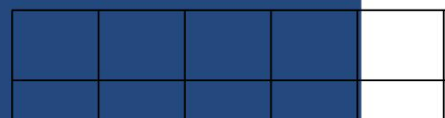


Policy Brief

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Leveraging Sustainability for Textile Trade Competitiveness



About Policy Consensus Centre (PCC)

The Policy Consensus Centre (PCC), founded by Ms. Nirupama Soundararajan and Mr. Arindam Goswami, emerges with a distinct mission: to conduct impactful policy research and drive policy transformations. Our focus encompasses pivotal sectors crucial for India's advancement, along with those that have been underexplored. In the intricate landscape of India, divergent opinions often hinder consensus-building for policymakers amidst diverse stakeholders.

PCC stands dedicated to comprehensive, evidence-driven research, promoting inclusivity and rigor. Our objective resides in cultivating accord among stakeholders through independent, data-centric analysis, a catalyst for meaningful policy shifts. In a climate where some research entities avoid unconventional subjects, PCC remains resolute in advocating thorough exploration across all sectors. Our belief underscores the necessity to scrutinize seemingly unconventional domains, an approach vital for identifying accurate risks and formulating sound policies.

PCC champions the synergy of economic rationale and empirical data, pivotal in fostering consensus and enabling effective policymaker engagement. In essence, PCC embodies a pioneering spirit committed to navigating uncharted territories, propelling well-informed policy decisions for India's holistic growth.

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List of Abbreviations

BRSR	Business Responsibility and Sustainability Reporting
CBAM	Carbon Border Adjustment Mechanism
CBAs	Carbon Border Adjustments
CCTS	Carbon Credit Trading Scheme
CETPs	Common Effluent Treatment Plants
ETS	Emissions Trading System .
ESG	Environmental, Social, and Governance
EU	European Union
FY	Financial Year
GDP	Gross Domestic Product
GX	Green Transformation
INR	Indian Rupee
LCA	Life Cycle Analysis
PM MITRA	Prime Minister Mega Integrated Textile Region and Apparel
MSMEs	Micro, Small, and Medium Enterprise
PAT	Perform, Achieve and Trade
PLI	Production Linked Incentive
RAMP	Raising and Accelerating MSME Performance
SEBI	Securities and Exchange Board of India
US	United States
WTO	World Trade Organization
ZLD	Zero Liquid Discharge

1. Introduction

India's textile and apparel sector remains one of the country's most strategically important manufacturing industries. It is deeply linked with exports, employment generation, rural livelihoods, MSMEs, women's workforce participation, and industrialisation. The sector contributes around 2 per cent to our GDP (as of February 2026), which is expected to rise to 5 per cent by the end of decade.¹ Furthermore, the textile sector in India provides direct employment to around 45 million people and is a source livelihood for more than 100 million people indirectly, including a large number of women and rural population.²

India is currently among the world's largest textile and apparel producers and exporters. According to the 2025-26 Annual Report of the Ministry of Textiles, the Indian textile sector ranked sixth globally in terms of export, contributing around 8.63 per cent to India's total export and 4.1 per cent to the global textile and apparel trade.³ Total textile exports, including handicrafts, increased from INR 3,09,859.30 crore in FY 2024-25 to INR 3,16,334.90 crore in FY 2025-26, registering a growth of 2.1 per cent.⁴ Ready-made garments remain the largest export contributor.

However, India's global competitiveness is increasingly under pressure. While absolute export values have grown, India's global market share has remained relatively stagnant compared to faster-growing competitors such as Bangladesh and Vietnam.⁵ China, despite rising labour costs, continues to dominate through scale, integration, logistics efficiency, and technological sophistication.⁶

At the same time, global textile trade itself is undergoing structural transformation. Sustainability considerations are increasingly shaping sourcing decisions, investment flows, trade regulations, and consumer preferences. ESG-linked procurement standards, supply-chain traceability, decarbonisation expectations, and environmental due diligence requirements are becoming embedded within global textile value chains. This transition presents both a competitiveness challenge for India, and a strategic opportunity to reposition itself as a sustainable textile sourcing and manufacturing hub. The central policy question therefore is no longer whether sustainability matters to textile trade competitiveness, but whether India can leverage sustainability strategically enough to strengthen and further its export position over the next decade.

