

Budget 2026: A Turning Point for India's Textile Sector?

Published on 10 Jan 2026 | By IFI Correspondent



As the **Union Budget 2026–27** approaches, India's textile and apparel industry stands at a pivotal juncture. Contributing significantly to both employment and GDP, the sector is grappling with rising input costs, global competition, and shifting supply chains. Industry experts believe that targeted policy measures in the upcoming Budget could provide the necessary boost to strengthen India's position in the global textile market.

Textiles: A Cornerstone of India's Economy

Accounting for roughly **2–3% of India's GDP** and nearly **13% of the country's industrial output**, the textile and apparel sector is one of the largest employers, providing jobs to **over 45 million people** across the value chain — from cotton cultivation and spinning to garment production and exports.

Despite its scale, the industry faces increasing challenges. Competing nations like **Bangladesh, Vietnam, and China** offer lower labour costs, more efficient production processes, and advantageous trade agreements, which have eroded some of India's price competitiveness in key export markets such as the European Union and the United States.

Global Supply Shifts Present Opportunities

While global disruptions and tariffs have created headwinds, they have also opened doors for India to **emerge as a reliable alternative for apparel sourcing**. With a diverse and geographically distributed ecosystem encompassing **farmers, spinners, weavers, processors, and exporters**, India is well-positioned to meet growing global demand for diversified textile supply chains.

Analysts suggest that by improving productivity, streamlining operations, and reducing costs, Indian manufacturers could not only retain existing markets but also tap into new ones, helping the government achieve its target of **\$100 billion in textile exports by 2030**. States such as **Tamil Nadu, Gujarat, Uttar Pradesh, and West Bengal** are likely to benefit the most from these growth opportunities.

Government Initiatives and Budget Outlook

The government has already launched several schemes to support the sector. The **Production Linked Incentive (PLI) program** for textiles has been extended and made accessible to a broader set of manufacturers, covering **man-made fibre (MMF) apparel, fabrics, and technical textiles**.

Other key initiatives include:

- **PM MITRA textile parks**, aimed at reducing logistics costs and improving production efficiency,

- **Enhanced FDI policies** and new **Free Trade Agreements (FTAs)** to diversify export markets, and
- **Industry surveys and data initiatives** to identify structural bottlenecks and inform policy decisions.

Ahead of the Budget, industry leaders are calling for additional measures, such as:

- Subsidies or incentives to lower production costs,
- Easier access to export financing,
- Export risk-sharing mechanisms, and
- Skill-development programs aligned with modern manufacturing needs.

Such policies, experts argue, could help Indian textile firms **bridge the global competitiveness gap** while fostering employment and regional industrial growth.

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