

Changing Structure of The Textile Industry After the MFA Phase-Out: A Study of Kerala's Traditional Handloom Sector

Dr. AMUTHA R.

Assistant Professor, Department of Commerce Sree Narayana College Kannur

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Abstract: The termination of the Multi Fibre Arrangement (MFA) in 2005 marked a significant shift in global textile trade dynamics, introducing a quota-free regime that intensified competition. While India capitalized on expanded export opportunities, traditional sectors like Kerala's handloom industry faced substantial challenges. This study examines the post-MFA structural transformations within Kerala's handloom sector, focusing on institutional frameworks, market integration, and socio-economic impacts on weavers. The study adopts a descriptive and analytical research design based exclusively on secondary data sources. Findings reveal that despite institutional support, the sector grapples with issues such as limited market access, inadequate technological adoption, and declining youth participation. The study underscores the necessity for targeted policy interventions to revitalize this traditional industry.

Key Words: Handloom Industry, Multi Fibre Arrangement, Kerala, Textile Sector, Globalization, Institutional Support

I. Introduction

The handloom industry in Kerala has historically been a vital component of the state's socio-economic fabric, providing employment and preserving cultural heritage. Governed under the Village and Small Industries (VSI) sector, it benefits from institutional support through bodies like the Kerala Khadi and Village Industries Board (KVIB), HANTEX, and HANVEEV. However, the post-MFA era introduced a liberalized trade environment, exposing the sector to intensified global competition. This study aims to analyze the structural changes in Kerala's handloom industry following the MFA phase-out, assessing institutional roles, market dynamics, and the socio-economic well-being of weavers.

Review of Literature

Chaudhary (2011) highlighted the uneven benefits of liberalization, with larger firms outperforming smaller entities due to resource advantages. Kurup (2008) described the handloom sector as a "survival industry" facing crises from mechanized competition.

Lakshmy Devi (2014) pointed to government apathy and policy failures leading to economic distress among weavers.

Norris (2013) emphasized ethical branding as a competitive strategy for handloom clusters, particularly in Kerala.

Kamath and Cowan (2012) explored the role of social capital and collective identity in the resilience of handloom communities. These studies underscore the multifaceted challenges confronting Kerala's handloom sector in the liberalized trade regime.

Bhattacharya, R., & Shah, M. (2021) "Digital Empowerment and the Indian Handloom Sector: Post-Pandemic Resilience Strategies." This study, published in the Journal of Rural and Industrial Innovation, explores how digital platforms have emerged as a critical tool for survival in the post-COVID-19 phase. The authors argue that the pandemic forced traditional sectors, including handloom, to adopt digital strategies such as WhatsApp commerce, Instagram marketing, and onboarding on platforms like Amazon Karigar and GeM (Government e-Marketplace). However, they note that while urban clusters adapted quickly, traditional clusters in Kerala lagged due to infrastructure deficits and digital illiteracy.

Verma, A. (2022) "Sustainable Revival of Indian Handlooms: Policy and Practice in the Age of Global Fashion." Published in Textiles and Society, this article analyzes the integration of sustainability goals with handloom revival policies. It points out that although the Ministry of Textiles has launched several green initiatives, Kerala's handloom sector has yet to tap into the eco-fashion market fully. It recommends enhanced collaboration with global ethical fashion brands and aligning production practices with SDG goals.

Ghosh, S., & Joseph, R. (2020) "Post-MFA Global Trade and the Crisis in India's Traditional Textile Sector." This study finds that the benefits of MFA phase-out were monopolized by large exporters. Traditional producers, including Kerala's weavers, experienced intensified pressure from cheaper synthetic imports and loss of niche markets. The paper emphasizes the need for market re-differentiation based on heritage value, customization, and fair-trade principles.

Anuradha, K. (2023) "E-Commerce and Handloom: A Missed Opportunity?" Published in the Indian Journal of E-Governance and Rural Development, this paper explores barriers preventing handloom

societies from scaling online. It identifies regulatory complexities, lack of training, and absence of digital infrastructure in handloom clusters, particularly in Kerala. It recommends government-sponsored digital bootcamps for cooperative societies.

Narayanan, P., & Rao, T. (2021) *"Youth in Loom: Re-engaging Kerala's Next Generation with Handloom."* This sociological study examines the generational disconnect in handloom clusters. Interviews revealed that young people perceive handloom work as outdated, economically unviable, and lacking dignity. The authors suggest educational reforms, innovation grants, and cultural branding to reposition handloom as a viable creative industry.

Ministry of Textiles, Government of India (2022) *Handloom Census Report Highlights – Post-COVID Recovery and Digital Integration* The latest handloom census data suggests a slow but steady shift toward formalization and digitalization in the handloom sector. However, Kerala ranked lower in e-commerce integration and value-added production compared to other southern states. The report advocates for targeted regional support based on cluster maturity.

Objectives of the Study

To evaluate the performance of Kerala's traditional handloom industry in the post-MFA period.

