

LEATHER FOOTWEAR EXPORT INDUSTRY: INDIAN PROSPECTIVE

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ABSTRACT

Indian leather industry is the core strength of the Indian footwear industry. It is the engine of growth for entire Indian leather industry and India is the second largest global producer of footwear after china. It accounts for 13% of overall global footwear production of 16 billion pairs. India produces 2065 million pairs of different categories of footwear which includes leather footwear of 909 million pairs, leather shoe uppers of 100 million pairs and non-leather footwear of 1056 million pairs. India exports about 115 million pairs. Hence, nearly 95% of its production goes to meet its own domestic demand.

Reputed global brands like Florsheim, Nunn bush; Stacy Adams, Gabor, Clarks, Nike, Reebok, Ecco, Deichmann, Elefanten, St Michaels, Hasley, Salamander and Colehaan are manufactured under license in India. Besides many global retail chains seeking quality products at competitive prices are actively sourcing footwear in India.

However, if we take into consideration the leather and leather products export of India; Indian footwear sector has a significant position in the leather industry. Out of the total exports of USD 4,868.71 million 42.67% constitutes of footwear followed by leather goods, which constitutes 22.35% and is far below the footwear segment.

In this paper we are going to find out the scope of footwear in Indian leather export performance. In this paper we are also trying to throw a light on the percentage change in footwear exports with respect to previous years and we have also defined the factors which are responsible for these changes.

Key words: *Leather exports, Footwear Exports, Leather Footwear*

INTRODUCTION

India is the largest global producer of footwear after China, accounting to approx 13% of world footwear production, which is close to 16 billion pairs. This means that the average consumption globally is about 2-3 pairs/person. India produces approximate 2,065 million pairs annually in different categories of Footwear. India exports about 115 million pairs, thus nearly 95% of its produce meets its own domestic demand.

With an estimated global population of 7-8 billion, India constitutes a share of approx 15%, which means 1.2 to 1.3 billion feet needs to be covered from heat, cold, injuries, protection etc. Footwear sector is a very significant segment of Leather and Non Leather products in India.

Size of Indian Domestic Footwear Industry is estimated to be worth 20-25,000 crores where leather and non-leather Footwear per capita consumption is estimated to be approx 1.1 pairs. Our immediate Asian Neighbors reflect good per capita consumption between 3-4 pairs, whereas the developed nations such as US, EU, UK etc. enviably enjoy a far better per capita of 7 to 8 pairs. The challenge for Indian Footwear Industry is lit large but anticipating India to become amongst top 5

Superpowers in 2030, our consumption rates can reach as high as 7-8 Pairs. In such a scenario, India would need to produce anywhere between 8-10 billion pairs consider yearly population growth.

The major footwear production centers in India are:

- Tamil Nadu - Chennai, Ambur, Ranipet, Vaniyambadi, Trichy, Dindigul
- Maharashtra – Mumbai
- West Bengal – Kolkata
- Uttar Pradesh - Kanpur, Agra & Noida
- Punjab –Jalandhar, Ludhiana
- Karnataka – Bangalore
- Andhra Pradesh – Hyderabad
- Haryana - Ambala, Gurgaon, Panchkula and Karnal

Foot wears exported from India are Dress Shoes, Casuals, Moccasins, Sport Shoes, Horrachies, Sandals, Ballerinas, Boots, Sandals and slippers made of rubber, plastic, P.V.C. and other materials. US Retail giant Wal-Mart has also begun sourcing footwear from India. The Footwear sector is now de-licensed and de-reserved, paving the way for expansion of capacities on modern lines with state-of-the-art machinery. To further assist this process, the Government has permitted 100% Foreign Direct Investment through the automatic route for the footwear sector. Conducive Investment climate towards attracting overseas investments and increasing cost competitiveness. The Government of India is setting up dedicated Footwear Complex and Footwear Components Part where footwear clusters are located. There has been active interest in collaborating with Indian Footwear companies from European countries like Italy, Spain and Portugal.

Market size and Segmentation

As per the India Retail Report, India's total retail market is worth Rs 3,893,425 crore, growing at 18 per cent and is expected to cross Rs 6,156,333 crore by 2017. Modern retail is estimated at 42 per cent of this total market and is expected to grow by 21-23 per cent Y-o-Y. Retail expansion grew at an average of 16-18 per cent in terms of number of outlets and retail space with same outlet growth being around 25 per cent.

