



## GROWTH OF INDIAN LEATHER EXPORT (SPECIAL REFERENCE OF UTTAR PRADESH)

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### **Abstract**

*India has a vast potential for export growth in various sectors. India's leather exports for leather and leather products has grown at a fast pace in the past decade. It also takes a place of honour in the Indian economy because of its huge potential for employment, growth and exports. The purpose of this research is to determine the export potential of leather and leather products. There has been an increasing importance on its planned development, for the ideal use of available raw materials to maximize yields, especially for export. Leather exports and products have gained momentum over the past two decades. The industry consists of companies of all abilities, including small craftsmen to large global players. The study also highlights the major export destinations of India leather and leather products. Information regarding the research survey was collected from secondary sources. The presentation of the export figures of leather and products were represented in the form of tables. This study also provides the industry's prospects as apparent in India.*

**Key Words:***Leather Products, Major Export Destinations, Indian Economy.*

### **Introduction**

Uttar Pradesh supports about 15% of Indians of the total herd his livestock in 1961, 15% were cattle, 21% of buffaloes, goats 13% and 8% other livestock. Between 1951 and 1956, there was an overall 14% increase in the animal population. There are about 8000 km<sup>2</sup> of surface water, including lakes, reservoirs, rivers, canals and streams. The fishing area in the state is over 2,000 km<sup>2</sup> and has over 175 varieties of fish. Leather industry traditionally has an important place in the state of the economy, given its huge potential for employment, growth and exports. The state has one of the largest livestock populations in the country, which provides a solid base of raw materials needed for industry. Leather and leather products industry has achieved exceptional performance compared to all India figures and other regions. The number of leather and state industries leather products are up to 11,500, including Kanpur and Agra are the two famous production centres. The footwear sector is a very important segment of the leather industry in Uttar Pradesh. Leather industries in UP got the utmost account of SMEs and MSMEs employing nearly 3, 00,000 employees belonging mainly to the weaker section of society and from rural areas. U.P. is now the second largest producer of footwear after Tamil Nadu. Agra is the largest footwear manufacturing centre in the country. Kanpur is the largest producer of upholstery products. It is a leading centre for the treatment of leather. Kanpur tanneries specialize in the processing of raw hides heavy leather (sole, leather harnesses and industrial).<sup>1</sup> Leather Products manufactured leading to Kanpur include footwear components (including shoes and sandals), leather clothing, industrial gloves, saddlery, belts and bags. Prominent brands of leather shoes from Kanpur and Agra are Red Ribbon, Red Chief, Allen Cooper, Mardigrass, Zara, Topshop, Metro and Kickers. Over two lakh people are directly or indirectly involved in the production of leather products in the city. Noida has also emerged as a major center especially for leather shoes and leather garments. The State of the shoe industry is provided with the support of the institutional infrastructure by the first shoe design institution Design & Development Institute, Noida in the areas of technological development and human resources. The major leather production centers and products Kanpur, Unnao, Agra and Noida. The state has already developed a technology park in leather Banther, Kanpur for the establishment of tanneries and leather units. The central government also proposes to create a mega leather cluster near Kanpur. The availability of abundant raw material, market size and the ability to respond to national & global markets Uttar Pradesh is an attractive destination for investments in the sector.

Leather is one of the most widely traded global products. The growth in demand for leather is driven by the fashion industry, especially the shoes. Apart from this, the furniture and interior design industries, and the automotive industry also require leather. The leather industry has a special place in the Indian economy due to significant export earnings and growth, besides the fact that employs 2.5 million people. India is the fifth largest exporter of leather products and accessories in the world. The of India's leather industry has increased drastically, transforming a mere supplier of raw materials to an exporter of value-added product. Today, about 50 percent of the company in India for leather comes from international trade. At 45.3 percent, the shoes represented by the lion of leather exports, followed by leather goods with 22.2 percent, and finished leather with 20.6 percent share in April-May 2015. In 2014-15 (up to January 2015), footwear registered the maximum increase of exports, followed saddlery and harness and leather. During 2014-15 (up to January 2015), the main markets for Indian leather products were Germany (12.6 percent), the US (11.5 percent), the United Kingdom (11.5 percent), Italy (7.8 percent), Hong Kong (6.5 percent), France (5.7 percent), Spain (5.4 percent) UAE (4.2 percent), the Netherlands (3.6 percent) and China (3.0 percent). Over the years, the Indian leather industry has undergone a drastic change from being a mere exporter of raw materials in the early 60s and 70s in an exporter of finished products, value-added leather products. The main reason behind



