

Leather & Footwear Industry - Overview

India is the second largest producer of footwear and leather garments in the world. The domestic leather & footwear industry is known to be a major foreign exchange earner amongst all sectors in the country. It is a labour intensive industry providing jobs to about 2.5 million people, with women employment commanding a 30 per cent share in the jobs in this segment.

The industry enjoys an advantage of abundant raw material, with India having the largest livestock population in the world. About 90 per cent of the raw material for the tanneries is from within the country and only 10 per cent are imported. Some of the goat/calf/sheep skins available in India are regarded as specialty products commanding a good market. Abundance of traditional skills in tanning, finishing and manufacturing downstream products and relatively low wage rates are the two other factors of comparative advantage for India. The major production centres for leather & leather products in India are located in Tamil Nadu, Delhi, Uttar Pradesh, Punjab, Haryana, West Bengal and Maharashtra.

Rising disposable incomes, abundance of raw material, influx of new and improved designs to customers, rising retail opportunities and buoyant export market have been the main demand drivers of the growth of the Indian leather industry. As per the IIP data available, production of leather and leather products grew by 4.7 per cent per annum over the five year period ended March 2011.

According to the Council for Leather Exports (CLE), India's leather industry was estimated to be worth US\$ 5 billion in 2008. Of these, exports of leather & leather products accounted for nearly 70 per cent of the total industry and domestic sales accounted for the rest.

While India's total leather & leather product exports have observed a healthy rise, its share in total global trade is still abysmally low. India accounts for a meagre three per cent of the global trade of leather & leather exports. Even in the footwear segment, which is the main driver of overall export growth, India's share is a dismal three per cent in the overall global trade.

The leather industry which is highly unorganised in the value-added space lacks awareness on international standards and faces capacity constraints to cater to high volume export markets like USA. Thus, the domestic leather industry has not managed to garner a sizeable market share in the global fashion market compared to European and other Asian countries. For instance, China has emerged as the largest exporter of leather & leather products with a share of 28 per cent in 2009, up from a mere 3.4 per cent in 1980.