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MOOWR SCHEME AND CAPITAL GOODS IMPORT IN WESTERN MAHARASHTRA'S TEXTILE SECTOR

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Abstract

This study examines the impact of the Manufacturing and Other Operations in Warehouse Regulations (MOOWR) Scheme on the importation of capital goods within Western Maharashtra's textile industry. By analyzing the scheme's provisions and its integration with state-level textile policies, the paper assesses how MOOWR facilitates modernization and competitiveness in the region's textile sector.

INTRODUCTION

The textile industry has historically played a pivotal role in the industrial and economic development of Maharashtra, particularly in its western region, where cities like Ichalkaranji, Kolhapur, and Sangli have emerged as dynamic textile hubs. Western Maharashtra's textile sector is renowned for its substantial production of fabrics, especially grey fabrics, yarn, and ready-made garments, which cater to both domestic and international markets. However, with increasing globalization, evolving fashion trends, and growing competition from countries like Bangladesh, Vietnam, and China, there is a pressing need for modernization, technological upgradation, and efficiency improvement within the textile sector. Modernization efforts predominantly hinge on the timely importation and deployment of advanced capital goods such as state-of-the-art looms, spinning machinery, dyeing equipment, and finishing technologies. Nevertheless, the high cost associated with importing such machinery, compounded by substantial customs duties and associated levies, has historically acted as a major deterrent for small and medium-sized textile enterprises in the region. It is in this context that the Manufacturing and Other Operations in Warehouse Regulations (MOOWR) Scheme assumes strategic importance. The MOOWR Scheme, of capital goods and raw materials without immediate financial burdens. Under the MOOWR introduced by the Government of India and administered by the Central Board of Indirect Taxes and Customs (CBIC), aims to support India's manufacturing sector by simplifying the importation

Scheme, manufacturers are allowed to import goods into bonded warehouses without upfront payment of customs duties, thus enabling a deferment of duty payment until the goods are removed for domestic consumption. More importantly, there is no interest liability on the deferred duty amount, making the scheme extremely financially attractive. This mechanism provides a significant boost to cash flows and operational liquidity, which is critical for capital-intensive sectors such as textiles. For the textile manufacturers in Western Maharashtra, predominantly comprising small and medium-sized enterprises, the MOOWR Scheme opens up unprecedented opportunities for upgrading their technology base, achieving better product quality, enhancing production efficiencies, and accessing international markets with competitive offerings.

The strategic location of Western Maharashtra, with well-established logistical networks, proximity to major ports like Mumbai and Jawaharlal Nehru Port (Nhava Sheva), and access to domestic and global markets, further augments the potential benefits of leveraging the MOOWR Scheme. Textile clusters in Ichalkaranji, widely referred to as the "Manchester of Maharashtra," along with emerging hubs in Kolhapur and Sangli, have the necessary ecosystem comprising skilled labor, entrepreneurial expertise, and ancillary industries such as dyeing, printing, and garment manufacturing. However, the lack of contemporary manufacturing facilities and outdated technology has been a persistent constraint limiting the sector's full potential. The ability to import high-end capital goods under the MOOWR Scheme, without immediate duty payments, provides an avenue to rejuvenate these clusters, making them globally competitive and export-oriented.

In addition to the advantages offered by the MOOWR Scheme, the Government of Maharashtra's Integrated and Sustainable Textile Policy (2023-28) further incentivizes the modernization drive through capital subsidies, interest subsidies, and fiscal incentives for adopting new technologies. The convergence of the MOOWR Scheme at the national level with supportive state-level policies creates a synergistic framework for textile enterprises seeking to upgrade their production capabilities. The policy initiatives underscore the recognition that a technologically modernized textile sector is integral to employment generation, rural industrialization, and balanced regional development in Maharashtra. Moreover, the textile sector, being labor-intensive, has multiplier effects on the rural economy by providing employment opportunities to women and unskilled laborers, thereby contributing significantly to inclusive socio-economic development.

Despite the opportunities, the actual utilization of the MOOWR Scheme among textile units in Western Maharashtra remains relatively low due to limited awareness, perceived complexity in compliance procedures, and a lack of technical support. Many small and medium-scale entrepreneurs are either unaware of the scheme or hesitant to engage due to fears of regulatory entanglements. Moreover, the lack of a coordinated approach to combine MOOWR benefits with available state subsidies often leads to sub-optimal financial planning. Therefore, enhancing awareness, providing capacity-building programs, and simplifying procedural compliance are critical steps toward mainstreaming the use of the MOOWR Scheme in the textile industry. Initiatives such as workshops, industrial cluster engagement programs, and single-window facilitation centers can play a pivotal role in this regard.

