Empirical Study on Indian Footwear Industry

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Abstract- **Manufacturing industries are the spine of any economy of the country similarly footwear manufacturing plays Important role in the growth of the Indian manufacturing sector. Manufacturing has emerged as one of the high growth sectors in India. India on the world map as a manufacturing hub and give global recognition to the Indian economy. Rank of India in the midst of the world's 10 largest manufacturing countries has higher by three places to sixth position in 2015.The Government of India has set an striving target of increasing the part of manufacturing output to 25 per cent of Gross Domestic Product (GDP) by 2025, from 16 per cent currently The Indian Footwear market number of producer are working on leather, rubber, synthetic, plastic and textile footwear designed in style for use. The industry is a group of lesser, segmented, yet often overlapping markets, defined by both the price and the purpose of the shoes. For instance, there are smaller markets for shoes designed for each of many casual, formal, sports and other purposes: basketball, running, walking, tennis, and Golf. The greatest partly cover between these categories is between performance shoes and casual wear. The industry is holding by a few large firms, while the majority of other players have less than 10% market share**

Keywords: **GDP, Industry, Footwear, Manufacturing**

I. INTRODUCTION

The Indian footwear industry has built-up substantial links in the international production network. But, this industry is still conquered by firms that supply mostly to the domestic market through the artisanal production system. Specific footwear centers and sections of firms in traditional footwear clusters have established strong relations with the export market. Still, there are only few firms (e.g., Ponds footwear, Baer 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 marketing system of export and domestic markets can be pertinently compared in the theoretical framework of transaction cost economics (Tesfom et. al, 2003). The key elements of this framework are asset specificity, vagueness and frequency. In this low technology industry entry barrier is low and asset specificity is largely related to market information. In export market, the market research is largely undertaken by importers (wholesalers, retail chain stores, departmental stores etc.). In the absence of organized market research by wholesalers (along with low development of retail chain stores) direct entry into domestic market requires substantial resources. Second, greater uncertainty exists in the domestic market in the sense of market volatility – lack of information on evolving fashion requirement, demand in particular market and less availability of avowal instruments (letter of credit, agents, quality check up etc.). Third, importers place relatively larger orders in specific frequency (seasons) while domestic wholesalers order in small batches and at less regular frequency. In this scenario, the size of market, type and quality of product to be manufactured broadly determines the choice of production technology in different market segments. However, the process of technology adoption and technical change therein is influenced by the existing institutions with its specific enticement and deterrent structures which are entrenched in the culture (caste specificity of traditional footwear production) and other institutions that are 2 historical realities (You, 1995). The size supply of firms and changes in it is the conclusion of the relationship of these various factors and institutions.

II. OBJECTIVES OF THE STUDY

The objective of this study is to analyze the empirical data Employability, Sales, Size of market

1. To find out change in the rate of exports of leather and it's allied Industries.
2. To study the effect on the ordinary people.
3. To study the effect on the industry.
4. To study the effect on the GDP and the Growth
5. To study the size of the market

III. INDUSTRY WITHIN AND OUTSIDE THE INDIA

Second largest footwear producer after China. Yearly Production 2200 million pairs. Massive domestic retail market 1950 million pairs (95%) are sold in domestic market. Footwear export accounts for 45% share in India's total leather & leather products export. The Footwear product mix Mens 55%, Ladies 35% and Children 10%.

Almost 75% of India Export of Footwear is to the European Countries and the USA. The Indian Footwear Industry provides employment opportunities to a total of 1.1 million people, almost from the weaker sections of the society. Out of this, about 0.2 million are employed in the organized sector, 40% of who are women. Remaining 0.9 million people are engaged in unorganized footwear sector like countryside artisans, small house and family circle units etc. The Footwear Sector is now de-licensed and de-reserved, concrete the way for development of capacities on modern lines with state-of-the-art machinery. To further aid this process, the Government has allowed 100% Foreign Direct Investment through the mechanical route for the footwear sector.

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

	2011-12	2012-13	2013-14	2014-15	2015-2016
Finished Leather	841.13	1024.69	1093.73	1284.57	1329.05
Footwear	1758.67	2079.14	2066.91	2557.66	2945.15
Leather Garments	425.04	572.45	563.54	596.15	604.25
Leather Goods	855.78	1089.71	1180.82	1353.91	1453.26
Saddlery & Harness	87.92	107.54	110.41	145.54	162.7
Total	3968.54	4873.53	5015.41	5937.97	6494.41
% Growth		22.80%	2.91%	18.39%	9.37%

Source DGCI&S

The major production centers for leather and leather products in India are located in:

- **Tamil Nadu** – Chennai, Ambur, Ranipet, Vaniyambadi, Vellore, Pernambut, Trichy, Dindigul and Erode.
- **West Bengal** – Kolkata.
- **Uttar Pradesh** – Kanpur, Agra, Noida, Saharanpur.
- **Maharashtra** – Mumbai.
- **Punjab** – Jallandhar.
- **Karnataka** – Bangalore.
- **Rajasthan** - Jaipur
- **Andhra Pradesh** – Hyderabad.
- **Haryana** – Ambala, Gurgaon, Panchkula, Karnal and Faridabad.
- **Delhi**
- **Madhya Pradesh** – Dewas.
- **Kerala** – Calicut and Ernakulum / Cochin

