

A Study on export performance and Financial Analysis of Indian Leather

Exports

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Abstract

Indian leather industry is pacing at a good rate until hit by global slump in demand due to lower intake in China, Vietnam, Italy and Korea, That account for 65% of India's exports. Indian leather exports is witnessing a shift from small scale units to big size manufacturing and exporting units as it is the demand of the hour. as part of the make in India program which consider leather as a core sector, all such initiatives need to check on the ground realities to bear any fruits. This study analyzes the export performance of Indian leather exports year by year to demonstrate the fluctuation of growth and analyze the reasons of slumps and growth of particular year by year. The paper analyzes and underline the causes of aberrant growth as well as give a detail view of year wise analysis by the means of

statistical and financial formulas to give a clear picture of growth trajectory of Indian leather sectors.

Keywords: Indian Leather Exports, Exports Growth Rate, Financial Analysis, Indian Export Performance.

1.1 Introduction:

The history of leather tanning in India dates back to 3000 BC. Tanning in the rural areas is done by indigenous techniques, making the use of this material easier. The most popular Indian leather products include footwear and hand bags. The footwear comes in various designs of traditional embroidery, brocade of textile. Bright colors and unique designs are used. The all-time favorite- Kolhapur chapels of Maharashtra are very soft and very comfortable to wear. A special type of thickest shoes, called mojadis is designed in Rajasthan. They are decorated with silk, beads and metal embroidery. Jaipur is famous for its fancy and sophisticated footwear. Hence, a study on financial analysis of Indian leather exports are very important in the present day scenario, and hence this study.

Introduction: Indian Leather Industry must gear up to be more competitive by adopting economy of scale. Uttar Pradesh in India occupied a predominant position in the making of finely crafted 'joothis' and leather wear for Mughuls and the elitist society of the Mughul Court. The leather making activities were mainly in

the hands of the village chamars and were sufficient to meet the local needs. International export started only during the 1880s. The image of the country as a supplier of raw hides and skins and tanned leather has been left far behind and our products, such as leather footwear, leather apparels and hand bags, have found wide acceptance even in quality conscious markets such as Germany, USA, Japan and France. This has been possible largely due to the far sighted policies of the Government of India and the initiatives from the industry. The setting up of the Seetharamiah, Kaul and Pandey Committees proved to be watershed in the history of the Indian leather industry. Discussing the future of the Industry Mr. Sethi stated, “Future of Leather Industry in India is bright because of attraction of Europeans and Americans towards India. It has been observed that these traditional markets are gaining confidence in Indian products and its deliveries”. Indian leather industry today has attained well merited recognition in international markets besides occupying a prominent place among the top seven foreign exchange earners of the country. (Prasad. P.R. and Rajanikanth 1991)

2.1 Objective of the study

- To know the importance of the leather industry in international trade.
- To know about the export performance of leather industry in India.
- To analyze the export performance of leather industry for the year 2010 – 2019.
- To estimate the future growth of leather industry in India.

3.1 Scope of the study:

- India is the leading producers of leather. The export performance of leather varies from one year to another year
- This study throws a light on the export performance of leather in India. It also depicts the budgeted future export performance of leather from India.

4.1 Research Methodology:

i) Nature of the study:

The data used in the study are secondary data in nature. The data are collected from books, magazines, websites and newspaper.

ii) Period of study:

This study covers the duration of ten financial years from 2010 to 2019.

iii.) Area of study:

The study covers all over the leather exports from India and data applicable only for India.

iv.) Statistical tools:**a.) Growth Percentage Analysis**

A percent growth rate (or sometimes referred to as percent change, growth rate, or rate of change) is a useful indicator to look at how much a population is growing or declining in a particular area. It is also useful when comparing the growth or decline of populations in two different areas or regions. But percent growth rate can be used in other studies besides population (such as employment, unemployment, economic factors, etc.). Any number from one time and any number from another time can be put into the calculation to determine growth rate. This article will show you how to easily calculate the growth rate or percent change.

To Calculate Percentage Increase:

- **Increase = New Number - Original Number * 100**
- **%Increase = Increase / Original Number**

To calculate percentage decrease:

- **Decrease = Original Number – New Number**

$$\text{Percent Change} = \frac{\text{Amount of Change}}{\text{Original Amount}} \times 100 \%$$

b.) Trend Analysis

Forecasting technique that relies primarily on historical time series data to predict the future. The analysis involves searching for a right Trend Equation that will suitably describe trend of the data series. The trend may be linear, or it may not. A linear trend can be obtained by using a Least Squares Method. The line has the equation $y = a + bt$ where $t = 1, 2, 3 \dots$, $b =$ slope of the line, and $a =$ value of y when t

$$\text{Amount of change} = \text{Current year Amount} - \text{Base year Amount}$$

c.) Compound Annual Growth Rate

The year-over-growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered. This can be written as follows:

$$\text{CAGR} = \left[\left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\frac{1}{\text{Number of years}}} - 1 \right] \times 100$$

4.1 Limitation of the Study.

- The analysis made only for ten years
- The data conferred are secondary in nature

5.1 Review of Literature.

Mammo Muchie (2000) in his article discusses the successful value-added chain within India's leather industry, and then draws contrasts with the evolution of the leather products industries of Kenya and Ethiopia. Much of India's success derives from the ability of its stakeholders—from government to industry—to set their own policies and priorities regarding the development of the leather industry. The fact that India selectively liberalized the entry of a variety of industries into the global economy added to the improved performance of its leather products sub-sector. By contrast, both Ethiopia and Kenya followed different policies regarding liberalization, with differing results. Although the leather industry is important for both countries, moving up the value-added chain remains tenuous at best for Kenya and only slightly better for Ethiopia. This article recommends that both countries need to formulate and implement policies that will move the leather industry from raw and semi-processed production outward to the leather products and leather goods sub-sectors.

