

## PROS AND CONS OF GLOBALIZATION ON INDIAN SERICULTURE INDUSTRY

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### **Abstract**

The wave of globalization appeared on India's shores in 1991, with the onset of liberalization and globalization a new chapter has dawned for India and her billion plus population. The world is more interdependent now than ever before. Money, services, technology and raw materials have broken the International barriers. Not only products and finances, but also ideas and cultures have breached the national boundaries. Globalization gradually phases out government control of the market (liberalization), privatize the public sector organizations (privatization) and reduce export subsidies and import barriers to enable free trade (globalization). The economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy; Sericulture Industry is one among them.

Sericulture is a multifaceted agro-based cottage industry, which aims at uplifting the socio-economic standards of its practioners. As a dynamic small-scale industry the employment potential of the silk industry is substantial. The major activities of sericulture comprises of food-plant cultivation to feed the silkworms which spin silk cocoons and reeling the cocoons for unwinding the silk filament for value added benefits such as processing and weaving. The broad-based development of the agro-based industry will improve both the social and physical infrastructure of India. Sericulture being an agro-based enterprise plays a predominant role in shaping the economic destiny of the rural people and fits very well in India's rural structure, where agriculture continues to be the main industry. In view of the significance of

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sericulture industry for the rural development we have made an to discuss the pros and cons of globalization on sericulture industry and strategies to be taken to meet the global challenge.

**Keywords:** Agro-based industry, Sericulture, Globalization

## Introduction

The Indian silk industry is an integral part of the Indian Textile Industry and is among the oldest industries in India. The Silk industry has an unique position in India, and plays an important role in Textile Industry and Export. India is the 2nd largest producer of silk in the world and contributes 18% of the total world raw silk production. In India silk is available with varieties such as, Mulberry, Eri, Tasar, and Muga. Sericulture plays vital role in cottage industry in the country. It is most labor-intensive sector that combines both Agriculture and Industry. This sector operates around 54000 villages all over country and provides employment to 7.25 million people spread over rural areas. The economic advantages of Sericulture industry lies in its high employment potential with low investment and frequent returns. One hectare of mulberry creates employment to 12-13 persons throughout the year. Sixty percent of them are women thereby supporting a greater role for women in development. It requires low gestation period and continues to yield for 15-16 years with little expenditure on maintenance. It gives higher returns, unlike other agricultural crops. Taken as a whole, sericulture holds the remarkable advantage of simultaneously addressing several India's development priorities related to economic growth and social empowerment.

Globalization signifies a process of internationalization plus liberalization, in which the world has become a small village due to the concept of globalization. The competition has become intense in every field. Effects of globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement etc.

With the onset of reforms to liberalize the Indian economy in July 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy; Sericulture Industry is one among them. Survival in the new global business market

calls for improved productivity. Due to the market becoming worldwide, sericulture industry have to upgrade the quality of the products, use technology skillfully and utilize all the avenues provided by Government in order to face increased competition. It is obvious that Indian sericulture Industry is at cross roads, therefore there is an urgent need to bring in a holistic approach i.e. from leaf to fabric production and marketing and ancillary units of the industry to produce the best at lowest possible cost so that the country could benefit and rely less on the imported silk. It is time for all who involved directly or indirectly in sericulture industry to join the hands to sail off the sericulture industry to the banks of safety and prosperity.

### **Scenario of Sericulture Industry in view of Globalization**

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. Globalization provided greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalisation has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalisation is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalisation of the Indian economy was constrained by the barriers to trade and investment liberalisation of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalisation The competition has become intense in every field. Nations fight with game plan to sustain their economy, by introducing new policies and announcing incentives to support mainly their economic- indicators.

Globalization has led to an 'Unequal Competition' - a competition between 'giant MNC's and dwarf Indian enterprises'. The small scale sector is a vital constituent of overall industrial sector of the country and contributing to a significant proportion of production, exports and employment. The impact of globalization has been uneven and responses to it are varied in terms of its positive and negative dimensions the world over. It has brought about changes in the business environment resulting into heightened competition, growth of the service sector and

conduction of the business across the border. The process of globalization has forced the organizations to change their system, management, culture and philosophy.

Sericulture has important socio-cultural implications and one of the rural based agro-industry with global reach. While providing sustainable income and employment opportunities to the rural poor who are the main practitioners, silk production activity fetches annual export earnings of more than US\$ 628.57 million (2010-11). Ever increasing demand to meet the domestic handloom industry requirements and equally increasing potential for exports, provide tremendous opportunities for sustainable development of Indian sericulture industry.

