

STUDY OF OPPORTUNITIES AND CHALLENGES IN INDIAN FOOTWEAR INDUSTRY

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ABSTRACT

Atmanirbhar Bharat Abhiyan is the vision of honourable Prime Minister of India 'Narendra Modi' to make our nation self-reliant. There are many initiatives introduced earlier by Govt. of India which supplement this vision such as Make in India, Start up Ventures and other favourable policies towards businesses in order to boost local manufacturing, encouraging entrepreneurship, creating more job opportunities etc. *India's footwear industry is one of the fastest growing sectors in fashion industry and second largest manufacturer of footwear in the global market after China.* This footwear and leather segment, at present, gives employment to nearly 4.2 million people in India. By adopting technological advancement, brand building exercise, quality improvement measures etc., this sector has huge scope for further expansion domestically and internationally.

The purpose of the research paper is to identify the opportunities as well as the challenges faced by footwear companies in India. Researcher has shown the present status of footwear sector such as current ranking of India in terms of revenue generation, growth in revenue and export & import performance in this sector. Secondary method of data collection is adopted for the study. Statistical methods such as tables and graphs are used for analysis and interpretation of the study. At the end, Researcher has provided suitable conclusion and recommendation on the basis of the findings of the study.

Keywords: India's Footwear Industry, Leather Footwear, Manufacturing Hub, Export and Import

I] Introduction:

Atmanirbhar Bharat, in simple words, means self-reliance. Government of India has earlier recognised the footwear sector as one of the focus area in Make in India Mission. India's footwear industry is one of the fastest growing sectors in fashion industry and second largest manufacturer of footwear in the global market after China. India's export of footwear sector

is 1786 million \$ in global market in 2019 and import is 507 million \$ in 2019. Its export is continuously increasing and contributing to the country's foreign exchange. There are 15,000 units engaged in India in manufacturing of footwear and majority of them are small and medium enterprises (SMEs). So, time has come for these SMEs to adopt modern technology, quality improvement, practicing brand building etc. in order to become more competitive not only in domestic market but also in global market.

Growing number of more internet users and emergence of various social media have drastically changed the shopping behaviour of Indian customers. Rapid urbanisation, increasing brand consciousness and rising discretionary incomes have contributed significantly in the growth of footwear sector and created it a status symbol image in the minds of customers. Nearly 66% of footwear sales in India are taking place in urban areas and remaining in rural areas, which have created huge scope for expansion for the footwear players. But gradually the sale is catching up in those areas because of rising awareness level, growing disposable income and changing lifestyles. In such a way, there are many more opportunities available for these footwear players to explore and be competitive in domestic as well as global market. This paper mainly focuses on opportunities as well as challenges faced in Indian footwear industry.

II] Review of Literature:

Patel D. V. (2016) reported that 90% of the footwear production in India consumed domestically and remaining 10% output is used for exporting to other countries. Researcher also highlighted a consistent growth of export of footwear products in other countries like U.S European nations etc., especially leather footwear in the paper.

Sen P. (2017) revealed the domestic usage and price of footwear market in the Indian Retail Report. Researcher, on the basis of usage, divided the footwear market into two category such as regular like daily & sportswear and occasional like premium & luxury. He has also divided the market on the basis of price such as mass (150 – 700 Rs.); Economy (700 – 1000 RS.); Active Sports (1000 – 3000 Rs.); Premium (3000 – 10,000 Rs.) and Luxury (More than 10,000 Rs.).

Statista (2020) showed the revenue generation in luxury and non-luxury Indian footwear market. It revealed that 94% of footwear sales were attributable to non-luxury segment in 2019, whereas, 6% of sales were attributable to luxury segment. It also showed that luxury

footwear sales were only 4% in 2015 which increased to 6% in 2019 which indicate the growing trend of luxury footwear segment in India.

Based on secondary information, Kumar N. and Gupta V. (2016) analysed the advantages of using advanced technology in Indian footwear industry. Researcher suggested that *adoption of modern technology like CAD/CAM software, A. M. M. Test etc. in designing; maintaining and operations in footwear industry would result in saving time, efforts and money. It would also leads to improvement in overall productivity in the sector.*

Based on interviews of 1,100 women homemakers in the leather footwear industry between 2011 to 2015 in Tamil Nadu, Delaney A. highlighted the issues/challenges faced by sample group such as payment lower than minimum wages, no other social benefits, piece rate work model, no or weak employee union, lack of bargaining power etc. resulted in isolation and disempowerment. *It suggested bringing in place grievance management strategies for the affected people which would lead to sorting out the issues and create better work environment.*

III] Objective of the Study:

The objectives of the study are as follows:

- ☞ To analyse the existing opportunities in India's footwear industry.
- ☞ To identify and understand the challenges faced in India's footwear industry.
- ☞ To provide suitable conclusion and suggestion on the basis of the study.