¹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2117470®=3&lang=2>

² <https://www.texmin.gov.in/static/uploads/2026/05/5c48e80d2180ca3194b9e9b01340696d.pdf>

³ <https://www.texmin.gov.in/static/uploads/2026/05/5c48e80d2180ca3194b9e9b01340696d.pdf>

⁴ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2254367®=3&lang=1>

⁵ <https://oec.world/en/profile/hs/textiles?selector1942id=pctOption>

⁶ <https://www.kenresearch.com/industry-reports/china-textile-market>

2. Sustainability and the Global Reorganisation of Textile Trade

2.1 Sustainability as a Trade Issue

Sustainability is increasingly becoming a core determinant of market access. Global buyers are now evaluating suppliers not only on price, quality, and delivery timelines, but also on carbon footprint, responsible water consumption, labour standards, traceability, clean energy, and disclosure of ESG practices. Large global brands are also demanding science-based emission targets, recycled content, supply chain transparency, and circular production model.⁷ This transition is especially visible in the Strategy for Sustainable and Circular Textile of the European Union (EU), the United States (US) textile procurement norms and investor led ESG programmes. Over the last decade, sustainability regulations have shifted from voluntary corporate responsibility frameworks into central components of international trade governance and industrial policies. Environmental and ESG linked standards are steadily reshaping global value chains, particularly in carbon and resource intensive industries such as textiles.

2.2 European Green Deal and Carbon Border Adjustments

The EU has emerged as one of the principal drivers of this transition through a series of regulatory initiatives under the larger framework of the European Green Deal. It aims to cut emission by at least 50 per cent by 2030, rising towards 55 per cent, while legally binding the 2050 neutrality goal through the European Climate Law.⁸ The European Green Deal seeks to prevent “carbon leakage,” strengthen green industrial transformation, and create a sustainability-oriented single market. The Green Deal has significantly accelerated sustainability compliance expectations across global supply chains. Even sectors not directly regulated under current mechanisms are witnessing increased buyer pressure for emissions disclosures, traceability, and sustainable sourcing. A core legislative pillar of the European Green Deal is the Carbon Border Adjustment Mechanism (CBAM). The CBAM is a tool that puts a fair price on carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.⁹ Its primary purpose is to ensure that imported goods bear carbon costs comparable to products manufactured within the EU under the EU Emissions Trading System (ETS). Although textiles are not currently covered, CBAM has raised significant concern across several export-oriented businesses, including textiles, regarding future carbon linked trade measures.

Other than EU, other economies such as Canada and Japan are also contemplating CBAM like mechanism. Canada is actively engaging with industry stakeholders to evaluate how carbon border adjustments (CBAs) could protect energy-intensive, trade-exposed industries (like steel, aluminium, and cement) from unfair foreign competition

⁷ <https://sustainabilitymag.com/top10/top-10-brands-embracing-the-circular-economy-in-2023>

⁸ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

⁹ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

and prevent carbon leakage.¹⁰ On the other hand, Japan piloted a phased carbon market through the Green Transformation (GX) -League and Green Transformation – Emission Trading System (GX-ETS) in April 2022 and April 2023 respectively¹¹ and plans to introduce a carbon tax by 2028.¹² Once introduced, the impact of the carbon tax is expected to be transferred to the upstream value chain.

2.3 EU Strategy for Sustainable and Circular Textiles

The European Commission's Strategy for Sustainable and Circular Textiles was released in March 2022 under the broader European Green Deal and Circular Economy Action Plan. While it is not a trade regulation in the traditional tariff sense, this policy seeks to transition the textile sector toward a more sustainable, resource-efficient, low-carbon, and circular economic model by 2030.¹³ The strategy emerged because the EU identified textiles as one of the most environmentally damaging consumption sectors in Europe with the fourth highest impact on climate and environment, third highest in water and land use, and fifth highest in raw material consumption and greenhouse gas emissions. The strategy focuses on promoting eco-design requirements, circular production systems, recycled fibre usage, traceability mechanisms such as Digital Product Passports, and stricter standards relating to chemical use and environmental performance. The strategy reflects a larger shift in global trade governance, wherein sustainability considerations are becoming imperatives within market access conditions, supply-chain management, and industrial competitiveness frameworks, rather than being voluntary corporate commitments.

Although this strategy doesn't directly impact or explicitly restrict Indian textile exports, the industry is already preparing itself by upgrading compliance requirements to meet foreseeable mandates.¹⁴ Exporters are now required to demonstrate greater transparency regarding emissions, traceability, recycled content, labour standards, and environmental performance, across supply chains. This has increased pressure on firms, particularly MSMEs in developing economies, to invest in cleaner technologies, sustainability reporting systems, wastewater treatment, renewable energy adoption, and traceability infrastructure.

