

# THE INDIAN LEATHER INDUSTRY: AN ANALYSIS ON ITS VALUE-ADDED

\* Ch. Suresh

\*\* Prof. A. Padmavathi

**ABSTRACT:** *The contribution of each producing unit to the current flow of goods and services is known as Net Value Added (NVA). The Indian leather industry has established itself as a prominent industry both in the international as well as in the domestic market. It is an employment intensive sector, providing jobs to more than 2.8 lakh of people. The contribution of leather industry to exports has increased to \$ 5326.1 million in 2016-17 from \$ 3556.0 million during 2008-09 that is an increase of 1.5 times within Nine years. The percentage share of leather industry in total exports accounts more than 2 per cent. Among the leather products, the percentage share of leather footwear and footwear components has increased to 45.7 per cent during 2016-17 from 41.9 per cent during 2008-09. It has witnessed robust growth, transforming from a mere raw material in the 1960s to value-added product exporter. In fact, today, almost fifty percent of India's leather business comes from international trade. The leather industry has been identified as a focus sector under the "Make in India" scheme of Government of India and an ambitious turnover target of USD 27 billion has been fixed for the leather industry to be achieved by 2020. So, the industry plays a vital role in the growth of the Indian economy and occupies a place of prominence in view of its massive potential for employment, value added, growth and exports. Hence an attempt has been made in this paper to assess the value added of leather industry in India from 2000-01 to 2013-14.*

**Key words:** *Value- Added, Employment intensive, Make in India, and Growth.*

\* Ch.Suresh, Research Scholar, Department of Economics, S.V.University, Tirupati, A.P, India.

\*\*Prof.A.Padmavathi, Department of Economics, S.V.University, Tirupati, A.P, India.

## INTRODUCTION

The Indian leather industry has established itself as a prominent industry both in the international as well as in the domestic market. It is an employment intensive sector, providing jobs to more than 2.8 lakhs of people. The leather sector comprises tanneries (where hide and skins are transformed in leather) and manufacturing units (where leather footwear, garments and outer wear and assorted leather goods are manufactured). These production facilities are predominantly spend over the un-organised (mostly family owned) units which contributes almost 80 per cent to the total production. The contribution of leather industry to exports has increased to \$ 5326.1 million in 2016-17 from \$ 3556.0 million during 2008-09 that is an increase of 1.5 times within Nine years. The percentage share of leather industry in total exports accounts more than 2 per cent. Among the leather products, the percentage share of leather footwear and footwear components has increased to 45.7 per cent during 2016-17 from 41.9 per cent during 2008-09.

The year-wise percentage share of Gross Value Added (GVA) of leather industry in total industrial sector is shown in table 1.0. The table explains that the Gross Value Added (GVA) of the entire industrial sector has increased to Rs.116470250 lakhs during 2014-15 from Rs.17835034 lakhs during 2000-01 i.e., an increase of 6.5 times. Correspondingly the Gross Value Added (GVA) of leather industry has also increased to Rs.910152 lakhs during 2014-15 from Rs.138567 lakhs during 2000-01 i.e., an increase of 6.6 times. The percentage share of Gross Value Added (GVA) of the leather industry in total industrial sector ranges between 0.5 percent and 0.9 percent during the study period. The indices in table 1.1 indicates that the growth of Gross Value Added (GVA) of total industrial sector is higher than the leather industry during 2002-03 to 2004-05, 2006-07, 2010-11, 2012-13 and 2014-15 whereas in the remaining years the growth of leather industry is higher than the growth of Gross Value Added (GVA) of entire industrial sector. The compound and linear growth rate of Gross Value Added (GVA) of the entire industrial sector account for 15.823 per cent and 12.90 per cent whereas it was 16.127 per cent and 13.91 per cent in the case of leather industry in India. Hence, the growth rate of Gross Value Added (GVA) for the entire industrial sector of India and leather industry is significant both at 0.05 percent (2.14) and 0.01 percent (2.98) levels as the calculated 't' value account 27.662 and 21.073 which is higher than the tabular 't' value as shown in table 1.0.

