

# **Sustainable Development Retail Textile industry in India Transformation and diversification of the rural economy: A Critical Review**

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## **ABSTRACT**

In September 2015, all United Nations (UN) member states agreed to implement the Sustainable Development Goals (SDGs) by 2030. All sectors—government, private, and civil society—have a role to play in bringing these interrelated goals to life. For companies, the SDGs offer a natural framework to drive business value while impacting a transformative set of sustainability, economic, and social targets. Four in ten of the world's largest companies today reference the SDGs in their corporate reporting, suggesting that there is growing business interest in aligning with the SDGs since their 2015 launch. Investors are increasingly using the SDGs to better understand environmental, social, and governance (ESG) performance. Despite this progress, there is not yet an established process, benchmarks, or standard for reporting on the SDGs, even though many organizations are developing tools and approaches to help companies respond. More work is needed if the global community can hope to put an end to global poverty by 2030. In order to help advance the implementation of the SDGs, KPMG partnered with the UN Global Compact following the launch of the SDGs in 2015 to develop the SDG Industry Matrix, a series of publications that profiled shared value opportunities and aligned these to each SDG target. This report, *Threading the needle: Weaving the Sustainable Development Goals into the textile, retail, and apparel industry*, builds on the SDG matrices to focus in on the unique opportunities for companies in the textile, retail, and apparel sectors to scale positive social, environmental, and economic impact through the SDGs. The SDGs may offer companies both a business opportunity and a framework to manage operational risks. These goals should not be viewed as another compliance requirement. The issues highlighted by the SDGs—renewable energy, workforce development, gender equity, and responsible consumption, among others—have a direct impact on corporate profitability, sustainability, and risk environment. The Better Business, Better World report estimates that achieving the SDGs creates \$12 trillion in market opportunities,

including economic clusters directly relevant to the textile, retail, and apparel industry: food and agriculture, cities, energy, and materials<sup>4</sup>. Companies in the sector have the potential to tap into this unprecedented opportunity by adopting a cluster-based approach to the SDGs that leverages the industry's key strengths: developing sustainably sourced and durable products; building responsible, ethical, and engaged supply chains; and tapping into underexploited markets. This report outlines industry-specific examples that can serve as building blocks to help companies.

## I. SUSTAINABLE DEVELOPMENT RETAIL TEXTILE INDUSTRY IN INDIA TRANSFORMATION AND DIVERSIFICATION

There are several opportunities to engage with the SDGs. Opportunities range from purely commercial to shared value approaches for companies across the textile, retail, and apparel value chain. Suppliers, brands, and retailers have unique opportunities to integrate the SDGs into their business planning and operations. For example, suppliers represent the bulk of the environmental and social footprint of a company with a multitiered supply chain. Brands can leverage market penetration, customer relationships, and the ability to shape market trends to drive the industry toward a more sustainable future. Retailers work with a vast network of brands and suppliers to ensure that products they sell meet required quality, variety, and price points. Yet all companies across the value chain seeking to operate in a more responsible way face a set of common social and environmental cross-cutting issues: gender equity; climate action; better livelihoods, equitable employment, human rights, and labor rights. For each of these players, adopting a sustainability strategy with the right mix of foundational considerations, level of effort, and business value can contribute to the implementation of the SDGs across the supply chain. The SDGs build on a rich history of sustainability efforts by the industry. Sustainability is not a new issue for the sector, which has in many ways been at the forefront of corporate sustainability. This report demonstrates examples where the sector has contributed to helping transform sustainable agriculture systems towards the adoption of more sustainable fibers and materials. It has formed transformative partnerships such as the Sustainable Apparel Coalition, Textile Exchange, and ZDHC to address critical environmental and social issues, and established effective standards to promote sustainable products. At the same time, challenges such as the ongoing need to address human rights and labor issues, continue across the supply chain. The SDGs can help accelerate and scale existing programs and expand commitments to further secure the value chain while improving the lives of millions of customers and workers worldwide.

