

Original Article

Recent Trends in Leather Industry with Special Reference to Dindigul District Tamil Nadu

¹S.Thangamayan , ²R.Premalatha , ³S.N.Sugumar

^{1,2} Assistant Professor, ³Professor&Head
Department of Economics

VELS Institute of Science, Technology and Advanced Studies(Deemed to be a University),
Pallavaram, Chennai – 117.

Abstract - This paper consists of the growth and export performance of the Tamilnadu leather industry faced by social and economic problems in particular leather products. All over the world, leather and leather products are widely used by the manufacturer of footwear. Until the end of the 1960s, the major meat-producing countries also had facilities for running and finishing hides and skins and converting these into a variety of leather products for use either within the country or for export among developed countries. The leather industry growth has been sustained by the country's large livestock population, which claims a unique position globally; all these items consume about 60 percent of the total leather production. The manufacture and exports of leather products are systematically promoted as their value addition, which works out four to five times over raw materials. The restriction on the exports of finished leathers with 5 percent duty and ISI norms were introduced. Liberal imports of raw materials, leather machines, chemicals, and auxiliaries have been the major highlights of the new policy. The leather industry is one of the major industries having a very high degree of impact on the environment, both from the point of view of consumption of raw materials and disposal of waste products. The conversion of raw material of leather needs a large amount of water energy.

Keywords - growth performance; export; leather products

I. INTRODUCTION

All over the world, leather and leather products are widely used by the manufacturer of footwear. Leather garments and other finished leather

Goods like handbags and travel bags came into use with the winds of change. Until the end of the 1960s, the major meat-producing countries also had facilities for running and finishing hides and skins and converting these into a variety of leather products for use either within the country or for export among developed countries. They even imported hides from the developing countries to meet their growing

demand. In Asia, the five tigers in the leather industry are Japan, Taiwan, South Korea, Hong Kong, and Singapore on the other side; Brazil, Argentina, Spain, Greece, and Portugal have effectively made use of the global market opportunities.¹ Along with the countries like India, Pakistan, Indonesia, Turkey, Thailand, and Bangladesh have also taken active plans to expand and modernize their tanning industry and started exporting semi-tanned and finished leather. During the past two decades, the newly industrialized countries like South Korea, Taiwan, Brazil, Spain, and Portugal have successfully penetrated the global footwear, garments, and leather markets in developed countries and captured a sizeable share. However, countries like India with inadequate product quality and marketing structures find it difficult to compete, particularly in the finished products sector. According to a recent ILO report, "the leather and footwear industry is showing a trend of globalization and increased competition, particularly in the labor-intensive fabrication sectors of the Third World." "Europe with Italy in the first place invariably remains the center of technological design innovations ."Leather continues to retain a high consumer profile, with the majority of leather produce today going for use in footwear production and increasingly towards upholstery and leather garments.²

GROWTH OF THE LEATHER INDUSTRY

The leather industry growth has been sustained by the country's large livestock population, which claims a unique position in the world, "estimated at 425 million cattle, buffaloes, sheep, and goat." (57 percent made up of buffaloes, 16 percent of cattle, 20 percent of goat and 4 percent of sheep population in the world). However, because livestock is increasing only at 1.2 percent rate per annum, the availability of ingenious hides and skins has been almost stagnant. According to CLRT (Chennai), over Rs.3.3 crores worth of ovine skins are lost annually to non-flaying of carcasses. Thus in the future, the availability of raw materials will be one of the major constraints for the growth of the leather sector. "Among India's important centers of leather and leather products, Kanpur specializes in tanning and



finishing buffaloes and production of harness (safflery) and shoe leathers. In Calcutta, tanning and finishing of cowhides and goatskins processing is a prime activity. Madras and several districts in Tamil Nadu specialize in finished leathers of various kinds".³

II. RECENT TRENDS IN THE LEATHER INDUSTRY IN TAMILNADU

The following are the recent changes that have taken place in the leather industry in India:

- Production is tiny, and the cottage sector is rapidly declining due to the shift from traditional production methods to factory-based production.
- 90 percent of skins and 50 percent of hides are obtained from slaughter, leading to improved quality of finished leather.
- The state-of-the-art technology in the leather product sector is commendable due to liberalization in import policy.
- Female worker content in the footwear and leather products sector has been increasing.
- There has been an improved image for the Indian leather products in the international market.
- A market increase for technical human resources and skilled labor to cope with export needs is perceived.
- Dependence on imported hides and skins is growing significantly.
- There has been increasing awareness of the treatments of effluents.⁴

