

India's Saddlery and Harness Sector: Exports and Its Challenges

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Abstract

Indian Leather Industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports. India has well proven itself as a potential sourcing destination for Leather product especially Saddlery and Harness. Though India is positioned as the 3rd largest exporter of Saddlery and Harness in the world, India accounts for a share of less than 10% in the global Saddlery and Harness import and hence there is a huge scope to enhance exports and increase the market share. The author believes that an explanation of the challenges faced by Indian Leather Industry in exports of Saddlery and Harness would enrich our understanding of complexity in business.

Keywords: Sourcing; Challenges; Economy; Growth; Export; Saddler; Harness

Introduction

Indian leather Industry holds a prominent place in the Indian economy. This sector is known for its consistency in high export earnings and it is among the top 10 foreign exchange earners for the country. Finished Leather, Footwear (leather and non leather), Footwear components, Leather Garments, Leather Goods, Saddlery and Harness are the various categories of the Industry. The Leather Industry has undergone a dramatic transformation from being a mere exporter of raw materials in the sixties to being a producer of value added finished products in the nineties. Policy initiatives taken by the Government since 1973 have been, largely instrumental for such a transformation. The post liberalization era has generated significant opportunities for the Indian Leather Industry.

Saddlery and Harness: Section 1

Products only for Horse or any animal individual, like Saddle and Bridle, are known as Saddlery. Western Saddle (American style and design) and English Saddle (European style and design) are the two classes of saddle. Items required when the Horse is attached to the cart are known as Harness item. Products that provide comfort, safety and protection to the horse as well as to the rider are covered in the range of Harness items. The most of the harness goods are manufactured either by using leather or nylon as the material. Saddlery and Harness sector occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports.

With global players looking for new sourcing options, Indian Saddlery stands to gain a bigger share of the global market. Though India is positioned as the 3rd largest exporter of Saddlery and Harness in the world, India accounts for a share of less than 10 percent in the global Saddlery and Harness imports. China is the World's largest exporter of Saddlery and Harness product with a share of 33%, followed by Germany with a share of 12%. Furthermore, the recent economic slowdown in key western economies and consequent slackening of consumer demand has influenced the export performance of most Leather producers, including India. Though India has distinct advantages in the Leather Industry in terms of availability of raw materials with the largest livestock population in the world, question arises why Saddlery and Harness sector has not been able to scale up the exports. This aim of this paper is to examine the challenges faced by Indian Leather Industry in exports of Saddlery and Harness. The

paper is structured as follows: Section 1 provides the overview of global Saddlery and Harness sector including data on top importers. Section 2 provides the overview of Indian Saddlery and Harness sector and briefly discusses on structure, competitive advantage and exports trends. Section 3 discusses about the various challenges faced by Indian Saddlery and Harness sector. Finally, Section 4 concludes the paper with highlighting outlook for Indian Saddlery and Harness sector.

Overview of Global Saddlery and Harness Sector: Section 2

Emergence of Leather Industry in world economy dates back a few millennia, making it one of the oldest industries in the world. Over the years, the Saddlery and Harness sector has become highly fragmented and is spread across different continents, with key raw material like raw hides and skins, part processed Leather, finished Leather being widely imported and exported. One of the main reasons for this fragmentation has been shifting out of processing Leather from developed countries to under develop and developing countries. Increasing cost of labour and stringent laws relating to environmental pollution in the developed world have been mainly responsible for this shift. As per International Trade Centre (ITC) Geneva, from 2009 onwards, there has been a steady increase in Global imports of Harness and Saddlery. Global Import of Harness and Saddlery increased from US\$ 1.25 billion in 2012 to US\$ 1.45 billion in 2016. China alone exported US\$ 0.48 billion value, contributing to 34% of total imports, whereas India exported US\$ 0.143 billion, contribution to 9.8% total global imports, way behind China (Tables 1-3).

Leather goods imports are estimated to grow at 5% annually from 2016 and touch US\$ 81 billion by 2020 end. Availability of key Raw material like Leather, is one of the strengths of certain regions like South Asia, statistics show that over 60% of the world's Leather

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Details	2014	2015	2016
World import	USD 1.41 billion	USD 1.4 billion	USD 1.45 billion
India's export	USD 0.16 billion	USD 0.146 billion	USD 0.143 billion
Percentage share of india	11.5	10.42	9.86

Table 1: Global imports of Saddlery and Harness compared with India's export.

