



TEXTILE SECTOR AND ESG CHALLENGES - GS III MAINS

Q. The textile industry is coming under greater Environmental, social and governance (ESG) scrutiny. Critically analyse the impacts of ESG scrutiny on the stagnant textile sector in India. (15 marks, 250 words)

News: *Textile Sector and the Global ESG Challenge*

What's in the news?

- The textile industry is coming under greater Environmental, Social and Governance (ESG) scrutiny.

Textile industry:

- **India holds a 4% share** of the \$840 billion global textile and apparel market and is in fifth position.
- India is also the **second largest producer of silk in the world and 95% of the world's hand woven fabric comes from India.**
- India is the **6th largest producer of Technical Textiles** with 6% Global Share, largest producer of cotton & jute in the world.

ESG:

- ESG stands for: “**Environmental, Social and Governance**”.
- The term ESG was coined by the Global Compact in 2004.
- ESG is described as a set of principles (policies, processes, metrics, etc.) that organizations apply to **limit negative impact or enhance positive impact on the environment, society and governance bodies.**
- ESG serves as an evaluation technique that takes into account environmental, social and governance issues. In the private sector there is a set of ESG criteria that are used to evaluate company risks and practices.
- ESG frameworks are important for **sustainable investing** because they can help individuals or other corporations determine whether a company is aligned with their values, as well as analyze the ultimate value of a company for their purposes.
- ESG covers issues that are, for the most part, **long-term considerations.**
- ESG risks are similar to other business risks in that they are important to understand, identify, quantify and manage, but some ESG risks have the added complexity of being unpredictable.
- Another characteristic of ESG risks is that they can be **very costly.**



- ESG risk management supports sustainable, long-term growth by actively evaluating potential issues.

Sustainable Practices in Indian Textile Sector:

- **Renewable Energy Dominance:** Tamil Nadu's textile sector contributes over 50% of the state's renewable energy capacity.
- **Sustainable Processes in Clusters:** Tiruppur showcases nearly 300 units connected to zero liquid discharge effluent treatment plants.
- **Recycled Fibers in Panipat:** Panipat's open-end spinners exclusively use recycled fiber, demonstrating a commitment to sustainable practices.

Consequences of ESG norms:

- **Compliance Challenges:** Small and medium enterprises may face difficulties adhering to stringent ESG standards, leading to increased compliance costs and operational challenges.
- **Global Market Access:** ESG compliance could enhance India's access to global markets, especially those with a focus on sustainable practices, potentially boosting exports.
- **Investment in Sustainability:** Industries may need to invest in sustainable practices and technologies to meet ESG requirements, fostering innovation and resource efficiency.
- **Financial Implications:** The implementation of ESG norms may require financial institutions to fund green and sustainable projects, impacting the cost and availability of financing.
- **Competitiveness and Reputation:** Companies aligning with ESG norms may enhance their competitiveness and reputation, attracting environmentally conscious investors and consumers.
- **Government Initiatives:** The government may introduce supportive policies, task forces, and interventions to facilitate ESG compliance, aligning with global sustainability trends.
- **Shift in Consumer Behaviour:** ESG awareness may influence consumer preferences, prompting a demand for sustainable products and influencing industries' production strategies.
- **Trade Negotiations:** ESG norms might be linked to international trade negotiations, potentially acting as a barrier or facilitating trade partnerships based on shared sustainability goals.

WAY FORWARD:

- **Annual Sustainability Reports:** Major garment exporters releasing annual sustainability reports, showcasing commitment to transparency and accountability.



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- **Collaborative Green Footprints:** Textile clusters like Tiruppur showcasing collective green footprints, preparing for global exhibitions with sustainability-focused exhibits.
- **Financial and Institutional Support:** Initiatives by the Ministry of Textiles, industrial associations, and financial institutions to support ESG compliance, certification, and sustainable projects.