III. STATEMENT OF THE PROBLEM

In India, the large existence of the leather and leather products industry is due to the reasons such as cheap labor, proximity and easy availability of raw materials in comparison with other countries in the world. Moreover export of leather and leather products from India is also high. Thus an attempt is made in the present study to analyze the leather industry in India by taking a few indicators of growth of an industry, namely the Number of Factories, Number of Employees, Gross Fixed Capital, Gross Value Added, Gross Output, Total Emoluments, and Profit. The productivity of the leather industry has also been measured in the present study.⁶

IV. OBJECTIVES OF THE STUDY

- To analyze the growth of the leather industry in Tamilnadu.
- To analyze the export performance of the leather industry in Tamilnadu.
- To discuss the problems faced by the leather industry in Tamilnadu, Dindigul District.

V. RESULT FROM DISCUSSION

The linear growth rate is obtained for the following variables to analyze the factors responsible for the growth of leather industry issues.

Table 1. LEATHER AND LEATHER PRODUCTS EXPORTS (in the US \$ million)

Year	Finished leather	Leather footwear	Leather Garments	Leather Goods	Saddlery & Harness	Leather gloves	Non-leather	Total	Leather export as % of total exports
1992-93	206.94	20.27	7.69	40.11	0.00	0.00	0.00	412.44	4.54
1993-94	198.15	22.71	6.73	41.90	0.00	0.00	0.00	430.90	4.56
1994-95	260.36	22.59	7.98	48.15	0.00	0.00	0.00	492.61	4.99
1995-96	240.16	27.53	13.94	70.95	0.00	0.00	0.00	552.10	6.20
1996-97	320.70	64.30	49.81	76.98	0.00	0.00	0.00	746.33	7.66
1997-98	339.11	89.34	73.77	89.82	0.00	0.00	0.00	868.66	7.19
1998-99	411.30	82.39	105.16	121.24	0.00	0.00	0.00	1011.94	7.24
1999-00	416.27	102.90	199.80	175.79	0.00	0.00	0.00	1218.47	7.33
2000-01	438.85	155.82	308.91	190.70	0.00	0.00	0.00	1419.47	7.82
2001-02	294.59	174.76	298.91	210.53	0.00	0.00	0.00	1247.88	6.98
2002-03	280.63	164.23	325.57	261.05	0.00	0.00	12.61	1290.09	6.96

2003-04	270.25	204.25	342.28	229.17	0.00	0.00	40.20	1339.54	6.02
2004-05	382.96	302.49	387.12	108.83	18.53	64.68	14.06	1526.16	6.18
2005-06	371.33	340.44	413.62	283.82	21.35	78.80	10.63	1762.98	5.54
2006-07	301.06	337.45	424.37	225.41	25.96	68.83	12.45	1618.27	4.84
2007-08	295.83	281.90	425.21	301.71	25.96	85.61	15.21	1671.91	4.78
2008-09	264.67	320.25	376.66	311.15	32.69	94.23	17.52	1654.89	4.98
2009-10	239.82	377.37	347.28	278.72	34.11	97.80	14.12	1604.34	4.36
2010-11	381.49	381.37	460.45	343.76	42.66	96.61	19.11	1963.54	4.41
2011-12	459.25	395.39	378.75	321.46	35.64	85.69	26.02	1936.14	4.42
2012-13	508.83	423.30	272.08	335.36	43.66	90.04	26.88	1875.21	3.56
2013-14	555.71	553.04	301.08	403.20	52.71	136.01	53.42	2216.45	3.47
2014-15	577.00	601.73	318.73	568.46	59.64	0.00	90.21	2379.44	3.00
2015-16	591.42	642.23	342.24	612.48	67.04	0.00	132.43	2752.50	3.82
2016-17	621.28	698.53	368.61	668.17	71.96	0.00	168.06	3059.43	4.36

Source: <http://www.leatherindia.org>.