**TABLE-1.0**  
**YEAR –WISE PERCENTAGE SHARE OF GROSS VALUE ADDED OF LEATHER INDUSTRY IN TOTAL INDUSTRIAL SECTOR OF INDIA**

*(In lakhs)*

S. No.	Year	Gross Value Added of all industries	Gross Value Added of Leather industry	Percentage to Total
1	2000-01	17835034	138567	0.8
2	2001-02	18322914	156450	0.9
3	2002-03	21457562	147864	0.7
4	2003-04	24775625	163001	0.7
5	2004-05	30962010	164634	0.5
6	2005-06	36469705	230599	0.6
7	2006-07	46018006	268016	0.6
8	2007-08	55275622	323803	0.6
9	2008-09	61131148	396741	0.7
10	2009-10	69718259	530585	0.8
11	2010-11	82513335	525910	0.6
12	2011-12	90520894	645520	0.7
13	2012-13	100727950	654745	0.7
14	2013-14	106511164	856336	0.8
15	2014-15	116470250	910152	0.8
	<b>CGR</b>	<b>15.823</b>	<b>16.127</b>	
	<b>LGR</b>	<b>12.90</b>	<b>13.91</b>	
	<b>'t' value</b>	<b>27.662</b>	<b>21.073</b>	

Source: Annual survey of Industries from 2000-01 to 2014-15, Ministry of Statistics, CSO, Govt. of India, New Delhi.

**TABLE-1.1**  
**YEAR -WISE INDICES OF GROSS VALUE ADDED OF LEATHER AND TOTAL INDUSTRIAL SECTOR IN INDIA**

S. No.	Year	Gross Value Added of all industries	Gross Value Added of Leather industry
1	2000-01	100	100
2	2001-02	102.7	112.9
3	2002-03	117.1	94.51

4	2003-04	115.5	110.2
5	2004-05	124.9	101.0
6	2005-06	117.8	140.1
7	2006-07	126.2	116.2
8	2007-08	120.1	120.8
9	2008-09	110.6	122.5
10	2009-10	114.1	133.7
11	2010-11	118.4	99.1
12	2011-12	109.7	122.7
13	2012-13	111.3	101.4
14	2013-14	105.7	130.8
15	2014-15	109.4	106.3
	<b>Total</b>	<b>1703.5</b>	<b>1712.1</b>
	<b>Average</b>	<b>113.6</b>	<b>114.1</b>

Source: Compiled from table 1.0

The year-wise percentage of the depreciation of leather industry in total depreciation of the entire industrial sector in India is shown in table 1.2. The table reveals that the total depreciation of the entire industrial sector has increased to Rs.18954077 lakhs during 2014-15 from Rs.3472893 lakhs during 2000-01 i.e., an increase of 5.5 times. Correspondingly the total depreciation of leather industry has also increased to Rs.77585 lakhs during 2012-13 from Rs.23044 lakhs during 2000-01 i.e., an increase of 3.4 times but declined to Rs.74654 lakhs during 2014-15. The percentage share of depreciation of the leather industry in total industrial sector ranges between 0.5 percent and 0.9 percent during the study period. The indices in table 1.3 indicates that the growth rate of depreciation of total industrial sector is higher than the leather industry during 2001-02 to 2004-05, 2006-07, 2009-10 to 2012-13 and 2014-15 whereas in the remaining years the growth rate of depreciation of leather industry is higher than the growth rate of depreciation of entire industrial sector. The compound and linear growth rate of depreciation of the entire industrial sector account for 13.768 per cent and 12.40 per cent whereas it was 11.113 per cent and 9.82 per cent in the case of leather industry in India. Hence, the growth rate of depreciation for the entire industrial sector of India and leather industry is significant both at 0.05 percent (2.14) and 0.01 percent (2.98) levels as the calculated 't' value account 30.352 and 13.353 which is more than the tabular 't' value as shown in table 1.2.