this transformation is good number of policy initiatives taken by the Government of India. Indian proactive government initiatives have fast and improved results. Today, the Indian leather industry has reached an important place in the Indian export and has made the industry one of the seven main industries that earns foreign exchange for the country. Since 1991, India adopted the globalization and liberalization of economic policies, the leather industry has always thrived in many ways and has greatly contributed to the Indian treasury. Investing in the Indian leather industry is advantageous because the industry is ready to further develop and attain a significant share in the world trade market. The post-liberalization era has opened a great multitude of opportunities for the Indian leather industry.<sup>2</sup> As global players in search of new supply options while most of China, India to gain a greater share of the world market. Major US brands and Europe plans to supply leather and India products. Indian leather industry is currently one of the top 8 industries for the production of export earnings in India, holding 10% of the world's material and 2% of world trade. India has become the largest livestock producer in the world, with a capacity of 1.8 billion production leather square feet per year. Global footwear production of 13% comprising 16 billion pairs are manufactured in India. India now produces 2,065 million pairs of different categories of footwear. It exports 115 million pairs, and having 95% of its production to meet its own domestic demand. During the Eleventh Plan 50,250 people have received training in which 41 486 were placed in the industry. Rs 44.88 crore was released for the same. "In addition, a huge capacity of the Indian leather industry to earn foreign exchange earned him the position of one of the ten senior employees exchange of India as evidenced by the fact that the graphics export industry has increased over the last two decades and the US hit \$ 4860000000 in 2011-2012, the "compound annual growth rate" is an impressive 8.22% (5 years).

### Objective of the Study

- To familiarize with the leather industry, production, export history of this particular industry.
- To find out the history of leather industry in export sector.
- To study about the Export Performance of leather and leather products in India for the Year (2008-09 to 2012-13).
- To find out the future Export Performance of leather and leather products in India for the Year (2013-2014 to 2017-2018).

### Review of Literature

The leather industry in India has vast potential for growth, both domestically and in the export field and can create additional job opportunities for about 1 million people in the next 5 years. However, to achieve this growth, the industry needs to go in a large capacity expansion. It is necessary to improve the production scale and capacity of the Indian leather to meet the requirements of buyers in bulk and competition in the international market. Given the limitations of space in the existing clusters, it is necessary to develop new mega leather clusters in countries where there is a significant presence of the leather industry, as well as in states that offer a very good potential for the development of the leather industry. These leather Mega clusters should be located at / near the State / national roads and must have a world class infrastructure and excellent connectivity with the port (leather guidelines Scheme 21 March 2012) growth. Export in India much faster than GDP growth over the past few decades (Kishore Sharma 2012) .Indian leather industry has a huge potential for job creation and to achieve strong export-oriented growth. However, the current global economic slowdown and the general erratic behaviour of the global study on the export potential of leather India weather particularly in Europe poses both threats (loss of market) and the ability (to gain some unexpected demand the market) before. Furthermore, its economic performance has not been evaluated well to date (Anup Kumar Bhandari, March 2010).

### The Indian Leather Industry Can be Subdivided into Four Sectors

**Tanning Sector:** The tanning sector accounts for the production of a total of 2 billion square feet of leather which caters to 10% of the global requirement. The unique colours of the Indian leather make the industry a steady choice of the MODEUROPE Congress.

**Footwear Sector:** A diverse sector manufacturing gents, ladies and children's footwear has a stake of 45.05% in the total leather export of India. India is the second largest producer of footwear after China with a whopping annual production figure of 2,065 million pairs of which the expanding domestic market accounts for 1,950 million pairs (95%) of the net production. Some of the famous international brands sourced from India include Hush Puppies, Florsheim, Reebok, Salamander, Stacy Adams, Lama and Bally. Lakahani, Red Tape, Bata, Liberty and Khadim's are some of the well-known brands sold in the domestic market.

**Leather GarmentsSector:** Though a late entrant in this particular leather sector, India has taken little time to be the second largest producer of leather garments with an astounding annual production figure of 18 million pieces. With a stake of 10.43% in the total leather exports of India, leather garments sector ranks third in export in the global market.