	USA	Germany	UK	France	Canada
2012	USD 0.4 billion	USD 0.12 billion	USD 0.07 billion	USD 0.07 billion	USD 0.06 billion
2016	USD 0.51 billion	USD 0.14 billion	USD 0.09 billion	USD 0.07 billion	USD 0.06 billion

*The above five countries together account for a share of around 60% of global Saddlery and Harness Import (Source: ITC, Geneva - Market Analysis and Research, International Trade Centre).

Table 2: Top 5 importing countries of Saddlery and Harness in 2012 and 2016*.

	China	Germany	India	Italy	Holland
2012	USD 0.4 billion	USD 0.14 billion	USD 0.11 billion	USD 0.05 billion	USD 0.046 billion
2016	USD 0.48 billion	USD 0.15 billion	USD 0.14 billion	USD 0.07 billion	USD 0.048 billion

*The above five countries together account for a share of around 65% of global Saddlery and Harness Export (Source: ITC, Geneva - Market Analysis and Research, International Trade Centre).

Table 3: Top 5 exporting countries of Saddlery and Harness in 2012 and 2016*.

production is from the developing countries, and also with advantage of availability of low cost labour, the Saddlery and Harness sector in South Asia should come together to enhance both intra regional exports as wells as global exports. Today, there is a need to explore new markets especially in premium segment which is largely unaddressed by South Asian players like India.

Overview of India's Saddlery and Harness Sector: Section 3

India's Saddlery and Harness sector consists of small scale units and cottage units. It's the most labour intensive product segment in the leather sector generating maximum employment to the economically and socially weaker section of the society. Being a highly labour intensive and most of the items made are artisans' work. The Saddlery manufacturing started in the 19th century at the British Indian Corporation in its Copper Alan branch in Kanpur and simultaneously the British Government started the Ordinance Equipment Factory at Kanpur to cater to the needs of the Army. The craft of making saddlery was imparted to the local artisans by the master saddlers brought from the UK, whose generations now formed the workforce of the present industry. By virtue of Kanpur's specialization in vegetable tanned buffalo hides, and due to the presence of trained manpower, this has become the most important centre for manufacture of Saddlery goods in India. The uniqueness of Kanpur Saddlery exists in its craftsmanship of the highest order. The products spectrum is covering over 300 (over 5000 products when horseback rider goods in all popular designs are included) and in each product takes the final shape by passing through many expert hands of artisans. In fact, Kanpur is the only centre in India which produces the Saddlery and Harness goods. Production volume wise Kanpur is the biggest Harness and Saddler items manufacturer in the world. The local market for saddlery is negligible. Almost all the units operating in Kanpur are 100% export-oriented. Indian Saddlery and Harness sector has significant factor advantages to support it to command a prominent position in the global trade; however, the country has had only a small share of 9.86% (2016) in world Saddlery and Harness exports. China has emerged as the largest exporter with a share of around 40% (2016), up from mere 3.4% in 1980. While India has inherent advantages, several large investments going to Leather Industries of Pakistan, Vietnam, Bangladesh, Thailand. Hence, India needs to take immediate steps to attract investors into the Leather industry especially Saddlery and Harness sector. Infrastructure

development will be the key for investments to come into India as against other low cost locations in SE Asia.

Contribution to Indian Economy

Indian Leather Industry, of which Saddlery and Harness is a key part, is recognized as one of the most promising foreign exchange earning sectors since early 1970s. Policy initiatives taken by the Government since 1973 have been, largely, instrumental for such a transformation. Leather Industry has undergone a dramatic transformation from being a mere exporter of raw materials in the sixties to being a producer of value added finished products in 90s. As per Government of India, Indian Leather sector is as an engine for economic growth. Progressively, the Government has prodded and legislated this important Industry to modernize. The interventions made by government have helped the Industry in restructuring its technology through schemes like Integrated Leather Development Program (ILDIP) and perhaps consequently an apparent growth in exports sector has been experienced. Ever since implementation of economic liberalization programme in 1991, the Indian Leather Industry as an whole has witnessed significant growth, with exports increasing from US\$1.42 billion in 1990-91 to an all time high value US\$5.66 billion in 2016-17, showing a growth of 400% over last two decades.