¹⁰ <https://www.canada.ca/en/departement-finance/programmes/consultations/2021/border-carbon-adjustments/exploring-border-carbon-adjustments-canada.html>

¹¹ <https://www.carbon-direct.com/insights/inside-japan-s-gx-ets-carbon-market-and-its-global-climate-impact>

¹² <https://www.iioa.org/conferences/31st/papers/files/5454.pdf>

¹³ https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_2015

¹⁴ <https://www.reuters.com/world/india/indian-textile-exporters-turn-europe-offer-discounts-offset-us-tariffs-2025-10-14>

3. Challenges in the Textile Sector in India

3.1 Environmental Sustainability Challenges

Environmental sustainability concerns within the textile sector in India have emerged as a major area of policy and industry focus owing to the sector's major ecological footprint and its relationship with global sustainability linked trade frameworks. Dyeing and processing activities within textile manufacturing are considered among the most resource intensive industrial operations due to high levels of water consumption, chemical usage, and wastewater generation. Media reports have highlighted the environmental stress experienced by major textile clusters such as Tiruppur (Tamil Nadu), Surat (Gujarat), and, Panipat (Haryana), where untreated or inadequately treated, industrial wastes have historically contributed to groundwater depletion and river pollution.¹⁵

Beside water pollution, the textile sector remains heavily dependent on conventional energy sources, including coal based thermal power and fossil fuel driven industrial operations, particularly among MSMEs and processing units.¹⁶ Though the requirements for transitioning to renewable energy adoption, energy-efficient machinery, cleaner production technologies, and low-carbon manufacturing systems are becoming increasingly crucial, it remains low due to high capital costs, limited technological access, and financing constraints, especially among smaller enterprises.

In addition to water and emissions concerns, the textile industry has remained under scrutiny for issues relating to waste generation, circular economy integration, and sustainable raw material sourcing. Globally textile industry is facing mounting scrutiny for its contribution to landfill waste, low recycling rates, and linear production-consumption patterns associated with fast fashion.¹⁷ India, however, possesses certain structural advantages in this regard, including established informal recycling networks, a large reuse economy, and significant organic cotton production capacity which could provide the Indian textile sector with an opportunity to position itself as a competitive contender within emerging circular textile value chains.¹⁸ At the same time, challenges relating to formalisation, traceability, recycled fibre integration, and sustainable production standards continue to constrain large scale adoption of circular manufacturing systems.

3.2 Social Sustainability and Labour Dimensions

Environmental challenges apart, the textile sector also faces challenges on the social sustainability front. The textile sector in India remains heavily reliant on informal and

¹⁵ <https://sustainability17.com/where-fast-fashion-is-destroying-india-tiruppur-surat-panipat-exposed/>

¹⁶ https://www.vasudha-foundation.org/wp-content/uploads/Textile-DEF-Report_FINAL_LD-24-07-25.pdf

¹⁷ <https://www.sciencedirect.com/science/article/pii/S266679082500028X#sec1>

¹⁸ <https://www.ibef.org/blogs/india-s-textile-industry-embracing-sustainability-and-innovation>

semi-formal labour arrangements, particularly across MSME clusters and labour-intensive manufacturing segments. Existing literature has highlighted concerns relating to wage variability, contractual employment practices, uneven labour compliance, occupational safety issues, and gaps in social protection coverage¹⁹ though the new Labour Codes has simplified compliance while strengthening worker welfare.²⁰ At the same time, the sector continues to play a significant role in supporting women's employment, rural industrial activity, and large-scale livelihood generation. As a result, policymakers and industry stakeholders face the challenge of improving labour standards and workplace conditions while maintaining cost competitiveness and employment intensity within the sector.

3.3 MSME Vulnerability

Since the Indian textile sector is mostly MSME based, most businesses often face limited technology capacity, weak ESG reporting systems, high certification costs, and restricted access to capital. This further adds to challenges such as traceability, emissions disclosure, and compliance documentation across the supply chain, which majority global buyers have started demanding. Thus, sustainability risks will become a competitiveness barrier for smaller firms unless collective transition mechanisms are developed.