**Saddlery & Harness:** With a staggering annual production capacity of 63 million pieces of leather articles including industrial gloves, harness and saddlery items, and this sector has a stake of 23.44% in the total leather export of India. This sector is the fifth largest global exporter. Quality leather of cows, sheep, goats and buffaloes are used to manufacture a multifarious range of small leather goods like purses, wallets and industrial gloves in clusters of highly modernized units cantered in Chennai, Kanpur and Kolkata. Armed with a highly skilled workforce, modern equipment and machinery the products of these units mainly cater the bulk exports to countries like Europe, USA, and Australia. The main production hubs of the leather industry are located in Tamil Nadu (Chennai, Ambur, Ranipet, Vaniyambadi, Vellore, Pernambul, Trichi, Dindigul and Erode), West Bengal (Kolkata), Uttar Pradesh (Kanpur, Agra, Noida, Saharanpur), Maharashtra (Mumbai), Punjab (Jalandhar), Karnataka (Bangalore), Andhra Pradesh (Hyderabad), Haryana (Ambala, Gurgaon, Panchukla, Karnal and Faridabad), Delhi, Madhya Pradesh (Dewas) and Kerala (Calicut, Ernakulam, Cochin).

### **Uttar Pradesh Export Capacity of Leather Industry**

U.P. is one of the most important states in India with significant livestock population. Claim a share of 22% U.P. Ist ranks in case of Buffalo and II in case of cattle with a share of 12%. Regarding goat and sheep, he and IV respectively seventh position. Thus, U.P. has a very strong base raw materials and all types of main raw material for the leather industry are available. Main production centres and the number of leather industries and products U.P. are up approx. 11500 who Kanpur and Agra are the two famous production centres in the world. Kanpur is a leading centre for the treatment of leather. About 200 tanneries are located in Kanpur. Kanpur tanneries specialize in processing heavy leather cover (Sole, harness and leather industry). This is the only centre in India where upholstery products are manufactured. Agra was the largest shoe manufacturing centre in the country. Apart from these traditional centres for leather and manufacture of products in U.P.<sup>3</sup> Noida has recently emerged as another major centre, especially for leather shoes and leather garments. NOIDA provides very good infrastructure facilities and the establishment of FDDI Noida should encourage more shoes. Meerut is another centre for the production of sporting goods. India is a major exporter of leather and leather products. It represents 2 percent of world trade in leather and leather related products and 10 percent of leather raw materials available in the world. Leather Exports account for 7 percent of the export basket of India. US and some European countries together account for 80 percent of leather products, exports from India. New market development course includes South Africa, Australia, New Zealand, Canada, Japan, Spain, Portugal and Saudi Arabia. The outstanding feature of our export performance is the change that has occurred in the structure of exports for articles with high added value, a development in harmony with the export policy. In the 1960s, exports were more in the form of raw materials. In the early 1980s, exports were in the form of finished leather. And in the 1990s and beyond the target is in favor of fully manufactured products. Five types of leather products exported from India are leather shoes, Footwear Components (Upper shoes, soles, etc.), leather clothing, leather goods (including harness and saddlery, leather gloves, etc.) and finished leather. The main customers for export from India are Germany, USA, Italy, UK, Spain and France. In the past year, Hong Kong has emerged as a major importer of leather. About 70% of global imports of leather products are recognized by Western Europe and North America. US is the largest importer of all kinds of leather products, representing approximately 25% of world trade. Germany is the second largest importer of leather products in the world. Italy, Portugal, Spain, Czechoslovakia and Romania are potential competitors of the European region. Although these countries enjoy the benefits of easy access to the West European market, rising labor costs is the limiting factor. However, the former Eastern European countries are trying to consolidate their position slowly. Their ignorance of the market mechanism is their major disadvantage. In the Asian region, South Korea and Taiwan are still continuing their activities, but in a different style. Given the high cost of labour, they relocate their production bases and consolidate their hold on the market. The real competitors for India are China, Indonesia, Turkey and Thailand. These countries take advantage of favourable labour costs and the industrial climate and good investment, but they cannot have significant raw material base of their own. However, the current world trade supports the import of hides and skins, and their treatment in any part of the world. Countries like Bangladesh, Sri Lanka, Nepal and some African countries may be future competitors for India. They consolidated their gains in the area of tanning, and are slowly penetrating the market products. The global market for leather products is estimated at Rs. 2781.4 billion (50.45 billion euros). Among the various articles, the furniture market is growing rapidly, while the market for leather products is likely to remain stable.<sup>4</sup>