**TABLE-1.2**  
**YEAR –WISE PERCENTAGE SHARE OF DEPRECIATION OF LEATHER INDUSTRY IN TOTAL INDUSTRIAL SECTOR OF INDIA**

*(In lakhs)*

S. No.	Year	Depreciation of all industries	Depreciation of Leather industry	Percentage to total
1	2000-01	3472893	23044	0.7
2	2001-02	3892702	23974	0.6
3	2002-03	4203558	25606	0.6
4	2003-04	4482349	25757	0.6

5	2004-05	4971324	29623	0.6
6	2005-06	5283286	31687	0.6
7	2006-07	6445480	34071	0.5
8	2007-08	7116354	42312	0.6
9	2008-09	8354590	55718	0.7
10	2009-10	10506872	69933	0.7
11	2010-11	12055754	66224	0.6
12	2011-12	14065505	76534	0.5
13	2012-13	15533081	77585	0.5
14	2013-14	16976977	75594	0.6
15	2014-15	18954077	74654	0.9
	<b>CGR</b>	<b>13.768</b>	<b>11.113</b>	
	<b>LGR</b>	<b>12.40</b>	<b>9.82</b>	
	<b>'t' value</b>	<b>30.352</b>	<b>13.353</b>	

Source: Annual survey of Industries from 2000-01 to 2014-15, Ministry of Statistics, CSO, Govt. of India, New Delhi.

**TABLE-1.3**  
**YEAR -WISE INDICES OF DEPRECIATION OF LEATHER AND TOTAL INDUSTRIAL SECTOR IN INDIA**

S. No.	Year	Depreciation of all industries	Depreciation of Leather industry
1	2000-01	100	100
2	2001-02	112.1	104.0
3	2002-03	107.9	106.8
4	2003-04	106.6	100.6
5	2004-05	110.9	115.0
6	2005-06	106.3	106.9
7	2006-07	122.0	107.5
8	2007-08	110.4	124.2
9	2008-09	117.4	131.7
10	2009-10	125.8	125.5

11	2010-11	114.7	94.7
12	2011-12	116.7	115.6
13	2012-13	110.4	101.4
14	2013-14	109.3	119.3
15	2014-15	111.6	98.8
	<b>Total</b>	<b>1682.1</b>	<b>1652.0</b>
	<b>Average</b>	<b>112.1</b>	<b>110.1</b>

Source: Compiled from table 1.2

The year-wise percentage share of Net Value Added (NVA) of leather industry in total net Value Added of the industrial sector of India is shown in table 1.4. The table indicates that the Net Value Added (NVA) of the entire industrial sector has increased to Rs.97516172 lakhs during 2014-15 from Rs 14362141 lakhs during 2000-01 i.e., an increase of 6.8 times. Correspondingly the Net Value Added (NVA) of leather industry has also increased to Rs 835498 lakhs during 2014-15 from Rs 115523 lakhs during 2000-01 i.e., an increase of 7.2 times. The percentage share of Net Value Added (NVA) of the leather industry in total industrial sector ranges between 0.5 percent and 0.9 percent during the study period. The indices in table 1.5 reveals that the growth of Net Value Added (NVA) of total industrial sector is higher than the leather industry during 2002-03 to 2004-05, 2006-07 to 2007-08, 2010-11, 2012-13 and 2014-15 whereas in the remaining years the growth of net value added of leather industry is higher than the growth of Net Value Added (NVA) of entire industrial sector. The co-efficient of correlation has been calculated by using the indices of the Net value added (NVA) of Industrial sector and Net value added (NVA) of leather Industry to know how far an increase in the net value of the entire Industrial sector had led to the increase of net value added of leather Industry. The compound and linear growth rates of Net Value Added (NVA) of the entire industrial sector account for 16.271 per cent and 12.99 per cent whereas it was 16.843 per cent and 14.55 per cent in the case of leather industry in India. Hence, the growth rate of Net Value Added (NVA) for the entire industrial sector and leather industry is significant both at 0.05 percent (2.14) and 0.01 percent (2.98) levels as the calculated 't' value accounts 23.038 and 20.153 which is higher than the tabular 't' value as shown in table 1.4.