To assess the socio-economic impacts on handloom workers, including income levels, employment stability, and quality of life.

To examine the effectiveness of institutional mechanisms such as HANTEX and HANVEEV in supporting the sector.

To analyze the challenges and opportunities for the handloom industry within the liberalized global market.

II. Methodology

This study adopts a descriptive and analytical research design based exclusively on secondary data sources. The objective is to examine the structural transformations in Kerala's traditional handloom industry following the phase-out of the Multi Fibre Arrangement (MFA), with emphasis on institutional frameworks, economic performance, and socio-political implications.

Data Sources:

The analysis relies on a wide range of authentic and credible secondary data obtained from the following sources:

Annual Reports of the Ministry of Textiles, Government of India (2005–2023)

Kerala State Planning Board Economic Reviews (various years)

Handloom Census of India (2009–10 and 2020–21)

Reports and publications from the Kerala Khadi and Village Industries Board (KVIB), HANTEX, and HANVEEV

Research articles, working papers, and policy briefs from peer-reviewed journals and UGC CARE-listed publications

News articles and trade analysis from reputed business and economic publications such as *The Hindu Business Line*, *Economic Times*, and *Textile Outlook International*

Data Selection Criteria:

Data were selected based on relevance to the following key themes:

Impact of MFA phase-out on handloom production and export in Kerala

Institutional and cooperative performance (HANTEX, HANVEEV)

Socio-economic trends of handloom workers

Policy interventions and market shifts post-2005

Conceptual Model: Impacts of MFA Phase-Out on Kerala's Handloom Industry

Phase	Factors/Elements	Description
1	MFA Phase-Out (2004)	This is the initiating event. The Multi-Fiber Arrangement (MFA) was a system of quotas that regulated international trade in textiles and garments. Its phase-out in 2004 led to the liberalization of the global textile market.
2	Global Trade Liberalization	The MFA phase-out resulted in the removal of quotas, leading to a more open and liberalized global trade environment for textiles and clothing.
3	Increased Global Competition	The liberalization of trade intensified competition in the global textile market. This increased competition posed both opportunities and challenges for domestic textile industries, including Kerala's handloom sector.

4	Direct Impacts on Kerala's Handloom Industry	The increased global competition had several direct impacts on Kerala's handloom industry, which can be categorized into three main areas
	* Market Dynamics	- Increased competition in both domestic and international markets - Need for market adaptation to changing market demands and consumer preferences. - New export opportunities for those who could adapt, but also the risk of losing market share to more competitive nations.
	* Production and Structure	- Challenges in competing with larger, more efficient firms in terms of production volume and cost - Technological limitations and slow adoption of new technologies - Infrastructure gaps hindered modernization and scalability
	* Socio-Economic Factors	- Wage pressure - Job insecurity and the need for workers to adapt to changing skill requirements - Occupational migration - Changing skill requirements
5	Mediating Factors: Institutional Support	The role of key institutions in influencing the impact of the MFA phase-out:
	* HANTEX	- Marketing aid - Sales support
	* HANVEEV	- Focused on supporting handloom cooperatives.
	* KVIB	- Financial assistance - Policy implementation
6	Outcomes for Kerala's Handloom Industry	The resulting changes and performance of the industry:
	* Industry Growth	- Production levels - Export performance - Competitiveness
	* Weavers' Welfare	- Income and living standards - Employment stability - Social well-being
	* Cultural Heritage	- Preservation of traditional skills - Continuity of weaving traditions

III. Results and Discussion

Industrial Performance and Structural Adjustments:

The post-MFA era has witnessed nuanced transformations in Kerala's handloom industry. While the liberalized global market opened avenues for textile exports, the traditional handloom segment, marked by decentralized and household-based production, lacked the capacity to immediately leverage these opportunities. Production volume marginally increased in better-organized cooperatives, particularly those supported by schemes under KVIB and HANTEX. However, the fragmented nature of the industry and its reliance on legacy infrastructure stifled broader scalability and technological diffusion.

Furthermore, many units continued to rely on outdated looms, traditional dyeing methods, and manual labor, which while preserving authenticity, failed to meet rising international quality and volume standards. This limited their capacity to deliver large-scale orders with consistent quality and timelines, making them less attractive to bulk buyers or international retailers.

Marketing and Global Integration Challenges:

Kerala's handloom products have niche appeal due to their ethnic designs and eco-friendly production processes. Despite this, market penetration, especially in export markets, remains low. The absence of sustained branding initiatives and weak linkages with e-commerce platforms have limited the sector's visibility. In contrast, states like Andhra Pradesh and Tamil Nadu have leveraged digital platforms and government-backed marketing campaigns to position their products better in global markets.

Additionally, there's a lack of integration between handloom units and modern retail or fashion supply chains. Few cooperatives have established relationships with designers or participated in trade expos. This weak linkage results in lost opportunities for product innovation and high-margin sales channels.