### **India Exports of Leather & Products Major Market**

Leather exports and products in India rose to 29.50 billion in December Rs.27.06 billion in November 2015. Exports of leather products in India averaged Rs.11.12 billion from 1991 to 2015, reaching a record level 36.46 billion dollars in INR August 2014 and a record level of Rs.1.81 billion in June 1991. Leather exports and products in India is reported by the Reserve Bank of India. In recent years, India has become one of the largest exporters of refined products in Asia with oil accounting for about 20 percent of total exports. The Indian leather industry is expected to clock 27 billion \$ CA over the next five years, from \$ 12 billion now. At present, exports constitute \$ 591000000 in the total turnover of the leather industry. The industry registered a compound annual growth rate of 14.77 percent over the past five years. Rupee, exports

reached Rs 26,900 crore in April-November 2014 against Rs 22,700 crore a year ago, an increase of 18.53 percent. The main export markets continued to be Germany with a share of 12.39 percent, the UK at 11.6 percent and the United States 11.50 percent.<sup>5</sup> The industry needed around Rs 1,500 crore to set up processing capabilities to support the industry plan to double the tanning power at about 5 to 6 square billion. The Centre was seeking ways and means to support the industry to set up effluent plants, and added that he would soon come out with concrete measures on this. Meanwhile, leather products saw just occupying 10,000 square meters of space against 9,300 sq. Meters last year. Total participating companies increased to 440, including 142 foreign companies from 23 countries, compared to 385 last year. The participation of international companies has increased by about 50 percent this year.

Germany	12%
Usa	12%
Uk	12%
Italy	9%
France	6%
Spain	5%
Hongkong	5%
Netherlands	4%
Uae	3%
China	2%
Others	30%

#### India Leather Industry

Top Ten Indian Leather Exporters	Share of India Leather Industry
Tata International Ltd	12.4 %
Florind Shoes Ltd	9.5 %
Punihani International	7.2 %
Farida Shoes Ltd	6.4 %
Mirza Tanners Ltd	6.3 %
T Abdul Wahid & Company	6 %
Hindustan Lever Ltd	5.8 %
Super House Leather Ltd	5.7 %
RSL Industries Ltd	4.6 %
Presidency Kid Leather Ltd	4 %

#### Challenges for the Leather Industry

The leather industry is considered a major pollutant, especially during the final stages of production in tanning. As the leather industry also releases its waste and chemicals in water bodies, it is known to seriously affect groundwater. Because of its nature, importing countries have established global standards, in addition to prohibiting the use of many chemicals. The unavailability of raw materials is a serious problem for both developed and developing countries like India. Other components such as fittings, adhesives and many more are also less accessible to the preferred level. In India, the leather is produced in the former through tan that takes a long time to process the rawhide leather skin. In addition, the activities of design, cutting and sewing are done manually, which affect the implementation of the quality and the unit value of products. Obviously, the industry lacks in terms of level of modernization and preparation technology. The leather industry needs to make significant capital investments for own production processes and infrastructure. China dominates the global leather industry because of its low production costs. Because of deficient raw materials, funding shortages, labour problems and regular blackouts, it is under-utilization of capacity in the industry.<sup>6</sup>



### India's Export of Leather and Leather Products for Five Years

(Value in Million \$)	2009-10	2010-11	2011-12	2012-13	2013-14
Finished Leather	627.95	841.13	1024.69	1093.73	1284.57
Footwear	1507.59	1758.67	2079.14	2066.91	2531.04
Leather Garments	428.62	425.04	572.45	563.54	596.16
Leather Goods	757.02	855.78	1089.71	1180.82	1351.50
Saddlery & Harness	83.39	87.92	107.54	110.41	145.54
<b>Total</b>	3404.57	3968.54	4873.53	5015.41	5908.82
<b>% Growth</b>		<b>16.57%</b>	<b>22.80%</b>	<b>2.91%</b>	<b>17.81%</b>

Source: DGCI&S

#### Some of the Government Initiatives to Promote the Leather Industry

The government's decision to implement a "mega project of development of the leather cluster for the 12th Five Year Plan (2012-2017) Rs.600 crore will definitely prove to be a shot in the arm for the Indian leather industry and increase its global competitiveness, improved funding to support export market development, technical advancement and HRD. According to the Department of Policy and Industrial Promotion, "The concept of Mega Leather Cluster seeks to meet the constraints of large infrastructures with integrated production chains in the country." In the license the leather industry sector allowed further expansion and systems that are easy to attract FDI. Free import of raw materials such as rawhide and skin Presentation of Duty Free import authorization (DFIA) simplification of import / export regulations and smooth customs clearance customs. After eight months doldrums, the curve of growth of leather industry is mounted arrow again as evidenced by the fact that the total value of exports increased by 4.25% US touching \$ 26.26 billion since the beginning of 2013. The leather industry has plans to increase the export potential of US \$ 7.03 billion in 2013-2014, which in turn provide employment to an additional one million people. When the Indian leather industry is today, it may seem far-fetched, but with proper leverage, the Indian leather industry has the capacity to compete with the designer labels like Gucci and Louis Vuitton in near future.<sup>7</sup>