Xiaohui Liu (2011) in his article empirically investigates the determinants of Chinese export performance using cross-sectional data at the industry level. We find that the export performance of different industries is significantly influenced by labour costs, foreign direct investment (FDI) and firm size, and thus open to a variety of explanations offered by traditional and new trade theories. These

findings indicate that Chinese industrial sectors have realised their comparative advantages, but point to the need for the industries to upgrade their export structure in order to sustain growth.

5.1 IMPORTANCE OF INDIAN LEATHER INDUSTRY

- India has enormous potential for future growth in leather sector.
- Leather is 8th exports earners for India.
- Employment opportunities can reach up to 25 million.
- Better value additions can be achieved by leather industry.
- India's Leather Garments Industry is growing at a good rate providing ray of hope for the sector.

Leather garments form a significant segment of the Leather Industry in India. Leather garments production capacity is estimated to be 16 million pieces annually. India produces different types of leather garments i.e., jackets, long coats, waist coats/shirts, pant/shorts, motorbike jackets, industrial leather garments, leather aprons etc.

India is the second largest producer of leather garments, next only to China, which produces 70 million pieces of the total global trade volume of about 120 million pieces.

It is a matter of great pride that Indian leather garments have been making giant strides in the world of fashion. National Institute of Fashion Technology and National Institute of Design lends design support to make continuous fashion statements. These Institutes provides well trained personnel and imaginative designers.

6.1 APPLICATION OF STATISTICAL TOOLS

Export of leather Products (garments)

Year	Value	Growth
2010-2011	333.30	Base year
2011-2012	309.91	-7.01
2012-2013	345.34	11.43
2013-2014	372.87	7.97
2014-2015	387.78	3.99
2015-2016	368.43	-4.98
2016-2017	346.50	-5.95
2017-2018	340.80	-1.64
Compound growth rate= 0.28		

Source: leather products export

It is found from the above table that the Export of leather products regarding garments is presented and also calculated the growth percentage of leather product

(garments). The growth percentage is calculated with previous year as base year and values are respectively, in year 2011 is -7.01%, year 2012 is 11.43%, year 2013 is 7.97% year 2014 is 3.99%, year 2015 is -4.98, year 2016 is -5.95 and year 2017 is -1.64. The highest growth percentage during the study period is 11.43%.

It is concluded that the year 2012 has high Export of leather products of 11.43% in garments during the study period.

Export of leather goods and accessories:

Year	Value	Growth rate (in %)
2010-2011	660.17	Base year
2011-2012	706.28	6.98
2012-2013	800.46	13.33
2013-2014	798.69	-0.22
2014-2015	870.06	8.93
2015-2016	368.43	-57.6
2016-2017	353.7	-3.99
2017-2018	346.5	-2.03
2018-2019	350.91	1.27
2019-2020	370.5	5.58
Compound growth rate = -6.21%		

It is obtained from the above table that the Export of leather products regarding goods and accessories is presented and also calculated the growth percentage of leather product (goods and accessories). The growth percentage is calculated with previous year as base year and values are respectively, in year 2011 is 6.98%, year 2012 is 13.33%, year 2013 is -0.22%, year 2014 is 8.93%, year 2015 is -57.6%, year 2016 is -3.99%, year 2017 is -2.03%, year 2018 is 1.27%, year 2019 is 5.58%. The highest growth percentage during the study period is 13.33%. The study period have negative growth of -0.22% in the year 2013. It is concluded that the year 2012 has high Export of leather products of 13.33% in goods and accessories during the study period.

8.1 Findings :

Growth Percentage Analysis:

The year 2012 has high Export of leather products of 28.96% in saddler & harness during the study period. The products are medium in growth due to needs.

- The year 2013 has high Export of leather products of 21.33% to Germany during the study period. Due to the export orders have come down.
- The year 2013 has high Export of leather products of 16.54% to Italy during the study period. Due to overseas buyers have gradually started placing orders.

- The year 2012 has high Export of leather products of 28.93% to France during the study period. Due to some relief to the export oriented sectors.
- The year 2013 has high Export of leather products of 16.57% to Hong Kong during the study period. Due to some relief to the export oriented sectors.
- The year 2012 has high Export of leather products of 18.17% to Spain during the study period. Due to overseas buyers have gradually started placing orders.

Trend Projection:

- Leather export to Germany has expected to grow from 47.66% to 73.24%
- Leather export to Italy has expected to grow from 127.22% to 135.23%.
- Leather export to France has expected to grow from 8.70% to 10.45%.
- Leather export to Hong Kong has expected to grow from 260.30% to 311.66%.
- Leather export to Spain has expected to grow from 27.58% to 32.06%
- Leather export of foot wear has expected to grow from 3797.90% to 49%
- Leather export of garment has expected to grow from 401.41% to 0.17%.
- Export of finished leather has expected to grow from 905.25% to 098.90%

8.1 CONCLUSION

The above study was carried out with the prime objective of analyzing the export performance of leather exports in India. The levels of analysis reveals economic fundamentals are important in accelerating the exports. The study suggests many ideas to improve the leather manufactures facilities with respect to world demand and exports of leather to various countries through various articles from shoes to accessories made of leather. The study also found that there was better increase in leather exports to much more countries while it is only low in few countries. Therefore, the government should take some steps to improve the exports of leather to a higher levels and provide more policies to promote exports and the country's leather exports sector should take active part to increase exports performance.

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