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# INDIA'S GROWING LEATHER INDUSTRY: A STEADY SOURCE OF FOREIGN EXCHANGE

With a vast captive source of raw materials, a national network of tanneries, skilled manpower for leather goods manufacture and a well-established presence in export markets, India's leather industry is poised to grow even further.



**T**he leather industry links rural India with all the corners of the globe, though an Indian villager may hardly be aware of how far the skins of his animals travel—transformed into chic consumer products. Hides and skins are byproducts of the meat industry.

The primary sources of raw material for the leather industry all over the world are cattle, buffalo, sheep and goat. However, the skins of camel, equine, kangaroo and deer are also tanned but these do not account for a notable share of the world's leather output. Trade in the skins of exotic or wild animals was banned globally

under the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), of which India is a signatory.

Leather and allied industries in India play an important role in terms of providing employment to a large number of artisans and also earn foreign exchange through exports. The major factors responsible for the growth of the Indian leather industry are the availability of raw materials (hides and skins), cheaper labour, technology and supportive government policies. The exports from the Indian leather sector earn Rs 106,910 million and provide direct employment to more than 2.5 million people from socially and economically backward communities.

## Availability of raw materials

In India, there is a ban on cow slaughter in many states for reasons related to religious faith. Hence in most parts of the country, cattle are generally slaughtered only when they become old enough, as permitted by the law. Even so, slaughtering of cattle is done only in a few states like Kerala, West Bengal and those

Table I

**Overall Population of Animals in India and the Number Available Annually for the Leather Industry During 2010-11**

(million numbers)

Species	Population	Share of global population	Percentage culled each year for the leather industry	Livestock available annually for skinning and tanning
Cattle	212.56	15.95%	12%	25.50
Buffalo	96.17	59.62%	22%	21.10
Goat	144.42	19.2%	77%	111.00
Sheep	53.19	5.04%	62%	32.70

Source: [www.leatherindia.org](http://www.leatherindia.org)

Table II

**The Number of Tanneries Spread Across India**

State	Number of tanneries
Tamil Nadu	939
West Bengal	538
Uttar Pradesh	392
Punjab	79
Maharashtra	33
Andhra Pradesh	24
Haryana	18
Bihar	17
Karnataka	16
Rajasthan	15
Others	20
<b>Total</b>	<b>2091</b>

Source: CLRI, Chennai

in the North East. Buffalo, sheep and goats are slaughtered for meat all over the country. However, in many parts of North India, the buffalo is used as a draught animal and therefore not slaughtered until the animals become old. Table I shows the overall population of each species as well as the fraction that is available each year for the leather industry.

**Collection and trade in hides and skins**

The system of collecting hides and skins in India is quite unlike

practices followed in other industrialised countries of the world. A report of the Council for Leather Research in India (CLRI) (which was based on the 'All India Survey of Hides and Skins' conducted in 1987) stated that, annually, about 9 million hides and an equal number of skins were lost due to non-recovery from carcasses in far-flung villages. Fortunately, of late, this figure has dropped sharply. A well-established network of butchers, animal breeders, small and big traders, agents, weekly markets and major markets exists across the country.

Tamil Nadu accounts for more than 60 per cent of the tanning done in the country, with tanners from the state sourcing the bulk of their raw material from other states. They have agents in different parts of the country and the major markets for hides and skins are Vijayanagaram (Andhra Pradesh), Guwahati (Assam), Darbhanga (Bihar), Jabalpure (Chattisgarh), Ahmedabad, Junegadh, Rajkot and Bagraich (Gujarat), Srinagar and Jammu (Jammu and Kashmir), Trivandrum, Thrissur, Cochin and Calicut, Ernakulam (Kerala), Bhopal, Indore and Gwalior (Madhya Pradesh), Mumbai and Sholapur (Maharashtra), Jaipur (Rajasthan), Trichy, Pollachi, Erode and Chennai (Tamil Nadu), Kanpur and Ha-

pur (Uttar Pradesh), Kolkata (West Bengal) and Delhi.