India has around 3% share in the global Leather trade and this sector ranks eighth in terms of the country's foreign exchange earnings from the Industry. In 2016-17, Leather sector contributed around 8% of the total foreign exchange sector. Besides being a significant earner of Foreign exchange, Industry ensures jobs for over 2.5 million people. With global players looking for new sourcing options, India stands to gain a bigger share of the global market.

Structure of Indian Saddlery and Harness sector

The Indian Saddlery and Harness sector is geographically located in central region of India. The major production centers are located at Kanpur and Unnao in Uttar Pradesh. The Saddlery and Harness sector is primarily driven by Micro and Small units with large units accounting for just around 5% of the total manufacturing units. Below table depicts distribution of the units in this Leather Industry including Saddlery sector, in terms of the broad classification [1] (Tables 4-6).

Category	Large	Medium	Small & Micro	Merchant	Total Units
Finished leather	30	49	377	151	607
Leather footwear	38	46	277	81	442
Non leather ftwr.	4	2	241	17	264
Footwear parts	29	32	256	22	339
Leather goods	14	13	487	210	724
Leather garments	8	8	277	72	365
Leather gloves	4	3	264	24	295
Saddles and Harness	3	9	297	26	335
Total units	130	162	2476	603	3371

Note: Multiple units of a single company are counted as one. Nevertheless, if they produce different products, they figure in each of the production categories. Below table depicts the Production Capacity of Leather Industry during 2010-11 and Quantity-Wise Export of Harness & Saddlery during 2012-13 (Source: CLE membership records).

Table 4: Structure of Indian leather industry - number of units.

Product	Capacity
Leather hides	65 million pieces
Skins	d170 million pieces
Footwear and footwear components	909 million pairs
Leather shoe uppers	100 million pairs
Non leather ftwr.	1056 million pairs
Leather garments	16 million pieces
Leather goods	63 million pieces
Industrial gloves	52 million pairs
Saddle and harness	12.50 million pieces

Table 5: Production capacity during 2010-11.

Category	2012-13
Non-leather harness/saddlers/bridles	76,46,951
Saddlers / bridles	38,04,296
Harness	36,50,065
Total (in pieces)	15,101,312

Table 6: Quantity-wise export of Harness and Saddlery (in pieces).

Competitive advantage of Indian Saddlery and Harness

Strengths: The Industry is primarily driven by the availability of skilled work force, raw material, low operating costs and focus on product development. Policy initiatives taken by the Government such as free import of raw material, concessional duty on the import of machinery and chemical, incentives for modernization, etc., has further leveraged the growth of the Industry.

Opportunities: The opportunity lies in addressing international market especially the premium markets of Europe. Synthetic and Textile Saddlery will be the growth drivers for the industry into markets of North America, Europe and Japan.

Weaknesses and threats: India is the third largest exporter of Saddlery and Harness product in the world. However, the Industry faces tremendous competition from Asia that is able to supply quality products at competitive prices [2].

India's Saddlery and Harness Export Trend

India is positioned as 3rd largest exporter of Saddlery and Harness to the world, accounting for a share of 9.8% in the global Saddlery and Harness import of US\$ 1.45 billion in 2016-2017. India's export of Saddlery and Harness has increased from US\$ 0.11 billion in 2012-13 to US\$ 0.143 billion in 2016-17 [3,4] (Table 7).

The major markets of Indian Saddlery and Harness are Germany USA, UK, France, Australia, Holland, Sweden, Belgium, Canada, Denmark, Spain, and Italy (Table 8).

Details	India's Exports of Saddlery and Harness	
	2012	2016
World import	USD 1.26 billion	USD 1.45 billion
India's export	USD 0.11 billion	USD 0.143 billion
Percentage share of india	8.79	9.86

Table 7: India's exports of Saddlery and Harness.

	Germany	USA	UK	Holland	France
2012	USD 0.022 billion	USD 0.017 billion	USD 0.013 billion	USD 0.007 billion	USD 0.009 billion
2016	USD 0.029 billion	USD 0.027 billion	USD 0.015 billion	USD 0.013 billion	USD 0.011 billion

Table 8: India's export of Saddlery and Harness – top 05 countries.

