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Critical Issues Facing the Leather Industry in India

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Abstract: The leather industry is a significant contributor to India's economy, providing employment to over 4 million people and serving as a major export sector. Despite its potential, the industry faces numerous challenges that hinder its growth and global competitiveness. This study explores the key problems faced by leather manufacturers in India, including environmental compliance issues, shortage of quality raw materials, outdated technology, inadequate infrastructure, and limited access to skilled labor. Additionally, rising global competition, regulatory hurdles, and lack of innovation further strain the industry's development. The objective of this study is to systematically identify these challenges, analyze their impact on the sector, and propose strategic recommendations for sustainable growth. By examining both internal and external factors, the study aims to provide a comprehensive understanding of the structural and operational difficulties confronting Indian leather manufacturers, with the goal of informing policymakers, industry stakeholders, and investors.

Keywords: Leather Industry, Indian Manufacturing, Environmental Compliance, Raw Material Shortage, Skilled Labour, Global Competition, Export Challenges, Technological Obsolescence, Sustainable Manufacturing, Regulatory Barriers, Infrastructure Deficiency, Innovation and R&D, Eco-friendly Leather

I. Introduction

Leather is one of the most traded products in the international market worldwide. It has a huge demand in various industries all over the globe, such as in the textile industry, furniture industry, footwear industry, interior designing industry, etc. India is in 5th position all over the world when it comes to exporting leather, as well as leather commodities. India produces the maximum leather footwear, around 10 to 15 percent of the output. According to the facts provided by the council of leather exports, only half of the business is for exports, whereas the rest half is served to the domestic market. It was also expected that this industry would touch around 27 billion dollars by 2020, and domestic business would be around 15 billion dollars.

India is also in the third position when it comes to being the supplier of leather garments globally. All this is possible because of the easy availability of raw materials and skilled craftsmen. Various big and reputed brands get their leather supplies from India, for example, Marco Polo, Armani, Zegna, Mango, etc. However, there are various challenges in the Leather Industry that the Indian entrepreneurs face simultaneously.

Statement of Problems

The leather industry in India, despite being one of the oldest and largest globally, faces a range of persistent and emerging challenges. These problems hinder growth, global competitiveness, and sustainable development. The following is a comprehensive statement of problems faced by leather manufacturers in India:

Environmental Compliance and Pollution Control Leather tanning and processing are heavily polluting activities. Indian manufacturers face increasing pressure to comply with strict environmental norms. However, outdated technologies, poor waste management infrastructure, and high costs of compliance make it difficult for small and medium enterprises (SMEs) to adapt, leading to closures or penalties. Raw Material Shortage and Quality Issues India faces a shortage of quality raw hides and skins. Much of the raw material is exported in unprocessed or semi-processed form, which reduces domestic availability. Additionally, poor animal husbandry practices and improper flaying techniques affect hide quality, impacting finished leather output. Obsolete Technology and Low Productivity A significant portion of the Indian leather industry still relies on outdated machinery and manual processes. This leads to low productivity, poor quality, and an inability to compete with technologically advanced producers like China or Italy.

Global Competition and Market Access Indian leather products face stiff competition in international markets from countries with better branding, quality control, and marketing strategies. Trade barriers, fluctuating international demand, and the need to meet stringent global standards (like REACH compliance in the EU) further limit export potential. Lack of Skilled Workforce While the leather industry is labour-intensive, there is a shortage of adequately trained and skilled workers. Vocational training programs are limited, and many workers lack formal education in modern leather processing techniques, which affects product quality and innovation. Regulatory Hurdles and Bureaucratic Delays in environmental clearances, complex export procedures, and inconsistent implementation of government schemes often create bottlenecks for manufacturers, particularly MSMEs. Inadequate Infrastructure and Logistics Poor transportation networks, insufficient common effluent treatment plants (CETPs), and lack of industrial clusters with modern facilities affect operational efficiency and increase production costs. Limited R&D and Innovation Investment in research and development in the Indian leather sector is low. This affects product innovation, development of eco-friendly processes, and adaptation to changing market trends such as vegan leather and sustainable fashion. Price Volatility and Input Costs Fluctuating prices of chemicals, dyes, and other inputs make cost estimation difficult. Currency exchange volatility also affects export earnings

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and raw material imports. Branding and Marketing Challenges Indian leather products often lack strong branding and global recognition. Most manufacturers operate as OEM suppliers rather than building their own internationally recognized brands.

Challenges in the Leather Industry

There are multiple challenges faced by the leather exporters of India, which are given as follows. Moreover, these also include some current problems in the leather industry:

- Because of the religious importance of some animals, the leather industry is still facing issues when it comes to managing the raw materials and the source of the leather.
- The companies producing leather and leather commodities don't want to invest in Research and Development, which makes them lack the accurate demands of the consumers.
- Companies cannot deliver value to the product and a decent branding that can attract the customers.
- Rather than this, waste management, non-tariff obstacles, etc., barricade the export growth of the leather industry in India.
- The environmental problems related to leather tanning as well as other processing.

Impact on Environment

The leather industry's impact on the environment results in various sewage and discharge problems. Moreover, the locals know the regular air pollution and do nothing to overcome the situation.

Various treatment technologies reduce the pollutants in the form of liquid and turn them into semi-solid or solid forms. Moreover, the danger or threat moves from getting water to getting land. However, the sludge can lead to the pollutant groundwater as well as it can also reduce the quality of the soil, which can result in making the soil infertile and the groundwater impure. Therefore, the government and the local authority should be concerned about this issue and should start taking some important steps to stop these activities.

Regulation and Support by the Government

Meanwhile, pollution is deliberated as an externality, which refers to a cost of creation that is not included in a product's market value. It is also measured as a market ineffectiveness that the government should regulate to correct. Moreover, environmental regulation is the single most essential element to influence the firms to consider the issues occurring in the environment.

Key Initiatives for Enhancing the Leather Industry

- Central sector scheme 'Indian Footwear, Leather & Accessories Development Programme' is under application for 2017 to 18 – 2019 to 20.
- Interest equalisation frequency was enriched from 3 percent to 5 percent for Micro, Small, and Medium Enterprises from the 2nd of November in 2018 on pre-shipment and post-shipment rupee export credit.
- Extra Employment Incentive for Leather, Footwear, and Accessories Sector sub-scheme.
- Raise the Indian Brands in Leather, Footwear, and Accessories Sector sub-scheme.
- Decrease in the rates of GST.
- Free Duty on the Import of Inputs.

Additional Suggestions for Enhancing the Leather Industry

- Value-adding by design development
- Market R&D on fashion essentials
- Following the modernisation traction as provided by the companies such as Farida Group, Hide sign, Mirza, KH, and Super House.
- The companies from India must follow the Delivery Duty Paid, i.e., the DDP Model. The study is done on American and European design communities, including the existing fashion.

II. Conclusion

At the current time, the leather industry in India has a vast scope and a massive base for its products. Moreover, the worldwide leather industry is changing its manufacturing base from the developed to the developing nations at the same time. Furthermore,

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there are numerous challenges in the Leather Industry in India at the same time. There are still some problems in the leather industry in the nation.

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