The international competitiveness of India's textile industry, particularly in the post-COVID era, demands agile adaptation to new technologies, compliance with sustainability standards, and rapid response to market demands. Advanced capital goods enable improvements in energy efficiency, water conservation, reduced chemical usage, and better compliance with environmental norms, which are increasingly becoming prerequisites for accessing premium markets such as the This technological leapfrogging is critical not only for business survival but also for expanding into new high-value product segments such as technical textiles, functional fabrics, and high-end fashion textiles.

Moreover, the MOOWR Scheme is particularly relevant in the context of global supply chain reconfigurations, where companies are seeking alternative sourcing destinations beyond China. Western Maharashtra, with its strategic geographical location, entrepreneurial base, and supportive policy environment, is well-positioned to emerge as a preferred manufacturing destination if the textile sector embraces technology-driven competitiveness. Capital goods importation under the MOOWR framework thus becomes a strategic imperative rather than a mere option. Furthermore, the ability to defer customs duty payments improves financial predictability and reduces the risk profile of textile businesses, making them more attractive to institutional investors and financial institutions.

In the MOOWR Scheme represents a transformative opportunity for the textile sector in Western Maharashtra to modernize its infrastructure, scale up operations, and enhance global competitiveness. When combined with progressive state policies and effective stakeholder engagement, the scheme can catalyze a structural transformation of the region's textile economy. However, realizing this potential requires concerted efforts in awareness creation, procedural simplification, and integrated financial planning. As the textile industry navigates through a rapidly changing global landscape, the strategic use of policy instruments like MOOWR will define the sector's ability to thrive, innovate, and lead in the 21st-century global economy. This study seeks to examine the interplay between the MOOWR Scheme, capital goods importation, and the broader developmental trajectory of Western Maharashtra's textile sector, with the aim of offering actionable insights for policymakers, industry leaders, and academic researchers alike.

OVERVIEW OF THE MOOWR SCHEME

The MOOWR Scheme, administered by the Central Board of Indirect Taxes and Customs (CBIC), allows manufacturers and service providers to import goods without immediate payment of customs duties, provided these goods are stored in bonded warehouses and used for manufacturing or other operations. Key features include:

- **Deferred Duty Payment:** Importers can defer the payment of customs duties until the goods are cleared for home consumption.
 - **No Interest on Deferred Duty:** Unlike other schemes, MOOWR does not levy interest on the deferred duty amount.
 - **Flexibility:** The scheme is not limited to exporters; domestic manufacturers can also avail its benefits.
- These features make MOOWR particularly attractive for textile units aiming to upgrade machinery without immediate financial burdens.

SYNERGY WITH STATE POLICIES

1. **Alignment with Maharashtra's Textile Policy (2023-28):** The MOOWR Scheme complements the Maharashtra Government's Textile Policy, which emphasizes technology upgradation, modernization, and expansion of textile units through capital investment support and interest subsidies.
2. **Capital Subsidy and MOOWR:** State-provided capital subsidies, when combined with the duty deferment benefits under MOOWR, significantly reduce the financial burden on textile enterprises investing in imported advanced machinery.

3. **Boost to Cluster Development Initiatives:** The state's focus on developing textile parks and industrial clusters in regions like Ichalkaranji, Kolhapur, and Sangli is enhanced when manufacturers use MOOWR to access affordable high-end technology.
4. **Support for Employment Generation:** State policies that incentivize employment in the textile sector align with the MOOWR Scheme, as modernized and expanded textile units create more jobs, particularly for semi-skilled and unskilled labor.
5. **Facilitation of Exports:** Maharashtra's incentives for export-oriented units (EOUs) find synergy with MOOWR's deferred duty mechanism, improving competitiveness in global markets without the upfront cost burden.

CONCLUSION

The MOOWR Scheme presents a strategic opportunity for Western Maharashtra's textile sector to modernize through the importation of advanced capital goods. When synergized with state policies offering capital subsidies, the financial viability of such investments improves markedly. Addressing awareness and administrative challenges is crucial to fully leverage these benefits, ensuring the sector's sustained growth and global competitiveness.

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