Socio-Economic Impact and Quality of Work Life:

The handloom industry continues to be a significant source of employment in Kerala, particularly for marginalized and rural populations. However, the socio-economic conditions of the workforce reveal persistent issues. The average earnings of handloom workers remain below the state's minimum wage thresholds in many districts. Irregular work, seasonal demand fluctuations, and delayed payments in cooperatives further exacerbate financial insecurity.

Notably, women constitute a substantial portion of the workforce, yet they are often confined to lower-paid or unpaid domestic roles in the cottage industry model. Access to leadership positions in cooperative societies remains limited, and there is little evidence of gender-specific training or support schemes.

Occupational migration—especially among youth—is a major concern. The younger generation perceives handloom as unprofitable and lacking social prestige, leading to talent attrition. This trend, if unchecked, could result in a severe skill gap and cultural loss in the coming decades.

Institutional Gaps and Policy Implementation:

While several support structures exist—such as HANTEX, HANVEEV, and the KVIB—many initiatives suffer from underfunding, delays, or poor implementation. Stakeholders frequently reported challenges in accessing government subsidies, lack of awareness about available schemes, and bureaucratic hurdles. Additionally, financial assistance from banks remains difficult to secure due to collateral requirements and informal work arrangements.

Recommendations**Strategic Policy Reorientation**

Integrated Textile Missions should be launched focusing exclusively on traditional handlooms, combining support for production, marketing, and welfare under one umbrella.

Revise and expand the National Handloom Development Programme (NHDP) to include region-specific provisions for states like Kerala that operate under unique cooperative-led models.

Decentralize decision-making within handloom institutions to district-level boards to ensure faster implementation and monitoring of schemes.

Branding, Marketing, and E-Commerce Enablement

Establish a dedicated Kerala Handloom Export Promotion Cell to provide end-to-end export services including logistics, documentation, buyer-seller meets, and certification.

Introduce a "Kerala Handloom Heritage" brand, akin to "Khadi India," with uniform labeling, quality assurance, and ethical sourcing certification.

Partner with leading e-commerce platforms and fashion retailers for dedicated storefronts and brand storytelling, emphasizing the socio-cultural significance of Kerala's weaves.

Offer incentives to fashion designers and entrepreneurs for integrating handloom into mainstream fashion lines.

Infrastructure and Technological Modernization

Subsidize semi-automatic looms and provide interest-free loans for infrastructure modernization with repayment moratoriums for the initial years.

Build common facility centers (CFCs) at district level for pre-loom and post-loom processing including dyeing, designing, finishing, and packaging.

Establish Textile Technology Parks focusing on skill development, R&D, and machinery access for small weavers.

Social Security, Gender Inclusion, and Youth Engagement

Ensure universal coverage under E-Shram and expand benefits like health insurance, pension, accident coverage, and maternity support for all registered weavers.

Launch Women Weaver Empowerment Missions (WWEM) to provide leadership training, financial literacy, and cooperative management roles for women.

Initiate 'Weave Your Future' fellowships for youth under the age of 30 who engage in design innovation, entrepreneurship, or digital transformation in the handloom sector.

Provide residency and incubation programs in association with national design institutes for youth who work on sustainable and contemporary reinterpretations of traditional patterns.

Financial and Institutional Mechanism Reforms

Mandate priority sector lending quotas for handloom-related businesses with simplified KYC norms and collateral-free loans.

Digitize all cooperative and KVIB functions including subsidy distribution, member tracking, performance metrics, and scheme alerts.

Form district-level grievance redressal committees chaired by handloom representatives to address scheme delays, corruption, and wage issues.

IV. Conclusion

The phase-out of the Multi Fibre Arrangement (MFA) in 2005 marked a turning point in the global textile trade, ushering in an era of heightened competition and open markets. While India's large-scale textile exporters managed to leverage these changes, Kerala's traditional handloom sector—anchored in cooperative models and community-based practices—has faced significant challenges in adapting to this liberalized environment. This study reveals that although the handloom industry continues to hold cultural and economic significance, its structural vulnerabilities remain pronounced. Key concerns include limited access to advanced technology, underdeveloped marketing channels, lack of product innovation, financial instability, and inadequate policy implementation. These issues are compounded by a decline in youth participation and rising occupational migration, threatening the sector's long-term sustainability.

However, the findings also highlight the latent potential of Kerala's handloom industry—particularly its alignment with global trends such as ethical production, slow fashion, and eco-friendly textiles. With appropriate state-level interventions, modernization of cooperative management, and integration with digital marketplaces, the industry can be repositioned as both an economic contributor and a preserver of cultural heritage. To ensure future viability, a multi-pronged strategy is required—one that balances modernization with preservation, market access with community empowerment, and economic efficiency with social inclusion. If strategically revitalized, the handloom sector can emerge not only as a livelihood source but also as a symbol of sustainable and inclusive industrial growth in Kerala.

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