IV. EMPLOYMENT OF FOOTWEAR INDUSTRY

As a whole in India, more than one lakh employment is found in leather footwear manufacturing Three states namely Uttar Pradesh, Tamil Nadu and West Bengal contribute sizable proportion of employment of footwear industry contributing four-fifth of total employment. These three states present quite different structure of employment across employment size class. Employment in Uttar Pradesh is fairly spread out in middle and upper size class of firms along with employment share of one-fourth in informal sector of DME. In Tamil Nadu, the employment is virtually limited to size class of firms employing 100 workers or more. In West Bengal, we can observe the classical case of missing middle with deliberation of employment in informal sector of DME or in firms that employ 1000 workers or more. For India as a whole, the mislaid middle phenomenon is less prominent with extensive presence of firms in the middle segment. The labour productivity in Tamil Nadu and Uttar Pradesh that have sizeable occurrence of midsized firms is somewhat higher than that of all India. Labour productivity in West Bengal, a stark instance of missing middle, is only half of the level of all India. We have picked up one cluster from each of the prominent states of Tamil Nadu, Uttar Pradesh and West Bengal for undertaking detailed case study. The centres are Agra (Uttar Pradesh), Chennai (Tamil Nadu)

State	Employment Size group (ASI)							
	DME	(10-49)	(50-99)	(100-199)	(200-499)	(500-999)	(1000-above)	Total
Punjab	6.3	18.4		6.1	12.4	56.8		1,711
Uttar Pradesh	26.8	3.9	4.4	15.3	18.9	15.6	15.0	38,444
West Bengal	57.9	4.7		-	-	-	37.5	9,323
Gujarat	-	18	-	82	-	-	-	350
Maharashtra	40.3	30.6	-	21.8	7.3	-	-	3,925
Andhra Pradesh	-	30.3	69.7	-	-	-	-	445
Karnataka	48.2	2.5	-	37.4	11.9	-	-	1,777
Tamil Nadu	0.9	3.5	4.6	17.3	28.7	18.1	26.8	35,002
Total of 8 states	**18,574**	**4,939**	**3,610**	**13,854**	**18,029**	**13,299**	**18,672**	**90,977**
India	**24,093**	**6,330**	**4,091**	**14,316**	**20,455**	**14,166**	**18,672**	**102,123**

and Kolkata (West Bengal). Employment Size Groups productivity discrepancy. The size-GroupWise labour efficiency of footwear industry is quite different The employment size group of 10-99 has highest productivity. Scale economics is reached in the small size class.

State	**Employment Size group (ASI)**							
	DME	(10-49)	(50-99)	(100-199)	(200-499)	(500-999)	(1000-above)	Total
Punjab	2	18.6	-	1.3	6.1	72	-	2,479
Uttar Pradesh	11.2	5.6	10.4	21.5	19.4	17.1	14.9	31,994
West Bengal	47.5	11.1	-	-	-	-	41.4	3,418
Gujarat		0						675
Maharashtra	17.3	51.6	-	21.9	9.2	-	-	4,360
Andhra Pradesh		0.0						207
Karnataka	13.4	-0.4	-	58.5	28.4	-	-	968
Tamil Nadu	0.1	1	5.2	21.5	31.2	17.9	23.2	26,637
Total of 8 states	**6,169**	**5,258**	**4,852**	**14,750**	**15,338**	**12,003**	**12,369**	**70,738**
India	**9,382**	**7,737**	**6,051**	**15,192**	**19,778**	**13,602**	**12,369**	**84,110**

The labour productivity of largest size class is smaller than all size classes except for the informal sector. The reason lies in older footwear firms employing 1000 workers or more that did not upgrade their technology. India's leather footwear industry is growing at modest rate in the last one decade. The output growth in between 1998-99 and 2006-7 has been 5.92 per cent per annum (based on intersectional business deal matrix of India). In the last few years (2003-4 to 2006-7), the growth of output has accelerated to 7.31 per cent. The value of output of leather footwear is estimated at Rs. 1289 crores in 2006-7. The footwear constitutes substantial proportion of leather industry and its share in leather industry is incessantly going up. India currently produces 2065 million pairs of different categories of footwear consisting of 909 million pairs of leather footwear, 100 million pairs of leather shoe uppers and 1056 pairs of non-leather footwear. It shows that more than half of footwear that is produced in India are non-leather based. In global scenario, India is the 5 second largest producer of footwear accounting for 14 per cent of global footwear production only after China who produces 64 per cent of global footwear (Khan, 2009).