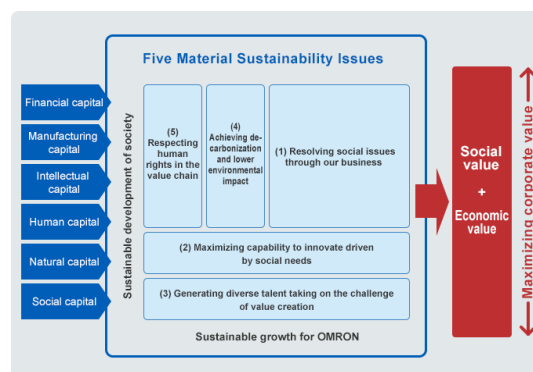


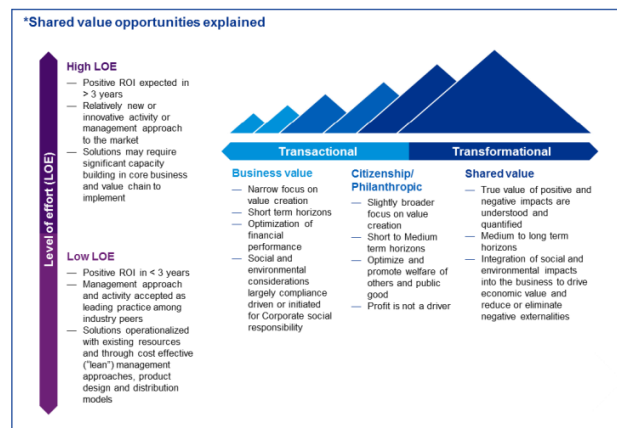
Fig.1.Sustainable Growth for OMRON.

The SDGs can help companies engage with governments as they seek to design and implement interventions related to the SDGs. Governments are increasingly adopting the SDGs as a policy framework for development. However, they cannot do it alone and are looking to the private sector's scale, resources, and technical expertise to plug the estimated \$2.5 trillion development investment gap to meet the SDGs5 . The country considerations section of this report identifies capacity gaps that developed and developing countries are facing with regard to SDG implementation. As companies seek business models, products, and programs that align with broader business goals, these capacity gaps serve as potential areas for collaboration for companies looking to create real, lasting social and environmental impact in the communities in which they operate while meeting business goals. Collaborating with the right partners can lead to transformative results. Partnerships appear to have and will continue to play an important role in achieving development impact within the textile, retail, and apparel industry. For companies grappling with the SDGs, it may be useful to leverage existing initiatives for collaborative action. This report provides a snapshot of leading partnerships, multistakeholder initiatives, and resources directly relevant to companies in the sector. In addition, the report highlights a representative list of key resources to further exemplify SDG opportunities

## **II. EMPOWER WOMEN THROUGH BETTER LIVELIHOODS AND EQUITABLE EMPLOYMENT**

The textile industry has the potential to lift millions of people and women in particular out of poverty while advancing gender equality. Good quality jobs in the sector can catalyze women's economic empowerment, offer social protection and measures to balance work and family, and promote an environment free from discrimination and harassment. Research indicates that garment work as a sector employs significant numbers of women and has a positive impact on economic growth. This has been evidenced by delaying marriage, reducing the number of children women have, increasing education, as well as women's decision-making powers at home and in the community. However, persistent challenges in the sector remain. Occupational segregation, working hours, health and safety, low pay and the gender wage gap, failure to pay overtime, and underrepresentation of women in supervisory roles are among the challenges facing women. In addition, the introduction of new technologies and increased automation have shown biases to hire more men, resulting in these opportunities going to a larger proportion of male workers and supervisors. Apparel companies have invested heavily to support women workers around the world. However, continuous adaptation and implementation of policies are needed to respond to the complex landscape of the sector, and to counter cultural barriers. Globalization and price competitiveness have contributed to textiles and apparel manufacturing moving to less-developed countries where the industry's workforce often faces long working hours, low wages, and sometimes insufficient occupational safety. The risks associated with this operating environment have increased the importance of human and labor rights considerations for companies in these markets. Across the value chain, companies are seeking to operate in a responsible way by incorporating human and labor rights considerations into business practices. However, as more countries graduate into middle-income status, low-cost country sourcing becomes a short-term solution to a long-term challenge of value creation. Today's suppliers, brands, and retailers comply with a myriad of business processes and controls to ensure equitable and safe working environments, including audits, codes of conduct, grievance mechanisms, and risk assessments related to human

rights The way that brands and retailers make internal decisions and communicate with suppliers' factories can potentially impact whether products are delivered in an ethical way. Large and unpredictable order requests with tight time lines at the lowest possible cost place significant operational burdens on suppliers, often resulting in poor factory environmental and workplace performance. In particular, these changes may impact the ability of a manufacturer to meet established codes of conduct and social and environmental standards. In addition, suppliers are incentivized to push overtime or use unauthorized subcontractors to meet production targets. The key is going beyond auditing and remediation and towards reviewing internal policies, design, manufacturing, and product development<sup>16</sup>. Understanding the processes, redundancies, and breaks in communication with suppliers can foster better financial performance as suppliers and retailers manage a more stable and transparent supply chain. and labor standards. The issues around fair prices for products, raw materials, social protections, and wages—including calculations of fair trade and living wage—may be seen as part of a broader value creation strategy, rather than through a compliance-only lens, which may then be embedded in sourcing and pricing decisions.