The footwear market in India, like its international counterpart, has always been broadly classified into three segments, Men's, Women's and Kids. Men's market is growing at a CAGR of 10 per cent. At present, men's market contributes around 60 per cent of sales in the footwear segment as against women's share of 30 per cent. The women's segment, however, is growing at a much faster CAGR of 20 per cent.

Based on the usage, the market can be divided into two sub categories:

- Regular (consisting of daily and sports footwear, material can be leather/non-leather)
- Occasional (consisting of premium and luxury, material can be leather/non-leather)

From price point, the footwear industry in India can be divided into five parts:

- Mass (Rs 150-700)
- Mid/Economy (Rs 700-1000)
- Active Sports (Rs 1000-3000)
- Premium (Rs 3000-5000)
- Luxury (Above Rs 10,000) segment

The footwear market of the country is shared between organized and unorganized segment. The organized segment caters to about 1/3rd of the market while the remaining market is fetched by unorganized players.

The unorganized segment gains prominence in the Indian context due to its price-competitive products, which are more suitable and attractive to the price conscious Indian consumer. But with increased household income, shifting consumer behavior from saving to spending, increasing brand consciousness amongst Indian consumers, influx of large number of global brands and penetration in tier – II and III cities by footwear companies, the organized retail in footwear market is rapidly evolving and expected to grow at a higher rate in the future.

The rural market of India is still largely untapped for footwear manufacturers. Companies are re-positioning themselves and launching specific products and price ranges to expand their presence and increase their consumer base in rural areas.

LITERATURE REVIEW

Mr. Refeeq Ahmed (1986) in his paper "development Perspectives of Indian Footwear Industry, the case of Indian footwear" highlights the importance of the Indian leather footwear industry's potentiality for exports. He brings out the need for popularizing brand name, strengthening training facilities particularly to women, and close linkages between industries, training and educational institutions.

The paper also emphasized the need to have the service of experts from developed countries to train the local artisans in particular lines.

Knorringa Peter (1996) an eminent scholar in his case study of the Agra Footwear industry stresses that the small scale enterprises, as part of large chain sector and the vertical economic relations, can be improved by including trust and the extent of professional collaborations. He highlights the institutional peculiarities of this industry which include a lack of rigorous enforcement of property rights and caste based identity dasher between artisans and traders, and shows how these factors shape the objectives of individual entrepreneurs. It is based on extensive primary data. This study adds a new theoretical prospective to the study of small scale production. It will be of great interest to economists and researchers in the areas of institutional economics, transaction cost economics. Socio-economic development studies and economic organization theory.

"Productivity & Competitiveness of Indian Manufacturing – Leather & Leather Products Sector" the main reason for the low scale of operation in the leather industry and in the footwear segment could be due to the lack of investments in the sector. Over the last 20 years China has attracted more than 10 times of investment that India has attracted. This may be of the fact that for a long time the sector almost in its entirety was in the SSI list. Only after 2001 the leather sector was de-reserved.

"Enhancing firm level competitiveness Indian leather and footwear industry" though a few companies have obtained quality certifications in ISO, SA8000 etc, process control techniques, TQM were not implemented in most of the companies. These factors affects the company's performance in the areas of quality, inventory holding and therefore cost management Due to poor visibility in the value chain (customer and supplier), Indian leather companies are fraught with inefficiencies in terms of higher inventory and delayed deliveries. Given the nature of the industry and export destinations, these typically result in high levels of obsolescence.

"Management of HRD Requirements - A Case Study of Indian Footwear Industry" With a focused approach on growing the Industrial and Institutional business, the industry can offer globally renowned industrial footwear products. Quality consciousness, research & development, abundance of raw material, export potential and low cost are some of the distinct features of the Indian Footwear Industry. However, to maintain the growth trajectory, there is need of a purposeful review of programmers and policies of human resources development to rejuvenate it.