### **Need of quality silk production**

India has glorious sericulture tradition of its own, which no other country in the world can share. Silk is indispensable in ceremonies and religious rituals, being a must in weddings and festivals. From this it is very clear that it has very strong domestic market which is the real strength of Indian sericulture industry, yet this very favorable factor should not be an obstacle to achieve the best. There is a felt need for quality silk with reasonably competitive cost, which enables more and more product diversification to meet the global challenges in view of globalization.

But, bulk of the silk output i.e. 91.4% of the mulberry silk (Ishita roy, 2011) is from the cross breed while the remaining is of bivoltine. The need is to increase silk production and quality to take on competition in the WTO regime. Therefore, Indian silk industry needs to switch over to bivoltine hybrid silkworm rearing for production of superior quality silk and higher returns to farmers, as the quality of silk produced by indigenous breeds and Cross Breeds (CB) is low and cannot compete in the international market. Unless bivoltine cocoons are made available in sufficient quantities throughout the year and more importantly at prices comparable internationally, Indian silk industry cannot reach the desired levels of competence in view of globalization.

### **Demand and supply gap**

Another major problem of sericulture industry is gap between demand and supply. Domestic production of raw silk of the country is not sufficient to meet the rising demand of domestic and export requirement.

India has a strong and growing domestic market; which is expected to continue for a long period, around 85 percent of silk produced in the country goes for domestic consumption rest goes for export. However, the domestic production of raw silk is not sufficient to meet the rising domestic and export requirements. India produced around 21,005 metric tonnes in 2010-11; actual consumption of the country is around 29,000 metric tones (Vigneshwara Varmudy, 2011). Hence it is obvious that India's requirement of silk is much higher than its current production. It should be filled by increasing production of bivoltine quality silk. At the moment production of the required quality and quantity of silk with competitive price is herculean task. Hence the country is dependent upon imports to fill the demand and supply gap, mostly from China. Import of raw silk and silk fibre to India negatively affected the domestic producers and forced the Indian government to impose anti-dumping duty. Self-sufficiency in domestic production of raw silk and suitable business protection for domestic producers of silk may be a solution. The past four years trends show that the demand supply gap marginally reduced probably due to improvement in domestic raw silk production and its quality.

### **Exploitation of vanya silks**

India has the distinction of being only country in the world producing all the five commercially exploited silk varieties. Tasar, Eri and Muga silk are non mulberry silks which are wild silks and also known as Vanya Silks. The Vanya silks have more potentialities to grow as "Very Indian Silk" in the global market.. Vanya silks has its own unique beauty and ethnic culture with its unparallel textures, natural sheen, easy affinity for natural dyes, light in weight and high in moisture absorbency, and with baffling thermal properties...warm in winter and cool in summer, products of rich, salubrious climate and nourishing vegetation. Of the total production of 21,005 MT of raw silk produced in India during 2010-11, vanya silks contribute about 20 percent (4050). The Indian Vanya silks have a distinct identity of their own and this could be carefully used to develop premium products for a global market. Being treated as tribal crafts of hill folks these silks have great commercial importance because of huge demand in Indian as well as foreign markets. This is one of huge area to be focused.

### **Effective Utilization of Sericulture By-product**

Many by-products presently discarded as waste can be put to better use for financial gains and generation of value based products, thereby driving the industry to more profitable and economically viable position. An integrated exploitation of sericulture by-products and complete



utilization of silk fibre as marketable products and application for nutritional, cosmetic, pharmaceutical, biomedical, house building, automobile and art crafts will expand the new horizons. Still there is a vast scope to explore the sericulture byproducts for the welfare of the mankind which in turn enhance the income level of sericulturists and reduces the cost of production of silk to stand competitive in global scenario.

Therefore, it is imperative that adequate thrust on non conventional end uses of silk would create a positive pressure in the sector to concentrate on high quality raw material for high value addition, leading to a quantum leap forward.

### **Geographical Indications for traditional silks**

The concept of globalization that floundered the globe in recent years, thrown open new avenues on one hand and posed several challenges on the other. Among them, intellectual piracy is prominent one. One may recall the long, long struggle India had to make in proving the origin of Basmati rice and Turmeric, in the absence of published documentation to prove their historic and geographical belongingness. Since then, there has been increased awareness about the need to protect our products of uniqueness. Geographical indication (GI) provide better legal protection to any exclusive product produced in a specified place, intends to highlight its brand identity and preserve its historic, cultural and traditional importance and heritage.

Developed nations around the world have created the infrastructure by which their intellectual property is safeguarded. In order to remain competitive and to prevent the loss of its own properties, India must build similarly strong systems. The economic security of Indians lies in identifying their rightful geographic indications, and in remaining vigilant against potential abuses of these rights by competitors.