IV] Research Methodology of the Study:

For this study, researcher selected only secondary method of data collection. Secondary source such as various research papers, articles, reports and other online content.

V] Limitations of the Study:

Only Secondary source of data collection is taken in order to study the existing opportunities and challenges in India's footwear industry.

VI] Present Scenario in India's Footwear Industry:

In this section, present scenario of India's footwear industry is shown. This part consist of country-wise revenue in footwear sector, growth in footwear revenue from 2015 to 2021 and export & import performance of this sector from 2015 to 2019.

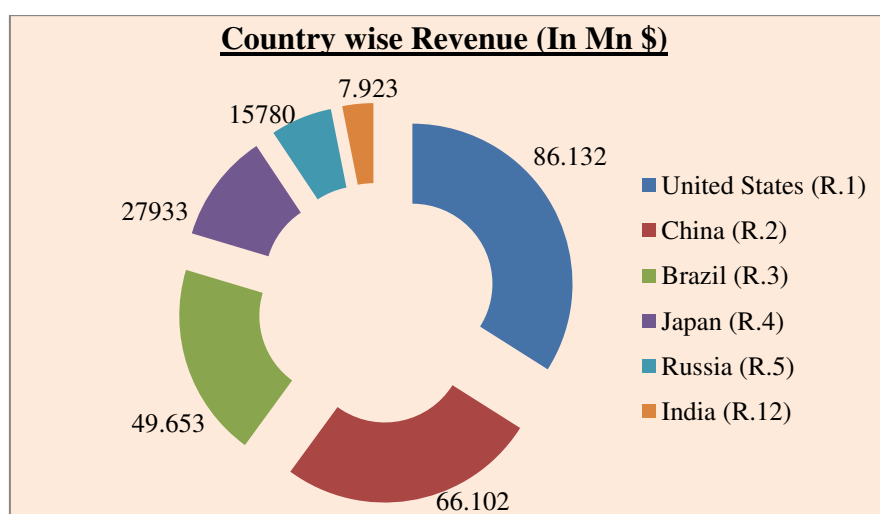
A) Country-wise Revenue in Footwear Market at Global Level (In Million USD)

Table 1: Country-wise Revenue in Global Footwear Market (In Million USD)

Countries	Revenue (In Million US \$)	Ranking
United States	86,132	1
China	66,102	2
Brazil	49,653	3
Japan	27,933	4
Russia	15,780	5
India	7,923	12

Source: Statista (2020)

Graph 1: Country-wise Revenue in Global Footwear Market (In Million USD)



It is identified from the above table and graph 1 that India ranks twelfth in revenue generation in global footwear industry with 7,923 million \$. U.S ranks first in revenue generation with 86,132 million \$ in this sector, followed by China with 66,102 million \$, Brazil with 49,653 million \$, Japan with 27,933 million \$, Russia with 15,780 million \$ etc.

B) Revenue in Indian Footwear Industry

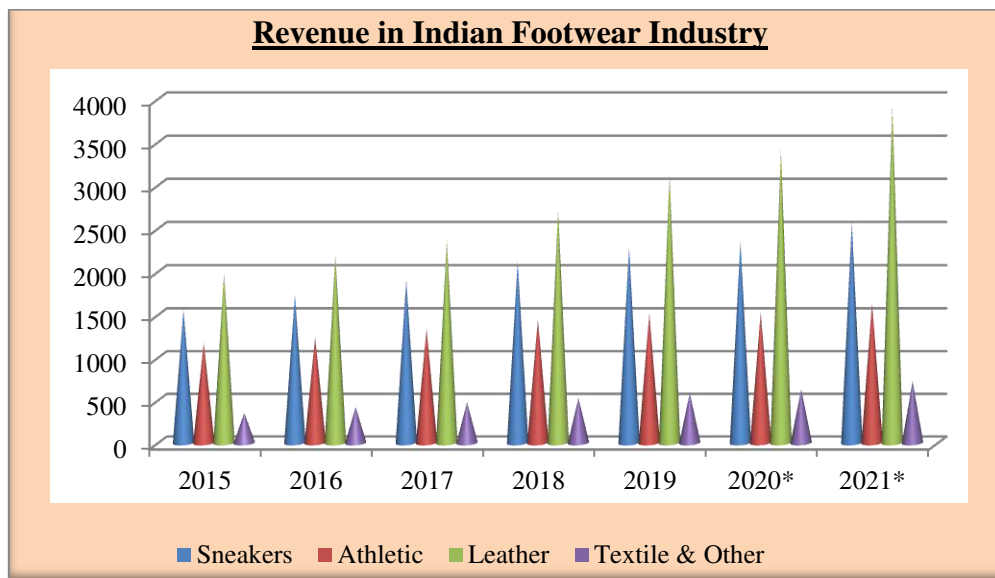
Table 2: Growth in Revenue in Indian Footwear Industry (In Mn \$)