EXPORTS

India has now become an exporter of finished leathers, footwear, and various leather goods. However, India's share in the world trade of leather is hardness, about 16 percent. This share of leather manufacture in the country's total exports is generally between 4 percent and 6 percent.⁷

Table 2. Profits of leather industry in tamilnadu during the period 1992-93 to 20016-17. (Rupees in Lakhs)

Year	Profits	Percentage change over the previous year
1992-93	405	-
1993-94	2213	446.42
1994-95	1649	-25.48
1995-96	1210	-26.63
1996-97	843	-30.33
1997-98	2075	146.15
1998-99	3296	58.84
1999-2000	3780	14.69
2000-01	7055	86.64
2001-02	11976	69.75
2002-03	11455	-4.35
2003-04	37966	231.44
2004-05	10239	-73.03
2005-06	13037	27.33
2006-07	13211	1.34
2007-08	4850	-63.29
2008-09	-5421	11.77
2009-10	27327	604.09
2010-11	2895	-89.40
2011-12	9322	222.00
2012-13	8766	-5.96

2013-14	9745	11.16
2014-15	7306	-25.02
2015-16	11224	53.62
2016-17	12024	7.12
Mean	8771.60	
SD.	8469.91	

Source: ASI Report 2016-17.

Table 2 shows that in absolute terms, the profits increased from Rs.405 lakhs in 1992-93 to Rs.12 024 lakhs in 2016-17. But scrutiny of the figures during 1992-93 to 2016-17 reveals that the profits show a mixed trend, i.e., increase and decrease. It decreased to Rs.-5421 lakhs in 2008-2009 compared to Rs.4850 lakhs in 2007-2008. The increase in the profits in 1993-94, 1999-2000 is due to investment, and people consumption increased. It shows that the profit of the leather industry in India accelerated from Rs.405 lakhs in 1992-93 to Rs.12024 lakhs in 2016-17, an increase of more than twenty-fivefold during the study period. The mean value of profits of the leather industry in India is 8771.60 during the period 1992-93 to 2016-17. The standard deviation of profits of the leather industry in India is 8469.91 during the period 1982-83 to 2016-17. The linear growth rate of the leather industry in India is 14.76 percent.

PROBLEMS IN THE LEATHER INDUSTRY

The leather industry is one of the major industries having a very high degree of impact on the environment,

both from the point of view of consumption of raw materials and disposal of waste products. The conversion of raw material of leather needs a large amount of water energy.

- There were acute shortages of design and product development within the country's absence of tannery effluent treatment facilities.
- Tanneries and leather products manufacturing units operating in India have an extremely limited source of trained personnel.
- Market and fashion information (guidelines, trends, statistics, etc.) and related services available to Indian manufacturers are neither reliable nor adequate.
- India's newly developed footwear sector lacks product development design and marketing capacities.

The leather industry occupies a place of prominence in the Indian economy because of its massive potential for employment growth and export. There has been increasing emphasis on its planned development aimed at optimum utilization of available raw materials to maximize returns, particularly from export. The leather industry has been one of the traditional industries operating in India and is essentially located in certain states but dispersed as cottage industries in rural areas. Indian leather industry is both in the organized and unorganized sectors. The predominant decentralized nature and small size make it difficult to change this industry. Global competition has been the major driver that forced the leather industry to export tanned hides and skins. In the early seventies, it set its sights on becoming a major player in the leather products segments.⁸

VI. SUGGESTIONS OF THE STUDY

- The industry should increase the factor size by increasing capital rather than the number of factories.
- The industry should enhance its technology, thereby increasing capital efficiency rather than labor.
- The capital should be used efficiently to increase the gross value added through efficient management.
- The central government together deals with the modernization of common effluent treatment plants.
- The factors that influence the productivity of the leather industry.

- Government has to help increase the capital requirements of the leather industry in Tamilnadu.

VII. CONCLUSION

The growth of total factor productivity was mainly because of growth in labor productivity. A high level of capital in the leather industry was not efficiently utilized, particularly after the liberalization, even though it was in a good position during the study period. After liberalization, efficient utilization of labor and capital was attributed to the leather industry. The decreasing productivity trend was due to a steep fall in gross value added in the leather industry, particularly after 1995-96. To develop the Tamilnadu leather industry, there is a need to be efficiently utilized to increase the gross value added.⁹ There is also the need to strengthen Research and Development to increase the gross value added to the Leather industry in Tamilnadu.

Ethical Clearance: Completed

Source of Funding: Self

Conflict of Interest: Nil

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