

Incentives to textiles sector likely to boost domestic production

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The government is likely to hike import duty on about 300 textile products to boost domestic manufacturing and create employment opportunities, sources said.

Foreign direct investment norms for the sector may also be relaxed.

Products on which imports duties are expected to increase include some fabrics, garments and man-made fibres. The duties could be enhanced to 20 per cent from the current level of about 5-10 per cent. According to government sources, the finance ministry may soon issue a notification in this regard.

If the government decides to notify the duty hikes this week, then it would have to be first tabled in Parliament.

Increase in duties would give an edge to domestic manufacturers as the imported products are relatively cheaper. Increase in manufacturing activity will help create jobs in the sector, which employs about 10.5 crore people. In July, the government doubled import duty on over

50 textile products ~ including jackets, suits and carpets ~ to 20 per cent, a move that is aimed at promoting domestic manufacturing.

Through a notification, the Central Board of Indirect Taxes and Custom (CBIC) had hiked import duties as well as raised the ad-valorem rate of duty for certain items. The imported products which have become expensive include woven fabrics, dresses, trousers, suits and baby garments.

According to trade experts, India would not be able to give any direct exports incentive to the textile sector, so there is a need to support the segment to encourage domestic manufacturing. Imports of textile yarn, fabric, made-up articles grew by 8.58 per cent to \$168.64 million in June.

However, exports of cotton yarn/fabrics/made-ups, handloom products grew by 24 per cent to \$986.2 million. Man-made yarn/fabrics/made-ups exports grew by 8.45 per cent to \$403.4 million. Exports of all textile readymade garments dipped by 12.3 per cent to \$13.5 billion.