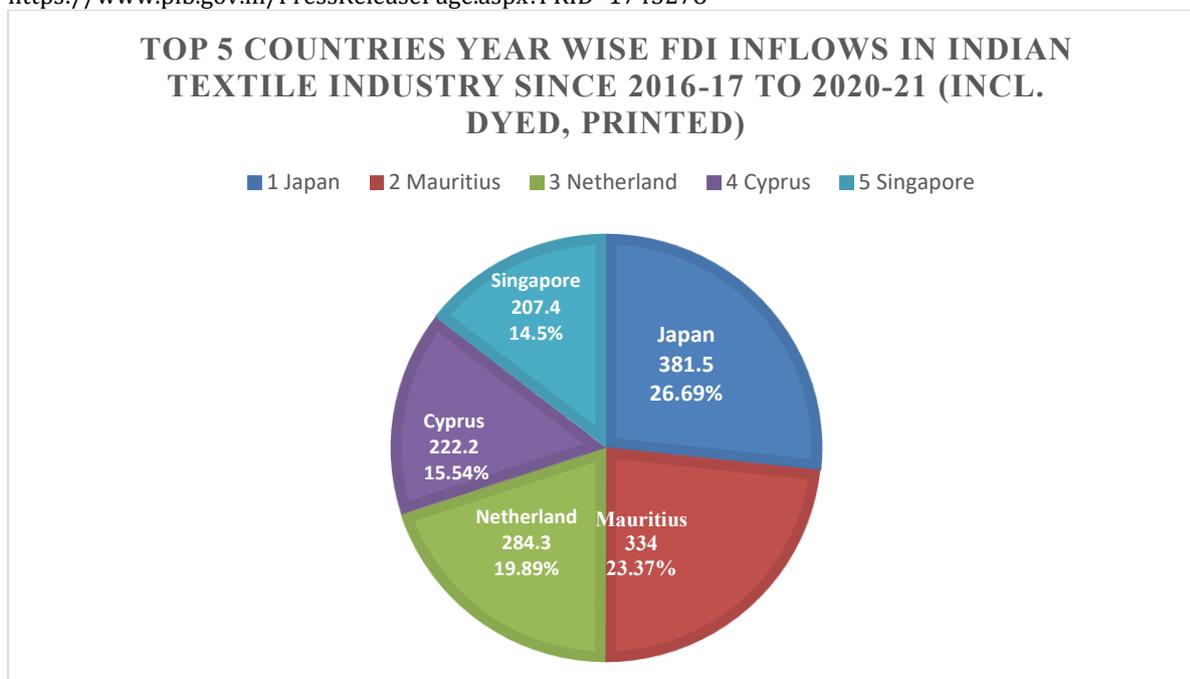


Table no. 2 : Top 5 Countries Year wise FDI Inflows in the Indian Textile Industry from 2016-17 to 2020-21 (Including Dyed, Printed)

No	Country	FDI Inflows (2016-17 to 2020-21)	Percentage
1	Japan	381.5	26.69
2	Mauritius	334	23.37
3	Netherland	284.3	19.89
4	Cyprus	222.2	15.54
5	Singapore	207.4	14.5
	Total	1429.4	100

Source : Dept. of Industrial Policy & Promotion, Ministry of Textiles, Govt. of India
<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1743278>



RESEARCH FINDINGS

From the table no.1, it can be deduced that the highest amount of FDI in the textile industry sector of India was 618.95 US \$ Million in the year 2016-17, which shows an increase of 388.82 US \$ Million compared to 2015-16, indicating an increase equal to 168.96%. While the lowest amount of FDI was 103.89 US \$ Million in the year 2012-13, which shows a decrease of 60.3 US \$ Million compared to 2011-12, indicating a decrease of -36.73 %. As per the view of percentage, The highest percentage is 168.96% in 2016-17 compared to 2015-16, while the lowest percentage is 863.37% in 2018-19 compared to 2017-18. Due to government efforts and various economic schemes, the amount of FDI in the textile industry sector in India has increased every year.

Table no. 2, shows the FDI volume of top five countries investing capital in the Indian textile industry. Japan country had been contributing highest amount of FDI in Indian Textile Industry from 2016-17 to 2020-21, which contributed 381.5 US \$ Million, which is 26.69% of the total amount. While the lowest amount of FDI is found in Singapore, Which is found to be 207.4 US \$ Million, which is found to be 14.5% of the total amount. Apart from this, the FDI of Mauritius in Indian textile industry is 334 US \$ millions i.e. 23.37%, Netherland 284.3 US \$ Million i.e. 19.89% and Cyprus 222.2 US \$ Million i.e. 15.54 %.

CONCLUSION

The present research study discusses the textile industry of India and the changes brought about by FDI. Looking at the statistics of FDI from 2011-12 to 2020-21, it can be said that every year there is a plus-minus increasing and decreasing in the amount of FDI. Also, looking at the statistical data of foreign country's stakes of FDI from 2016-17 to 2020-21, it can be said that, due to various economic schemes declared by the Indian government to attract FDI from abroad, the amount of FDI in the textile industry sector in India has increased to a good level. Thus, it can be said from the present research study that FDI increases the foreign exchange rate of the country, through which foreign payments can be made easily.

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Weblinks

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