**Fig.1. Shared value opportunities explained.**

Women's economic empowerment is central to realizing women's rights and gender equality. Women's economic empowerment includes women's ability to participate equally in existing markets; their access to and control over productive resources, access to decent work, control over their own time, lives and bodies; and increased voice, agency and meaningful participation in economic decision-making at all levels from the household to international institutions. Empowering women in the economy and closing gender gaps in the world of work are key to achieving the 2030 Agenda for Sustainable Development and achieving the Sustainable Development Goals, particularly Goal 5, to achieve gender equality, and Goal 8, to promote full and productive employment and decent work for all; also Goal 1 on ending poverty, Goal 2 on food security, Goal 3 on ensuring health and Goal 10 on reducing inequalities. When more women work, economies grow. Women's economic empowerment boosts productivity, increases economic diversification and income equality in addition to other positive development outcomes.<sup>[2]</sup> For example, increasing the female employment rates in OECD countries to match that of Sweden, could boost GDP by over USD 6 trillion,<sup>[3]</sup> recognizing, however, that growth does not automatically lead to a reduction in gender-based inequality. Conversely, it is estimated that gender gaps cost the economy some 15 percent of GDP.<sup>[4]</sup> Increasing women's and girls' educational

attainment contributes to women's economic empowerment and more inclusive economic growth. Education, upskilling and re-skilling over the life course – especially to keep pace with rapid technological and digital transformations affecting jobs—are critical for women's and girl's health and wellbeing, as well as their income-generation opportunities and participation in the formal labour market. Increased educational attainment accounts for about 50 per cent of the economic growth in OECD countries over the past 50 years.[5] But, for the majority of women, significant gains in education have not translated into better labour market outcomes.[6] Women's economic equality is good for business. Companies greatly benefit from increasing employment and leadership opportunities for women, which is shown to increase organizational effectiveness and growth. It is estimated that companies with three or more women in senior management functions score higher in all dimensions of organizational performance.[7]

### **III. RURAL ECONOMY: A CRITICAL REVIEW**

1. In India, the textiles sector has historically been a significant contributor to the country's economy. In 2018, it accounts for approximately 13 per cent of total exports, makes up 10 percent of the country's manufacturing production, between two to five percent of GDP, and directly employs about 45 million people.
2. India's overall textile exports during the 2015–2016 fiscal year was \$40 billion. However, India's textile exports are expected to miss the \$45 billion 2018 target as the industry adjusts to the Goods and Services Tax roll out and tariff advantages enjoyed by competitors like Bangladesh and Vietnam.
3. Unlike Indonesia, there are close linkages between the textile industry and agriculture (for sourcing raw materials such as cotton). The production of cotton in India is estimated to increase by 9.3 per cent year-on-year to reach 37.7 million bales in FY 2017–18. The total area under cultivation of cotton in India is expected to increase by 7 per cent to 11.3 million hectares in 2017–18, on account of expectations of better returns from rising prices and improved crop yields during the year 2016–17
4. The Indian textiles industry is extremely varied and is divided into two broad segments: - Unorganized or traditional sector which comprises handloom, handicrafts and sericulture, all of which are operated on a small scale and through traditional tools and methods. - Organized or mechanized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.
5. To boost competitiveness in these two sectors, the Government has introduced a number of initiatives and reforms under the Make in India Campaign to promote the sector including duty rewards to eligible textile and apparel categories, an interest equalization scheme on pre and post shipment rupee export credit for five years for Indian exporters competing with countries like Vietnam, and lowered basic customs duty.
6. The Government of India has also launched several initiatives to encourage foreign and domestic investment, while building capacity for local small and medium enterprises. For example, the Integrated Processing Development Scheme has provided \$61.42 million (INR 419 crore) to 3000 small and medium enterprises to encourage the development of common effluent treatment plans with compliant treatment technology. It is in the process of implementing a \$152.17 million (INR 1038.10 crore) North East Region Textile Promotion scheme to promote employment and encourage entrepreneurship in women in the garment sector.



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