Large traders in major markets have their agents in small feeder towns and villages. They receive hides and skins from villages either through their sub-agents or directly from butchers. Often villagers transport the hides and skins directly to weekly markets from where agents of large traders procure them. A system of advance payment to butchers also prevails. Generally, it takes 7 to 21 days for hides to reach the tannery after the animal has been skinned.

**Tanneries in India**

Tanneries are spread all over the country. According to a CLRI report, there are 2091 tanneries functioning across the country. This number does not include the unregistered cottage-scale tanneries. Of late, tanning activities in the states of Maharashtra (particularly Mumbai), Karnataka (mainly Bengaluru) and Rajasthan have reduced considerably due to economic and environmental reasons. Table II shows the number of tanneries spread across the states of India.

**Preponderance of small-scale tanneries**

As the manufacture of semi-processed leather or chrome tanning was reserved for the small-scale sector until recently, there is a preponderance of small-tanneries across the country. Table III compares the tanning capacities of India's small-scale and large/medium tanneries through the different stages of leather processing. Limited resources, small scale of operations, lack of technical expertise and a hand-to-mouth situation prevent a majority of small-scale tanneries from opting for modernisation or improved process technologies.

Table III

**A Comparison of the Capacities of Indian Small-scale and Large/Medium Tanneries**

(million pieces)

Stage of processing	Item	Installed capacity (per annum)		
		SSI	Medium/Large	Total
Raw to semi-finished hides and skins	Hides	23.16 (97.47)	0.60 (2.53)	23.76 (100.0)
	Ovine skins	57.58 (96.58)	2.04 (3.42)	59.62 (100.0)
Raw to finished leather	Hides	27.94 (72.97)	10.35 (27.03)	38.29 (100.0)
	Ovine skins	70.56 (69.37)	31.16 (30.63)	101.72 (100.0)
Semi-finished to finished leather	Hides	9.38 (68.67)	4.28 (31.33)	13.66 (100.0)
	Ovine skins	32.31 (68.83)	18.31 (36.17)	50.67 (100.0)

Note: Figures in brackets indicate percentage shares to the total hides including calfskins  
 Source: Report on 'Capacity utilisation and scope for modernisation of Indian tanning industry,' CLRI, Chennai

**Recent scenario**

Global trade started getting liberalised right through the 1970s and 80s. From a global turnover of \$4 billion, the leather and leather products industry grew to an estimated \$70 billion in 2000. Globally, there were major structural changes in this sector—the manufacture of leather products such as shoes, garments and other assorted goods migrated from industrialised countries in the West to the developing countries of the East in a big way, primarily motivated by cost considerations. The differences in wages were too vast to be bridged by any technological improvements, particularly because the leather industry is labour-intensive.

Table V (on Indian leather exports) reveals the growth of the industry up to the year 2007-08 and its subsequent decline because of global recession.

Table VI shows the major markets for Indian leather goods.

India exports leather and leather goods mainly to the USA, Germany, the UK, Italy, Spain, France, the Netherlands, UAE and Hong Kong. Germany accounts for the biggest share of Indian exports at 14.45 per cent.

The different types of leather

Table IV  
**Estimated Production Capacities**

Item	Capacity
Hides	65 million pieces
Skins	170 million pieces
Leather footwear	909 million pairs
Leather shoe uppers	100 million pairs
Non-leather footwear	1056 million pairs
Leather garments	16 million pieces
Leather goods	63 million pieces
Industrial gloves	52 million pairs
Saddlery and harness	12.50 million pieces

Source: CLRI

goods exported from India are wallets, purses, pouches and ladies handbags. Other products include luggage, passport and credit card holders, briefcases, belts, caps, diary and cheque-book covers, desktop accessories, covers for cameras and calculators, leather toys, pet accessories, etc. Leather goods and accessories manufactured in India are for multinational brands like Coach, Pierre Cardin, Yves St Laurent, Etienne Aigner, Geoffery Beene, Harrods, Marks & Spencer, Liz Caliborne, Guess, Next, Tommy Hilfiger, Kieffer, Waldhausen, Biemen, Nederinum, Zaldi, Kallquists, Shires, GFS, Millers, Eisers, Weco, Ukal and Decathlon.