V. STRENGTHS OF INDIAN FOOTWEAR SECTOR

- Own raw material source
- Some varieties of goat / calf / sheep skins command premium position
- Strong and eco-sustainable tanning base
- Modernized manufacturing units
- Trained / skilled manpower at cutthroat wage levels
- World-class institutional hold up for Design & Product improvement, HRD and R & D.

- Presence of support industries like leather chemicals and finishing auxiliaries
- Presence in major markets – Long Europe experience
- Premeditated location in the Asian landmass

PROMISING STRENGTHS

- Design development initiatives by institutions and individuals
- Continuous modernization and technology up gradation
- Economic size of manufacturing units
- Constant human resource development programme to enhance efficiency
- Increasing use of quality components
- Shorter trial product development time
- Delivery compliance
- Growing domestic market for footwear and leather articles

VI. COMPLICATION AND ENTHUSIASM OF THIS INDUSTRY

A) Location: The size of workshop spat and scope of increase of workshop site has important implication of size of factory and further expansion. In Eastern footwear, the tiny or informal units located in the inner city find it difficult to grow in size constrained by small size 25 of rented plots from which they usually operate. It is very difficult to get adjacent plot to expand the size of workshop beyond a small size. Relatively successful entrepreneurs inflate their plant level in different plots. A similar trend can be seen in home based small units in Agra as well.

In Southern part, the size of industrial plot also inhibits further expansion from mid-size level. Further expansion from midsize to large size would require shifting of factory premise to outskirts of the city where they have to individually build up some of the infrastructural facilities available in industrial estates and they have to transport workers from long distance by contract carriages that entail greater cost. Even several large footwear companies generally have several midsize factories and a few large sized ones are mainly located in small traditional leather processing towns like Ambur where bigger plot can be acquired comparatively easily.

B. **Production Technology**: It is one of the important determinants of size of factory. Sandal manufacturing units of Kolkata and home based shoe manufacturing of Agra requires minimum worker size of 3 and 5 workers respectively and that determines the minimum size of firms. One production line of complete shoe for exporting firms in Agra and Chennai requires 80 and 120 workers respectively and by default most of the modern exporting firms enter into production at midsize level. The firms that have generally become large sized in Chennai either has backward linkage with finished leather production or has accessories linkage with manufacturing of soles, moulds, last etc.

C. Size of Market and marketing channels: Bigger sized market sections allow firms to growth or operate at larger scale. Firms in Agra that want to expand virtually abandon domestic market and enter into export market. Export market is large and each lot of order is of much larger size that domestic market and that allow them to take advantage of scale factor with their modern production line technology. Particularly firms supplying largely to USA rather than Europe grows much easily to large size even when they concentrate only on footwear production. Domestic market in India is quite large but it is fragmented. One reason is marketing channels are operated by large number of competing wholesalers who can order only small lot. Artisan based production system is more adaptable in meeting requirements such orders. Few mid sized firms in domestic market that exist in Agra also operate in production group of 18-20 more convoluted artisan based production system and they also execute small sized export market particularly of West Asia or managed to have own brand that they sell in retail chain of footwear.

D. Government Policy: Footwear sector was one of the major standoffish sector form small scale production over four decades. Only few large firms that existed were either large before accomplishment of reservation policy or who could become large by availing special opportunities that existed for 100 per cent export units. Reservation policy has been withdrawn in 2001 but still there exist several taxation policies that favour small size. Firms selling footwear over Rs. 300/ 350 has to pay a flat 12.5 per cent VAT and firms selling below that price do not have to pay any tax. There is no graded VAT in regard to price range in this sector. In units in Agra firms has to pay 16 per cent excise duty if their annual turnover is over Rs. 1.5 crores. Growing firms prefer to open new companies once they are around that turnover level and operate from different premises.

E. Nature of Subcontracting: In domestic footwear market only small proportion of sales are done through large retail footwear chain like Bata, Liberty, Khadim's, Shree Leathers etc. These retail chains source a substantial proportion of their output from small and tiny enterprises. One reason is the fear of copying of designs of these retail stores by larger sized firms and who in turn would sell it to wholesalers under different brand names. Small firms that sell through wholesalers are also constrained because the whole sellers tend to squeeze maximum surplus out of small manufacturers and they do not clear the whole payment at one go and thus keeping the manufacturing firms to operate at low level output equilibrium. In the absence of organised retail it is an uphill task for manufacturer to grow, as establishing brand name requires large investment in terms of setting up of retail stores and spending in advertisement that can be quite risky.

VII. FUTURE OUTLOOK

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 rising health and wellness trend in the country is expected to drive increased participation in activities such as exercising, swimming and jogging over the forecast period. More people in the urban regions are expected to join gyms and also take up sporting activities such as football, basketball, volleyball and cricket. The improving economy is expected to create new job opportunities over the forecast period and more men and women should be joining the workforce. The number of international schools which demand branded footwear in the urban regions is also expected to increase over the forecast period. All these factors are expected to drive the demand for footwear products over the forecast period.

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 programmes 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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