Mr. Akil Ahmad(2016) faculty of commerce, Amiruddaula Islamia Degree college in his paper-‘Performance and Prospects of Indian Footwear Industry’ has concluded that “Footwear sector in India is very popular a numbers of manufacturing units operating under this but the rate of growth in this sector is very low and the main reason of this lack of finance to manufacturer and this can only fulfill with the help of Foreign Direct Investment in this sector and this new policy of Indian government that is Make in India is attracting the foreign players to come in India and make in India. The Indian footwear industry has developed substantial links in the global production network. But, this industry is still dominated by firms that cater largely to the domestic market through the artisanal production system. Specific footwear centres and sections of firms in traditional footwear clusters have established strong relations with the export market. Still, there are only few firms (e.g., Lotus Footwear Ltd., Apache Footwear Ltd. Etc.) that are directly involved in the global production chain of multinational corporation (MNC) in the sports footwear category. Apart from TATA, no large domestic corporate firm is involved in the footwear production either for export or in the domestic market.”

“The various measures undertaken by the NDA Government to address issues related to economic growth, delay in Government decisions and reforms in the Labor law, Land law and taxation have kick started the manufacturing sector and shot the GDP growth by 5.7 % in the last quarter. The Modi Government has also signed a staggering USD 35 Billion investment deal with Japan for infrastructure development. If governance continues in the current manner, we can definitely hope to see significant and sustainable growth in the manufacturing sector and progress towards India becoming a global manufacturing hub. The current impact of MAKE IN INDIA that the world largest aircraft manufacturing company Airbus deal with India for set its plant in India for manufacturing.”

OBJECTIVES OF THE STUDY

- To analyze, performance of footwear industries in India.
- To see the growth perspectives of leather footwear in domestic and international market.

RESEARCH METHODOLOGY

This research is based on secondary data analysis and literature reviews. The data has been collected from websites, DGCI&S reports, research papers and other sources.

In this paper we are trying to study the performance change in export of Indian leather footwear exports.

ANALYSIS- Export performance of Leather and Leather Products during Apr-March2016-17 vis-à-vis Apr-March2015-16

As per officially notified DGCI&S monthly export data, the export of Leather and Leather products for the financial year **April-March 2016-17 touched US\$ 5665.91 mn** as against the performance of US\$ 5855.06 mn in the corresponding period of last year, recording a negative growth of -3.23%. In Rupee terms, the export touched Rs. 380024.07 mn in April-March 2016-17 as against the previous year’s performance of Rs. 383321.67 mn registering a negative growth of -0.86%.

PRODUCT WISE ANALYSIS

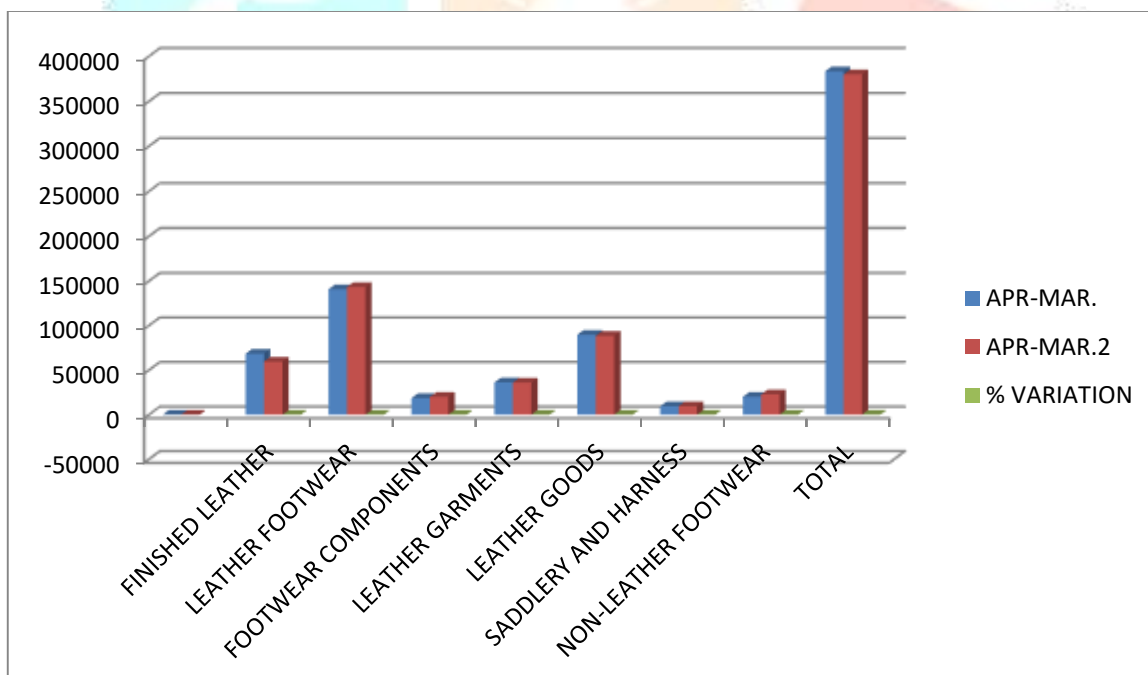
Export of leather and leather products from- India during Apr-March (2015-16) vis-a-vis Apr-March (2016-17)