#### Leather Exports from India to Grow by Over 100% in 2016-20

Indian Council of Leather Exports (CLE) along with Footwear Design and Development Agency and Central Leather Research Institute has planned to more than double the sales revenue in next five years to US \$ 27 billion. Last year, leather sector reported the total sales of nearly US \$ 13 billion, of which exports accounted for US \$ 6.5 billion. By 2020, the export target is US \$ 15 billion. In order to attract Foreign Direct Investment, introduce new technologies, designs and concepts and showcase India's potential to the outside world, Council of Leather Exports along with the above mentioned agencies has mapped roadshows, business-to-business meetings and conferences in different countries.<sup>8</sup> The initial round of roadshows and B2B meetings were held in China, Taiwan and Germany, while the next round is being held at New York. This will be followed by yet another show at Sao Paulo in Brazil and Italy in January. A two-day buyer seller meet is also scheduled to be held in Dubai on December 15-16. The export of leather to these countries accounts for nearly 45 per cent. As per the Council for Leather Exports India's positions as the third largest global supplier of leather garments is only going to strengthen given the availability of quality raw material coupled with skilled craftsmanship. Major brands like Armani, Zegna, Abercrombie & Fitch, Marco Polo, Mango, Andrew Maarc, and Guess source Leather Garments from India. The major markets for Indian leather garments are Germany with a share of 23.23%, France 11.55%, Spain 12.17%, Italy 10.07%, USA 9.459%, UK 6.68%, Netherlands 3.77%, Denmark 4.49% and Canada 2.19%. He target has been set in consultation with the Commerce Ministry by bringing in the leather sector under the purview of 'Make in India' scheme.<sup>9</sup> Our first target is to double the total sales by 2020. We are working out on capacity building, road shows for attracting foreign direct investment." In 2014-15, this sector registered 10.5 per cent growth to end at US \$ 13 billion. However, the leather sector posted negative growth of 9.5 per cent during the first seven months of the current fiscal ended October 2015-16 due to the declining international demand for Indian products coupled with less unit value realisation. During the period under review, leather products accounted for 3 to 5 per cent growth, while finished leather sector was down by 24 per cent.

#### Conclusion

The Government of India has identified the leather sector as a sector Development in the Indian foreign trade policy for its immense potential for export growth prospects and job creation. Accordingly, the Government is also implementing various special initiatives Development as part of the foreign trade policy to growth of the leather sector. With the implementation of the various industrial development programs, as well as export promotion activities; and taking into account past



performance and industry inherent strengths of skilled workforce, innovative technology, increasing industry compliance with international environmental standards, and the dedicated support of related industries, the Indian leather industry is to increase production, improve and export, and resultantly create additional employment opportunities. It is encouraging that more and more joint ventures and foreign direct investment (FDI) have already got underway in post liberalized and it proved a real benefit to the Indian industry era to improve its production base and exports. Inherent strength of India lies in its strong base of raw materials, technical workforce, and quality control measures tested. India ranks first among the main breeding countries into the world, with 57% of buffalo, 16% of cattle, 20% goat and 4% of the sheep population. • There is no undeniable fact that the legendary quality of the craftsmanship of traditional leather India, combined with modern production facilities and trained personnel, has put India on the world map for leatherwear sophisticated. The economic and trade policies liberalized Development adopted by the Government of India since 1991 and the simplification of procedures contributed to the growth of this industry in India is the second largest exporters of leather shoes, the third largest exporter of leather apparels and fifth largest exporters of leather goods & accessories. The result of the study showed that there is strong growth potential of leather and leather products in the coming years, which will certainly continue to increase. The leather industry is to encourage production, improving its export from the current level. Thus, looking at the world trade and domestic demand, it can be said that the Indian leather industry has the potential to grow by leaps and bounds in the coming years to come. Accordingly, the Government is also implementing Initiative for various special under the foreign trade policy to growth of the leather sector. Leather industry has a huge potential to offer huge employment opportunities ie the leather industry is a job-intensive sector, providing employment to about 2.5 million people, most of time to the weaker sections of society. And that is why the Indian government has exempted basic customs duty machinery and affluent treatment plant equipment.

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