**TABLE-1.4**  
**YEAR –WISE PERCENTAGE SHARE OF NET VALUE ADDED OF LEATHER INDUSTRY IN TOTAL INDUSTRIAL SECTOR OF INDIA**

*(In lakhs)*

S. No.	Year	Net Value Added of all industries	Net Value Added of Leather industry	Percentage to total
1	2000-01	14362141	115523	0.8
2	2001-02	14430212	132476	0.9
3	2002-03	17254004	122258	0.7
4	2003-04	20293276	137254	0.7
5	2004-05	25990686	135011	0.6
6	2005-06	31186419	198912	0.5
7	2006-07	39572526	233945	0.6
8	2007-08	48159268	281491	0.6
9	2008-09	52776558	341023	0.7
10	2009-10	59211387	460652	0.8

11	2010-11	70457581	459686	0.7
12	2011-12	76455389	568986	0.7
13	2012-13	85194869	567160	0.7
14	2013-14	89534187	780742	0.9
15	2014-15	97516172	835498	0.9
	<b>CGR</b>	<b>16.271</b>	<b>16.843</b>	
	<b>LGR</b>	<b>12.99</b>	<b>14.55</b>	
	<b>'t' value</b>	<b>23.038</b>	<b>20.153</b>	

Source: Annual survey of Industries from 2000-01 to 2014-15, Ministry of Statistics, CSO, Govt. of India, New Delhi.

**TABLE- 1.5**  
**YEAR -WISE INDICES OF NET VALUE ADDED OF LEATHER AND TOTAL INDUSTRIAL SECTOR IN INDIA**

S. No.	Year	Net Value Added of All Industries	Net Value Added of Leather Industry
1	2000-01	100	100
2	2001-02	100.5	114.7
3	2002-03	119.6	92.3
4	2003-04	117.6	112.3
5	2004-05	128.1	98.4
6	2005-06	120.0	147.3
7	2006-07	126.9	117.6
8	2007-08	121.7	120.3
9	2008-09	109.6	121.1
10	2009-10	112.2	135.1
11	2010-11	119.0	99.8
12	2011-12	108.5	123.8
13	2012-13	111.4	99.7
14	2013-14	105.1	134.7
15	2014-15	108.9	84.7
	<b>Total</b>	<b>1709.0</b>	<b>1701.8</b>
	<b>Average</b>	<b>113.9</b>	<b>113.5</b>

Source: Compiled from table 1.4

## CONCLUSION

The percentage share of Gross Value Added (GVA) of leather industry in total industrial sector has increased from 0.4 percent to 0.8 percent. The compound and linear growth rate of Gross Value Added (GVA) of leather industry is significant on par with the industrial sector of India. The growth of Net Value Added (NVA) of leather industry is also significant as the calculated 't' value is higher than the tabular value both at 0.05 percent and 0.01 percent levels. Hence, on the whole the development of leather industry is playing a crucial role in terms value added of Indian industrial sector. However, India being a labour intensive country, there is a great need to give encouragement to this sector at large extent.

## REFERENCES

1. A.S.Bansal, "Footwear and Leather goods Artisans in KVIC sector "KhadiGramodyog, VolxxxV No.9, June 1989.
2. Ahmed Rafeeq (1996): "Development Perspectives of Indian Footwear Industry", women's Employment in Industry A case of Indian Footwear CLRI Chennai & Department of Human Geography, University of Amsterdam the Netherlands.
3. Heyes A G (1998), Making Things Stick: Enforcement and Compliance. Oxford Review of Economic Policy, Vol-14, No.4, P. 5063
4. Institute of social studies, "Back ground Material on spectral study ", The Rural footwear Industries in west java. The Hague, Bandung ,Feb.,1991
5. Wardenbur ,J.G., "Small scale manufacturing in Agra. A case study in small scale industry in India Development". Discussion paper No.74, Erasmus University, Rotterdam, 1984.
6. Bansal, Sangeeta & Gangopadhyay, Shubhashis, (2003), "Tax/subsidy policies in the presence of environmentally aware consumers," Journal of Environmental Economics and Management, Elsevier, vol. 45(2, Supple), pages 333-355, March.
7. Sahasranaman ,A., National Leather Development Programme, (AUNDP Assisted government of India programme)
8. Lakshmi sivaJyothi, J and B.krishnama Naidu 's "Institutional interventions in footwear marketing", paper presented at the seminar on "women's Employment in Industry", The case of Indian foot wear", Mardas, 1993.
9. Grown, C.A and Sebsted, J., "Introduction towards a wider perspective on women's Employment ", world development, Vol.17, No.7, 1989.
10. Dutta A and Singh M.K (2003)<sup>25</sup> stated that the small scale industry is a key India's growth and a tool for alleviation of poverty and unemployment in the country.