Footwears	2015	2016	2017	2018	2019	2020*	2021*
Sneakers	1564	1729	1910	2120	2287	2353	2578
Athletic	1180	1244	1342	1453	1521	1530	1643
Leather	1987	2198	2375	2714	3127	3407	3928
Textile & Other	354	423	478	530	588	632	726
Total	5085	5594	6105	6817	7523	7922	8875

*Projected

Source: Statista (2020)

Graph 2: Growth in Revenue in Indian Footwear Industry (In Mn \$)



It can be understood from the table and graph 2 that footwear sale is continuously rising. It reveals that the sale was 5,085 million \$ in 2015 and leather segment contributed nearly 40% of the sales. The sales increased to 7,523 million \$ in 2019 and leather segment accounted more than 40%. It is predicted the footwear sales to increase to 8,875 million \$ by 2021 and leather segment to grow to 3,928 million \$ of it.

C) Export and Import in Indian Footwear Industry

Table 3: Performance of Export and Import in Indian Footwear Industry (In Mn \$)

	Years				
	2015	2016	2017	2018	2019
Export	1447	426	2827	1432	1786
Import	230	69	687	362	507

Source: Tradingeconomics.com, Ministry of Commerce & Industry, India

Graph 3: Performance of Export and Import in Indian Footwear Industry (In Mn \$)

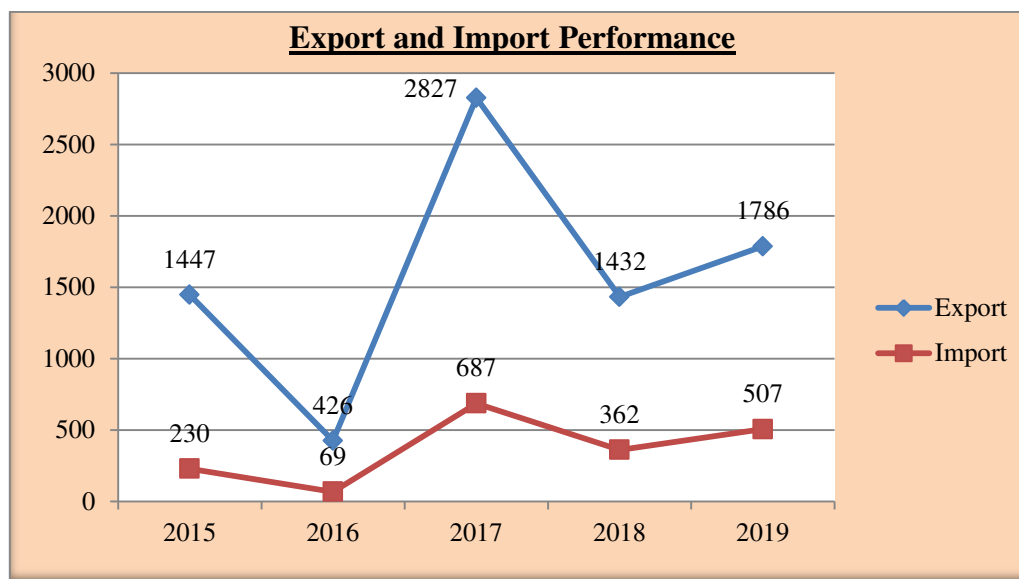


Table and Graph 3 reveal the export and import performance in the Indian footwear industry from 2015 to 2019. The export in this sector was 1,447 million \$ in 2015 and import was 230 million \$. In 2017, the export touched the highest level of 2,827 million \$ and import touched the highest level of 687 million \$. In the present situation, it can be seen that the export of footwear is 1,786 million \$ and import is 507 million \$. Only 10% of total footwear manufacturing in India is exported to global market. So, it is suggested to domestic footwear players to increase its export and be more competitive with the global players.

VII] Opportunities and Challenges in India's Footwear Industry:

Following are the existing opportunities and challenges in India's footwear industry:

Opportunities:

➡ Increase in Domestic Consumption

Domestic consumption of footwear is around 90% in India. Due to changing lifestyle and rise in disposable income, domestic demand is expected to see the rapid growth in this sector. There has been a remarkable rise in volumes also in this sector for e.g. it increased from 228 million pairs in 2015 to 278 million pairs in the year 2019 (Statista, 2020).

➡ Huge Scope in Luxury Segment

Luxury segment in the Indian footwear sector is 6% in 2019 which was 4% in the year 2015. Changes in lifestyles, more fashion conscious people, increase in disposable income etc. are the driving factors behind the growth of this segment. This segment should be explored by the major footwear players in the year to come.