India is now poised to become a major global source of leather accessories. India's position as the fifth largest global supplier of leather accessories is only going to further strengthen, given the availability of quality raw materials coupled with skilled craftsmanship. The accelerated development and growth of this industry is being aided by the ambitious capacity expansion and modernisation plans of the private industry and the Indian government's encouraging policy measures.

**The global leather industry scenario**

At present, 15 industrialised countries account for about 85 per cent of the global import of leather and leather products from primarily 15 developing countries, many of which are in Asia. Nearly 50 per cent of the various leather products and more than 70 per cent of the footwear produced in the world comes from eight Asian countries, with China alone contributing 54 per cent. Other characteristic features of the global industry are:

1. In many industrialised countries, 80 per cent of domestic leather goods consumption is fed by imports.

2. Industrialised countries also produce large quantities of hides and skins, as a byproduct of the meat industry. With the decline of their leather-based industries (except in Italy, Spain and Portugal), much of their hides and skins are exported as raw, semi-processed or finished leather.

3. To meet their growing demand for leather, many developing countries depend on the import of raw materials from industrialised nations.

Over the last ten years, the global leather trade has grown by about 17.6 per cent at a simple average annual growth rate of 1.76 per cent. India's share in this global leather

Table V  
**India's Export of Leather and Leather Products  
 During 2005-06 to 2009-10**

(US\$ million)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Finished leather	636.27	724.00	807.19	673.37	625.54
Footwear	1045.24	1236.91	1489.35	1534.32	1507.51
Leather garments	333.30	309.91	345.34	426.17	428.52
Leather goods	660.17	706.28	800.46	873.44	756.02
Saddlery and harness	77.52	82.33	106.18	92.15	83.39
<b>Total</b>	<b>2752.50</b>	<b>3059.43</b>	<b>3548.51</b>	<b>3599.46</b>	<b>3400.97</b>
Growth in per cent	10.30%	11.15%	15.99%	1.44%	-5.51%

Source: DGCI&S

trade rose from 2.75 per cent in 1997 to 3.31 per cent in 2000; however, in 2001, it declined to 3.15 per cent. Commanding over 10 per cent of the global raw material requirement, a liberal import policy regime for raw materials, skilled labour at competitive wages, sound supporting infrastructure, and a host of responsive government policies, experts feel that India has considerable scope in this sector. There was talk of India touching 10 per cent of global leather trade by 2000 but that did not materialise.

In India, the marketing of exports of leather footwear is largely through foreign middlemen. Though India has a large raw material base, Indian footwear exporters have not adequately penetrated the global footwear market. The main reason is that marketing of leather footwear in the global market involves high costs, requiring a marketing network with extensive brand-building, etc.

### **Role of the leather industry in the upliftment of weaker sections of society**

The leather industry is employment-intensive, providing jobs to about 2.5 million people, mostly from the economically backward and

socially weaker sections of society. Women account for 30 per cent of the jobs in the leather products sector. The major production centres for leather and leather products are located in Tamil Nadu (Chennai, Ambur, Ranipet, Vaniyambadi, Trichy and Dindigul), West Bengal (Kolkata), Uttar Pradesh (Kanpur, Agra and Noida), Maharashtra (Mumbai), Punjab (Jalandhar), Karnataka

(Bengaluru), Andhra Pradesh (Hyderabad), Haryana (Ambala, Gurgaon, Panchkula and Karnal), and Delhi.