Values in million (US\$)

CATEGORY	APR-MAR.	APR-MAR.	% VARIATION
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	2015-16	2016-17	
FINISHED LEATHER	68509.63	59619.47	-12.98%
LEATHER FOOTWEAR	140625.23	143259.05	1.87%
FOOTWEAR COMPONENTS	18615.10	20125.09	8.11%
LEATHER GARMENTS	36211.57	35988.87	-0.61%
LEATHER GOODS	89694.53	88642.82	-1.17%
SADDLERY AND HARNESS	9583.60	9596.66	0.14%
NON-LEATHER FOOTWEAR	20082.01	22792.11	13.50%
TOTAL	383321.67	380024.07	-0.86%

Source: DGCIS



Values in million (US\$)

CATEGORY	APR- MAR. 2015-16	APR- MAR. 2016-17	% VARIATION	% Share
FINISHED LEATHER	1046.45	888.89	-15.06%	15.69%
LEATHER FOOTWEAR	2147.98	2135.90	-0.56%	37.70%
FOOTWEAR COMPONENTS	284.34	300.05	5.53%	5.30%
LEATHER GARMENTS	553.11	536.57	-2.99%	9.47%
LEATHER GOODS	1370.04	1321.61	-3.54%	23.33%
SADDLERY AND HARNESS	146.38	143.08	-2.26%	2.53%
NON-LEATHER FOOTWEAR	306.74	339.82	10.78%	6.00%
TOTAL	5855.06	5665.91	-3.23%	100.00%

Source: council for leather exports & DGCI&S

The report shows that:

- Footwear holds the major share of 48.99% in the total export of leather and leather products.
- Non-Leather Footwear (10.78%) and Footwear Components (5.53%) are the products showing positive growth.
- Leather Footwear, has declined marginally by -0.56% in 2016-17 comparing to -5.75% during 2015-16.
- All other products segments Finished Leather, Leather Garments, and Leather Goods & Accessories and Saddlery & Harness shows negative growth.
- *The negative growth of -9.86% registered during April-March 2015-16 has been reduced to -3.23% during April-March 2016-17.*

According to a report by ICRA research services

- India's footwear consumption has remained almost at the same level for last three years.
- China's share in global footwear exports has been on a decline for the last two years.
- Indian footwear exports have witnessed de-growth in financial year 2016 primarily due to weak microeconomic environment in the euro-zone.
- Domestic footwear companies have reported pressure on sales volumes in the recent quarters due to weak consumer sentiments.
- Both unorganized and organized markets are estimated to have an equal market size in value terms.

- Implementation of GST is expected to increase tax compliance and bring a larger share of manufacturers under the tax umbrella.
- Domestic footwear companies have reported de-growth in sales in Q1 FY2017.
- Footwear export companies are bearing the brunt of high exposure to Europe, which is passing through a weak phase; profitability for most of the companies in our sample has been adversely affected.
- Footwear companies are going slowly on incremental capex due to weak consumer sentiment and weak macroeconomic environment.

RESULTS AND CONCLUSION

- The footwear sector continues to remain highly working capital intensive due to substantial requirements of raw material as well as finished goods inventory and significant credit extended to clients/selling partners, especially in the case of footwear exports.
- The demand for footwear products in India is expected to continue over the forecast period. Footwear in India is expected to register a retail value CAGR of 8% at constant 2015 prices over the forecast period to reach sales of Rs1.1 trillion by 2020.
- The Government of India had identified the Leather Sector as a Focus Sector in the Indian Foreign Trade Policy in view of its immense potential for export growth prospects and employment generation. Accordingly, the Government is also implementing various Special Focus Initiatives under the Foreign Trade Policy for the growth of leather sector. With the implementation of various industrial developmental programs as well as export promotional activities; and keeping in view the past performance, and industry's inherent strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental standards, and dedicated support of the allied industries, the Indian leather industry aims to augment the production, thereby enhance export, and resultantly create additional employment opportunities.

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