➡ *Performance of Export and Import in footwear industry*

India is exporting footwear products more than that of imports which is an encouraging sign. The export of footwear segment is only 10% of the overall manufacture and has huge scope for further growth in this segment.

➡ *Growth in Organised Retail Industry*

Organised retail has seen a rapid growth due to emergence of modern retail formats such as shopping malls, hypermarkets, department stores etc. Organised Retailing in India accounts for 12% in 2017 which is expected to increase to 22-25% by 2021(Deloitte and Retailers Association of India, 2019).

➡ *Generates Employment Opportunities*

This leather and footwear segment, at present, gives employment to nearly 4.2 million people in India. (Kumar S. C., 2020). The footwear sector has potential to create 250 jobs for every investment of Rs. 1 crore, as per report of DIPP, India.

➡ *Abundance of raw materials and other inputs*

Footwear companies in India have the benefit of availability of cheap raw material in large quantity and low labour cost resulted in low cost of production which has positively impacted the overall price in this sector.

➡ *Use of Modern Technology*

Use of latest technology, as discussed earlier, such as CAD/CAM software, A. M. M. Test etc. in designing; maintaining and operations in footwear industry would result in higher labour productivity and overall quality improvement. It will make the domestic players to be more competitive mainly in global market.

➡ *Government's Favourable Policies*

Government of India's initiatives such as Make in India, Start up ventures and other favourable policies will definitely benefit the footwear sector. Government is also supporting the footwear players, whether small or large, in their export expansion.

Challenges:

➡ *Problem of Branding and Marketing*

Despite being one of the largest manufacturers in the world, majority of Indian footwear players are poor and ineffective in terms of branding and marketing the footwear products. Majority of these players are small and medium sized enterprises which lacks adequate marketing budget and strong supply chain.

➡ *Threat of Low Cost Footwear from China and other Countries*

Chinese and other countries like Vietnam dump the footwear products in India at cheaper rates and people prefer it due to availability of wide variety and low cost. This has impacted the sales of domestic footwear companies to some extent.

➡ *Unorganised Indian Footwear Market*

Unorganised footwear sector is giving some tough competition to the organised players because it enjoys few advantages over them such as lower sales tax, labour cost is less etc. Unorganised sector is accounting for nearly 85% of India's footwear industry.

➡ *Problem of Taxation*

Taxation factor is also one of the challenges presently faced by domestic footwear players which is to be sorted out at priority level in order to boost more production in this sector.

➡ *Low Labour Productivity*

This footwear sector is characterised by low labour productivity because of lack of formal training and employment of unskilled labour. Many of footwear players belong to small enterprises where lower wages are paid to employees for their work.

➡ *Lack of Awareness of International Standards*

There has been lack of awareness of international quality standards because many footwear unit in India run by Small and Medium Enterprises (SMEs). These SMEs is also lacking in using modern technology, quality improvement measures and participation in fairs and exhibition.

➡ ***Problem of Skilled Manpower***

Abundance of unskilled workforce is one of the advantages for this sector. But at the same time, the need is felt for the skilled manpower to work at various levels which is lacking at present in this sector.

VIII] Conclusion and Suggestions:

It can be understood that footwear sector is one of the fast growing sector in the fashion industry. There has been a significant growth in footwear sales for last many years. Even the performance of the export is remarkable in this sector. Still, there are plenty of opportunities available for domestic players to take advantage of it. These players should adopt the modern technology like CAD/CAM software, A. M. M. Test etc. in designing; maintaining and operations in footwear industry which would result in higher labour productivity and overall quality improvement. There are other opportunities like rural areas to be explored more, huge scope in luxury footwear segment, etc. for the companies in this footwear sector.

There are number of challenges faced by companies such as threat of availability of low cost footwear from China, Vietnam etc., problem of taxation, low labour productivity, lack of awareness of international standards, and problem of skilled manpower. *It is recommended to the Indian footwear market players to use the latest technology, optimum utilisation of manufacturing capacity, adopt brand building exercise, focus on quality improvement measures and provide skill education to workforce in order to become more competitive in domestic as well as global market.*

India's Footwear sector is already recognised by Government of India as one of the focus area in Make in India Mission. In order to boost the growth in this sector, it is suggested that government should take some measures like providing infrastructural support for capacity building, lowering the taxation, more budget allocation in this sector and other technical & non technical support. Government can further help this sector by developing footwear research centre in India at par with global level which can develop and innovate new

materials for footwear, research on foot anatomy & foot research, laboratory research and other requisite testing.

With the changes in retail landscape and more advancing styles, footwear sector in India is poised for enormous growth in the years to come. Increasing competition with the international players is opening the path for the creation of innovative footwear with a spotlight on improving the customer experience. It can be concluded that this footwear industry has number of strength which should be exploited by the domestic players in order to become a strong global player.

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