4. Policy Scenario in the Textile Sector in India

The Ministry of Textiles has integrated sustainability and ESG related considerations into textile sector policy through a combination of infrastructure development, technology upgradation, circular economy promotion, and support for sustainable manufacturing practices. Key initiatives include the PM MITRA Parks scheme, which aims to create integrated textile manufacturing ecosystems with modern infrastructure and improved environmental management systems,^{21,22} and the Production Linked Incentive (PLI) Scheme for textiles, which encourages investment in value added and technical textile segments with greater focus on efficiency and global competitiveness.²³ The Ministry has also supported schemes relating to Zero Liquid Discharge (ZLD) systems,²⁴ Common Effluent Treatment Plants (CETPs),²⁵ renewable energy adoption,²⁶ and, sustainable processing technologies in major textile clusters. In parallel, policy attention toward technical textiles, recycled fibres, organic cotton, and circular textile

¹⁹ Working conditions of migrant garment workers in India: A literature review / International Labour Office, Fundamental Principles and Rights at Work Branch. - Geneva: ILO, 2017.

²⁰

<https://www.pib.gov.in/FactsheetDetails.aspx?id=150508&NoteId=150508&ModuleId=16®=3&lang=1>

²¹ <https://www.texmin.gov.in/static/uploads/2025/06/1103d94c2c31a56d0688bc0318cb1d63.pdf>

²² <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222479®=3&lang=1>

²³ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2176795®=3&lang=2>

²⁴ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2129056®=3&lang=2>

²⁵ https://sansad.in/getFile/annex/270/AU3359_1Rsfl6.pdf?source=pqars

²⁶ <https://energy.economictimes.indiatimes.com/news/renewable/rising-renewable-energy-adoption-in-indias-textile-sector-fuels-sustainability-challenges/125929094>

value chains has increased in response to evolving global sustainability standards and export market expectations.

The Ministry has also undertaken reforms aimed at improving the sector's long-term competitiveness through scale, formalisation, and technology adoption. Measures such as labour law rationalisation, digitisation initiatives, quality control measures, and export focused infrastructure support have sought to improve productivity and compliance capabilities across the value chain. While large exporters and integrated textile firms have shown progress in areas such as wastewater treatment, renewable energy usage, traceability, and ESG disclosures, adoption remains uneven across MSMEs due to financing and technology constraints. Nevertheless, industry assessments indicate that sustainability-linked investments are gradually improving India's positioning in global sourcing markets, particularly in segments linked to organic cotton, sustainable apparel, and responsible manufacturing practices.

Recent policy efforts in India's textile sector have increasingly focused on resource efficiency, circular economy practices, sustainable production, and textile waste management through collaborative projects involving government agencies, international institutions, and industry stakeholders. Existing initiatives include programmes aimed at eliminating hazardous chemicals from textile supply chains, improving cleaner production practices, promoting Life Cycle Analysis (LCA), and developing technology and innovation roadmaps for a greener textile ecosystem. In addition, efforts have been made to strengthen coordination across ministries through the alignment of schemes and frameworks such as the Perform, Achieve and Trade (PAT) scheme, Carbon Credit Trading Scheme (CCTS), Raising and Accelerating MSME Performance (RAMP), and EcoMark.²⁷ Several projects have also focused on scaling circular business models, assessing product environmental footprints, managing textile waste, and strengthening sustainable consumption practices. Concomitantly, institutional efforts have been made to promote the upcycling ecosystem through digital platforms, public procurement linkages, and pilot waste management models for post-consumer textiles. Policy discussions supported by organisations such as the Asian Development Bank are also contributing toward the development of a broader long-term pathway for a sustainable and circular textile ecosystem in India.²⁸

Beside the sustainability efforts by the Ministry of Textile, the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework by Securities and Exchange Board of India (SEBI), has also increased the focus on ESG compliance and sustainability disclosures within the textile sector, particularly among listed companies and large exporters. The framework requires India's top 1000 listed firms to report on key parameters relating to environmental performance, energy usage, emissions, labour practices, governance standards, and supply-chain sustainability. For the top 250 listed entities (by market cap), SEBI requires ESG disclosures from their upstream and downstream value chains. This applies to major partners accounting individually for 2 per cent or more of a company's total purchases or sales. Value chain

²⁷ <https://www.texmin.gov.in/static/uploads/2026/05/5c48e80d2180ca3194b9e9b01340696d.pdf>

²⁸ <https://www.texmin.gov.in/static/uploads/2026/05/5c48e80d2180ca3194b9e9b01340696d.pdf>

reporting operates on a voluntary basis, with third-party assurance requirements following shortly after.²⁹ As global buyers and investors seek transparent ESG-related information, BRSR is expected to improve sustainability reporting practices, strengthen corporate accountability, and encourage textile companies to integrate ESG considerations more systematically into business operations and long-term strategy.