The above 05 countries account for about 65% of India's total export share. Saddlery and Harness product have shown consistent growth in the last 10 years but had experienced negative growth from 2014-15 to 2016-17 period. The year 2009-10 was the one to forget as most of the items witnessed negative growth. Though we are the third largest producer after China and Germany, in terms volumes we are way behind the global leader China [5]. Keeping in view, past performance, current trends in global trade, the Industry's inherent strengths and growth prospects, the Saddlery and Harness sector aims to augment production especially in non-Leather category (Textile and Synthetic Saddlery), thereby enhancing its exports from the current level of US\$ 0.143 billion. The future growth of India's Saddlery and Harness sector will continue to be market-driven and oriented towards markets of European Union, UK, USA, Canada, Australia and Japan.

Challenges Faced by Saddlery and Harness Sector: Section 4

Saddlery and Harness is optimistic to meet the realistic export target of US\$ 0.25 billion by 2020. To become a global leader, industry believes that there would be several roadblocks in the path and the industry has to address this on priority. Few of the challenges that need immediate attention are listed below

- (i) A large portion (90%) of the industry is unorganized and has limited scope of mobilizing funds through private equity and bank loans.
- (ii) Although India has several tanneries and allied units, key raw material like cow leather (6 mm thick) for manufacturer of leather saddler and fabric items used for manufacture of non-leather Saddlery are imported, as these materials cannot be manufactured in India and also, timely availability of such raw materials remains a constraint.

- (iii) The closure of training institute like IISTEM has resulted in shortage of skilled technicians, as the Industry is a niche one, skilled workforce is employed at a very high cost. Today's youth are opting for industries like IT/Telecom for career growth as these industries pay more than Harness and Saddlery industry and hence there is shortage of trained manpower.
- (iv) Unawareness of international quality standards by many players, a key hindrance to growth.
- (v) Lack of strong presence in the global fashion market is a concern for the Industry.
- (vi) Lack of product innovation: most of the units work on sub-contract basis where all the design and other specification of the product are provided by the buyer. Industry is yet to achieve a level to address premium segment at a larger level.
- (vii) Recent implementation of GST has resulted in a huge backlog of GST refund for the Industry; it has resulted in high production cost and lower profitability and become a hindrance for growth.
- (viii) Exporters are facing a major problem of reduction in duty drawback rates, which is directly affecting their profitability.
- (ix) Depreciation of Indian Rupee is not helping exporters, as International buyers are demanding huge discounts to the extent of 15 to 20%, affects the profitability. In addition, the Rupee depreciation has increased cost of imported inputs and raw materials. Prices (both domestic and international) of Raw Hides and Skins have witnessed a steep increase to the extent of 35%. Cost of petro-based products such as TPR, adhesives etc. have also significantly increased
- (x) Given the contribution shown by the SMEs in Harness & Saddlery industry towards employment generation and foreign exchange earnings, the government should take further initiatives and develop policies which particularly focus on the growth of SMEs in this sector.

Major impediments for export growth

The major impediments to the export growth of the sector can thus be identified as (i) Lack of facilitating infrastructure for Warehousing (ii) Limited product portfolio and low innovation (iii) Lack of scale of operations (old production systems and low productivity) (iv)

Negligible brand building initiatives (v) Low presence in Global Fashion Market.

India's Saddlery and Harness: An Outlook

(i) India is third largest exporter of Harness and Saddlery products and accounts for 9.86% share of the global Saddlery and Harness import. The Indian Saddlery and Harness industry is expected to grow many fold thereby creating large scale employment and high foreign exchange revenue. Apart from this, the high growth in International market due to growing demand of Non Leather Saddlery (Textile/Synthetic), breeches, equestrian boots and accessories will further accelerate the growth.

(ii) Accordingly, the government has also taken several initiatives and implemented various industrial development programmes along with export promotional activities. Indian Footwear, Leather and Accessories Development Programme (IFLADP) with an approved outlay of Rs. 2600 crores over the three financial years from 2017-18 to 2019-20 is one such scheme which is undertaken by the government to help the sector in infrastructure development, human resource development and research.

(iii) To address the concern of shortage of skilled manpower, Leather Sector Skill Council (LSSC), was set up in 2012 as one of the key sector skill councils approved by National Skill Development Corporation (NSDC). LSSC will cater to the training and employment needs of Saddlery and Harness sector, which will be huge plus for the Industry.

Added to this are the inherent strength of the industry like, availability of adequate raw materials like vegetable tanned buffalo leather and other components, sufficient ancillary units to support the manufacturing, compliance of international environmental standards and growth shown by the associated industries which will further support the sector.

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