### **Strengths of the Indian leather industry**

1. Own raw material source—approximately 186 million square metres of leather produced annually
2. Some varieties of goat, calf and sheep skins command premium prices
3. A strong and eco-sustainable tanning base
4. Modernised manufacturing units
5. Skilled manpower at competitive wage levels
6. World-class institutional support for design and product development
7. Presence of support industries like leather chemicals and finishing auxiliaries
8. An established presence in ma-

Table VI  
**Country-wise Export of Leather and Leather Products**

(US\$ million)

Country	2005-06	2006-07	2007-08	2008-09	2009-10	Per cent share
Germany	363.24	410.08	493.34	508.45	491.36	14.45%
Italy	317.04	413.35	490.77	461.56	398.58	11.72%
UK	345.54	359.84	417.64	413.24	455.96	13.41%
USA	318.36	317.59	311.21	359.22	296.23	8.71%
Hong Kong	252.15	279.72	280.97	237.72	249.91	7.35%
Spain	200.18	185.78	216.07	219.18	218.63	6.43%
France	143.72	174.04	198.52	221.33	256.15	7.53%
Netherlands	82.95	100.82	134.75	148.77	136.96	4.03%
UAE	52.34	62.55	76.23	85.79	69.16	2.03%
Portugal	42.20	49.92	56.93	48.17	39.27	1.15%
Belgium	40.20	43.01	55.32	54.77	65.42	1.92%
China	38.71	42.52	55.46	49.96	48.52	1.43%
Australia	43.22	39.38	50.44	55.76	53.65	1.58%
Denmark	40.46	42.30	49.58	60.12	55.68	1.64%
Sweden	25.82	29.01	38.99	38.03	36.02	1.06%
Others	414.5	470.3	576.82	596.41	503.28	14.80%
<b>Total</b>	<b>2752.50</b>	<b>3059.43</b>	<b>3548.51</b>	<b>3599.46</b>	<b>3400.97</b>	<b>100.00%</b>

Source: DGCI & S

for markets like Europe

9. Strategic location in the Asian landmass

### Emerging strengths of the Indian leather industry

1. Design development initiatives by institutions and individuals
2. Continuous modernisation and technology upgradation
3. Constant human resource development programmes to enhance productivity
4. Increasing use of quality components
5. Shorter prototype development timeframes
6. Improved delivery compliance
7. Growing domestic market for footwear and leather articles

### Government support measures

1. Leather is one of the 'Focus Sectors' under the Foreign Trade Policy of the Government of India.
2. Funding support is being provided for export promotion and market development activities.
3. Funding support is being provided for technological upgradation and modernisation of production units, environmental safety meas-

ures, human resource development and other projects.

4. Entire leather sector is de-licensed, which facilitates expansion along modern lines with state-of-the-art machinery and equipment. There is a provision for 100 per cent foreign direct investment through the automatic route.

5. Specified machinery for use in the leather and footwear industry has been allowed a 5 per cent concession on import duty.

6. The government permits duty-free import of raw hides and skins, wet blue chrome tanned leather, crust leather and finished leather of all kinds, including splits and sides.

7. Specified critical inputs for manufacture of leather garments and other leather products, including footwear, can be imported under the Duty Free Import Scheme (DFIS).

8. Basic customs duty is exempted on machinery or equipment for effluent treatment plants in the leather industry.

9. Duty neutralisation, exemption or remission schemes are in place. These include the Duty Drawback, Advance Authorisation, Duty Entitlement Passbook Scheme (DEPB), Duty Free Import Authorisation (DFIA), etc.

10. Gradual lowering of import tariffs—the current peak customs duty is 10 per cent.

11. Simplified import/export procedures ensuring quick customs clearances.

The leather industry holds a prominent place in the Indian economy. It is known for its consistent high export earnings and is among the top 10 foreign exchange earners in the country. The leather industry is bestowed with an abundance of raw materials. Added to this are the strengths of skilled manpower, the use of innovative technology, increasing industry compliance to international environmental standards, and the dedicated support of the allied industries. With the implementation of various industrial developmental programmes as well as export promotional activities, the Indian leather industry aims to augment production, and enhance exports to \$7.03 billion by 2013-14. This would create additional employment opportunities for over one million people.

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