5. Why Sustainability Could Become India's Competitive Advantage?

The increasing stress on global sustainability efforts indicates a shift in governance philosophy from focusing solely on production efficiency and tariff liberalisation toward environmental sustainability, traceability, circularity, and responsible sourcing within market access requirements. Consequently, exporting economies are being compelled to align domestic manufacturing ecosystems with evolving sustainability norms in order to maintain competitiveness in international markets.

India may hold a distinct strategic advantage in the evolving global textile landscape due to its combination of raw material availability, large scale manufacturing capacity, growing domestic demand, renewable energy potential, and relatively integrated textile value chains. Compared to competitors such as Bangladesh and Vietnam, India possesses stronger upstream capabilities, while also benefiting from lower geopolitical sensitivities in Western markets relative to China. Existing policy and industry discussions suggest that sustainability could enable India to shift from competing primarily on cost towards competing on quality, reliability, traceability, and responsible manufacturing. If supported through appropriate policy measures, financing mechanisms, and technological upgrades, this transition could improve export resilience, strengthen India's positioning as a sustainable sourcing destination, attract greater investment, and enhance the sector's long-term global competitiveness.

At the same time, discussions on sustainability in the textile sector are acknowledging that long-term competitiveness cannot be separated from livelihood resilience and social inclusion across the value chain. Climate-related risks such as heat stress, floods, irregular rainfall, water scarcity, and power disruptions are already affecting cotton cultivation, textile processing, informal manufacturing clusters, and worker productivity across several regions in India. This has brought greater attention to the need for sustainability frameworks that support small farmers, artisans, workers, and MSMEs through affordable access to cleaner technologies, safer chemical practices, climate-resilient production systems, finance, insurance, and local adaptation measures. There is also growing recognition of the central role played by women in cotton cultivation and textile production, particularly within informal and household-based segments of the industry. Contemporary policy discussions suggest that sustainability in the textile sector must move beyond compliance-oriented approaches and incorporate decentralised, inclusive, and livelihood-oriented models that reduce economic vulnerability while strengthening resilience across the textile ecosystem. In this context, India's long-term textile competitiveness may depend not only on cleaner production

²⁹ https://www.sebi.gov.in/legal/circulars/jul-2023/brsr-core-framework-for-assurance-and-esg-disclosures-for-value-chain_73854.html

and export readiness, but also on its ability to build a fair, climate-resilient, and locally rooted sustainability framework led by farmers, workers, artisans, and small enterprises across the value chain.

Building on the above narrative, the Policy Consensus Centre organised a discussion on “Leveraging Sustainability for Textile Trade Competitiveness” to explore the actionable pathways for leveraging sustainability as a means to reclaiming and future-proofing India’s textile trade competitiveness. The panel brought together industry, academia and experts from the legal fraternity to focus on enabling mechanisms, collaborative models, and regulatory and industry imperatives that can equip the entire ecosystem to turn sustainability from a compliance cost into a core competitive asset, securing India’s position as a responsible global textile leader for decades to come.

6. Summary of the Discussion

The panel agreed that sustainability is fast becoming a market access requirement rather than a voluntary add-on, and several speakers described it as close to a fifth factor of production alongside land, labour, capital and entrepreneurship. Global buyers are now weighing carbon footprint, water use, labour standards and traceability alongside price and delivery, and this shift is being driven most visibly by the European Green Deal, CBAM and the EU’s due diligence directive. Although textiles are not yet directly covered by CBAM, panellists expect polymers and synthetic fibres to be drawn in over time, and the due diligence directive already pushes obligations down to farm level, well beyond the tier one and tier two suppliers that Indian exporters have traditionally tracked. Set against this, India was seen to hold a genuine but unrealised advantage over Bangladesh, Vietnam and China, owing to its upstream integration, domestic cotton base and comparatively lower geopolitical exposure in Western markets. Whether this advantage converts into export gains depends on how quickly India moves, since competitors such as Vietnam are already ahead on compliance.