India has a number of distinct silk weaving clusters that are known for unique designs, weaves, colours, patterns, traditional knowledge (TK) and processes that are specific to a geographical region, and are guarded from centuries. Over the period, these products have become a brand by themselves, and recognized by their place of origin. Muga silks of Assam, Mysore silks of Mysore (Karnataka), Kanchipuram silks of Kanchi (Tamil Nadu), Brocades of Banaras (Uttar Pradesh), pochampalli sarees, Gadwal silks (Andhra Pradesh) are just to cite a few. The promulgation of Geographical Indication (GI) Act, 1999 by Government of India has created an avenue for protection of these unique products of the country. "Geographical Indication" is a form of intellectual Property right used to protect traditional products which

have uniqueness and reputation, in close correlation with geographical location. The Act stipulates protection of the market of the producers and safeguards the interests of the consumers of these unique products through registration and taking infringement action against the infringers. It is believed, that the IPR Protection of unique textiles products of the country with a predetermined market linkage strategy would help in brand building of the product, providing market linkages, generating more employment opportunities and enhanced income to the stakeholders besides bringing about regional specialization

### **Promotion of Silk mark**

India launched a logo on 17th June 2004 at Bangalore in the form of Silk Mark for its brand promotion. Silk mark, the world's first exclusive logo for silk will play a multi-dimensional role in the overall promotion of Indian silk, both in the domestic and export markets. The Silk Mark is a quality assurance label that ensures 100 percent natural silk. This means a silk mark product contains only pure silk in its base fabric allowing ornamental zari thread work as extra warp and weft at loom stage or after loom. Numerous other textile materials sold in the name of silk i.e. Art silk, Artificial silk and other glamorous names. Silk Mark is here to help the consumer to identify Silk - the Pure Silk! The vision of silk mark is to protect genuine interest of consumers, generic promotion of the silk and to build brand equity for the Indian silk internationally. Therefore, silk mark should be strongly promoted to facilitate recognition of silk products and as a guarantee of quality, to create a brand image for Indian silk in the international market and build quality into the products, blending heritage with the market requirements.

### **Impact of cheap imports on domestic silk industry**

India's inability to exploit the export potentials and dependency on imported raw material, another grave issue pertains to cheap imports of raw materials ruining the domestic sericulture industry ( G K Rajesh). The liberalization reforms withdrew tariffs and duties on imports, which protect and encourage domestic industry. As a result, cheap imports flooded the market, pushing prices of silk down. The increased import of raw silk and silk fibres to India negatively affected the domestic producers and forced many producers to abandon their profession. This ultimately forced the Indian government to impose anti-dumping duty initially on raw silk and afterwards on silk fibres. Poor productivity, poor quality, high cost of production and labour intensity

continue to be the bane of Indian silk industry. In order to cater to the needs of sophisticated powerlooms and in response to the relaxation in EXIM policies, large quantities of high quality silk has been imported at prices lower to local silk. This has reportedly disrupted the domestic silk reeling industry and farm sector, leading to considerable labour displacement. Protectionist government interventions have temporarily eased the problem. But how long these tariff protections could help the domestic industry is a question.

In India, raw silk attracts a higher duty at the rate of 30%, as compared to the intermediate and finished product, which attract duty at the rate of 10% each. With liberalization and globalization of the Indian economy, there had been reduction in the import duty structure. In 2001, India abolished its quantitative restrictions on silk imports on demand from the WTO. Indian sericulturists have been affected by the Government's decision to reduce the duty on import of silk from 30 percent to 5 percent. The move has led to a decline in the price of cocoons. In order to protect the interests of our weavers and silkworm rearers, Ministry of Commerce and Industry, extended the antidumping duty (ADD) on Chinese silk yarn till 2014. The reference price has also been changed and is placed at \$37.32 per kg against the prevailing level of \$27.92 per kg (Satya Sundaram 2010). Now it is duty of silk producers to improve the quality of silk and lower the cost of production of silk to meet the World market.

### Conclusion

From the various reports it is obvious that globalisation of silk trade has some negative impact for countries like India in terms of increased import of raw materials and subsequent shutdown of domestic units. Between China and India, the silk trade is mostly one sided i.e., from China to India. It is found that India is a very good market for China for both raw silk and final products. It is obvious that Indian sericulture Industry is at cross roads, therefore there is an urgent need to bring in a holistic approach i.e. from leaf to fabric production and marketing and ancillary units of the industry to produce the best at lowest possible cost so that the country could benefit and rely less on the imported silk. Indian Silk industry should concentrate to enhance quality and quantity of production to meet the National and International challenges by grabbing the opportunities and avenues available and National and International perspective. In the Global scenario Indian sericulture Industry has to move from cottage –based production to large scale manufacturing as in China, so as to compete with China. Self-sufficiency in domestic production of raw silk and suitable business protection for domestic producers of silk may be a solution.



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