On implementation, the discussion surfaced a consistent set of constraints. Government schemes such as PM MITRA, the PLI scheme, Zero Liquid Discharge support and Common Effluent Treatment Plants were seen as well designed but still short of demonstrated ground level impact, partly because India lacks clear benchmarks against which progress can be judged. Indian compliance and testing systems are frequently not recognised abroad, forcing exporters into duplicate audits, and MSMEs, who dominate the domestic facing tiers of the value chain, remain constrained by high capital costs, limited technical access and low awareness. Panellists were, however, encouraged by early signs of large exporters extending sustainability requirements and support down to their MSME suppliers, and felt that due diligence standards should stay uniform across firm sizes even as reporting requirements are tiered by scale, along the lines of SEBI’s BRSR and BRSR Lite. A recurring concern was that there is currently no clear business case for early compliance, since the effort, the cost and the reward do not sit with the same actors. The panel closed on a broadly optimistic note, favouring harmonisation with international frameworks over confrontation at the WTO, and

agreed that India is not far behind its competitors provided it acts with urgency. The following recommendations emerged from this discussion.

7. Recommendations

- The government must set clear, time-bound sustainability benchmarks and missions for the textile sector, and commission independent assessments of existing schemes such as PLI, PM MITRA, ZLD and CETPs to test on-ground adoption rather than scheme design alone. These would give policymakers and industry a shared yardstick for progress, and would allow course correction on underperforming schemes well before the next budget cycle.
- During bilateral or multilateral trade negotiations, the Government of India should pursue mutual recognition of Indian testing, certification and due diligence systems with the EU and other key markets, and seek explicit recognition of India's Carbon Credit Trading Scheme (CCTS) against any future CBAM-style measures in ongoing and future trade talks. This would directly cut duplicate audit costs for exporters and reduce the risk of India's domestic carbon pricing being ignored once CBAM-style measures widen to cover textiles.
- During similar trade negotiations, Indian trade negotiators should make the case to buyer countries that sustainability measures must not function as a disguised non-tariff barrier, and negotiate preferential access or a market premium for compliant Indian exporters. This would address the central disincentive raised through the discussion, namely that the cost of compliance and its reward currently sit with different actors, and would strengthen the case for voluntary early action by exporters.
- The central and state governments should scale common infrastructure, such as Common Effluent Treatment Plants and Zero Liquid Discharge (ZLD) systems, in established clusters including Tiruppur, Surat, Panipat, Ludhiana, Amritsar and Meerut, and introduce a genuine single-window clearance for all textile sustainability permits. This would lower the individual cost of compliance for MSMEs who cannot afford standalone plants, and remove a well-documented source of delay and duplicated paperwork for exporters.
- Large exporters, working with industry bodies, should extend sustainability financing, training and procurement standards to tier two and tier three MSME suppliers, building on early examples such as Indorama, Vardhman and Nahar, while regulators keep due diligence standards uniform and tier only the reporting requirements by firm size, on the model of SEBI's BRSR and BRSR Lite. This would offer the most realistic near-term route to MSME compliance, since it uses existing commercial relationships rather than new regulation, while sparing smaller firms from being priced out by documentation costs alone.

- The Government of India, in consultation with banks and financial institutions, should widen green finance instruments designed specifically for textile MSMEs and work to bring down effective interest rates on sustainability-linked capital, currently cited at 12 to 14 per cent. This would address the single most frequently cited obstacle to investment in renewable energy and ZLD systems, and would likely unlock capacity that is otherwise sound on paper but unfunded in practice.
- Innovation in traditional machinery could be a game changer for small weavers and the traditional handloom sector. The government, in partnership with domestic machinery manufacturers, could expand indigenous manufacture of weaving, knitting and advanced processing machinery to reduce import dependency. This would lower the capital cost of every future green upgrade across the sector, and reduce exposure to currency and supply shocks affecting imported machinery.
- The government should fund dedicated processing and R&D infrastructure for alternative and circular fibres such as hemp, bamboo, milkweed and recycled man-made fibre, targeting cost parity with cotton, and support industry efforts to formalise India's existing informal recycling economy. This would build on a genuine structural strength, since India already recycles around 98 per cent of pre-consumer cotton waste, and could position India as a circularity leader once alternative fibre processing costs come down.
- The government, through the Textile Sector Skill Council, should embed sustainability awareness directly into grassroots skilling programmes, beyond the current soft-skill allocation, particularly for micro and artisanal units. This would close the gap between policy intent and shop-floor understanding, without which even well-funded schemes are unlikely to translate into behaviour change.
- The government, industry bodies and academic institutions should jointly build a national digital platform that matches sustainable technology and product providers with MSMEs, and undertake a full value chain risk mapping exercise from fertiliser and farm level through to retail. This would move the sector away from scattered, cluster-specific interventions towards a system where solutions and demand can find each other, and give industry a shared, evidence-based view of where risk actually sits.



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