

THE INDIAN FOOTWEAR INDUSTRY: TRENDS, CHALLENGES, AND OPPORTUNITIES

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Abstract:

The Indian footwear industry is a significant sector that has been growing steadily over the years. With a rich history dating back to the colonial era, India has evolved to become one of the largest producers and consumers of footwear globally. The industry encompasses a wide range of products, from traditional handmade shoes to modern, high fashion designs, catering to diverse consumer preferences.

The footwear industry in India is advancing at a rapid rate. Influences such as changing lifestyles, economic growth, and an increased focus on health have elevated the demand for footwear globally. Particularly in India, the footwear market size in India and the shoe market in India are flourishing, reflecting a dynamic shift in consumer preferences from functional to fashionable footwear, a trend that's reshaping the shoe market on a global scale.



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Keywords: Footwear, Trends, Challenges, Opportunities, etc.

Introduction:

Indian footwear industry is one of the top employment generating industries in the nation. While it holds an important position in the Indian Government's drive, the sector dramatically contributes to the nation's economic growth. As per Statista, the footwear market amounts to US\$9,352m in 2022 and is predicted to expand annually by 13.53% (CAGR 2022-2025).

The footwear industry in India is a combination of both the traditional and modern sectors, manufacturing both leather and non-leather footwear. India is the second-highest producer of footwear in the world, making it one of the leading providers of footwear and leather products.

Footwear Industry Growth in India

India ranks second only to China in global footwear production. The Indian footwear industry is divided into leather and non-leather categories, both driven by strong domestic demand. According to Invest India, the non-leather footwear sector in India is expected to expand eightfold by 2030, with projections indicating it will surpass \$6 billion by 2024.

Leather Footwear: Continues to be a significant part of the market and a major export product, with the UK as a primary destination.

Non-Leather Footwear: Accounts for 86% of global footwear consumption by volume, and India is following this trend.

Year	Market Size
2020	10
2023	15
2025	18 Estimated
2028	25 Projected

Footwear Market Size in India

As India approach 2025, the Indian footwear market is experiencing robust growth. The market size has grown significantly since 2020, now valued at over \$10 billion USD and expected to exceed \$15 billion USD by 2023.

Consumer Trends: There is a noticeable shift towards branded and premium footwear, driven by increasing brand awareness and a focus on product quality. E-commerce platforms have also been crucial in expanding market reach.

Rural Market Potential: Improving infrastructure and economic conditions in rural areas are boosting footwear demand.

Government Support: Initiatives like 'Make in India' and GST implementation have streamlined taxation and supported domestic manufacturing.

Market Segmentation by Category

Category	2020	2023	2025
Men’s Footwear	4.5	6.5	8
Women’s Footwear	3.5	5.5	7
Children’s Footwear	2	3	4

Source: <https://www.indianretailer.com/article/retail-people/trends/how-bright-is-the-future-of-india-s-footwear-industry.a7994>

The Footwear industry in India- An overview

India is the second largest producer of footwear globally, accounting for 13 per cent of the global footwear production, next to China, which dominates the global footwear industry accounting for close to 67 per cent of the market.

Comparing footwear production in key developing markets – China produces 14,200 million units, followed by India producing 2,209 million units. Brazil produces 900 million units while Vietnam produces 770 million units annually. Out of the ~2.2 billion pairs of footwear produced annually, about 180 million pairs are exported, while the rest (~95% of the produce) meets the domestic demand.

- The **average per capita footwear consumption in India** continues to be low at ~1.66 pair per annum in comparison to the global average consumption of ~3 pair per annum and developed countries average of 6-7 pair per annum.
- By products, the **Indian footwear market is dominated by casual footwear** market that makes up for nearly two-third of the total footwear retail market. The majority of the Indian footwear market is men's footwear that accounts for nearly 58 per cent of the total Indian footwear retail market. Non-leather footwear accounts for ~1.23 billion pairs, or 56 per cent of the footwear market in India.
- The strength of India in the leather footwear sector originates from its command on **reliable supply of raw material resources** in the form of raw hides and skins, quality finished leather and large installed capacities for production of finished leather and foot.
- The **Indian footwear industry is highly fragmented** with almost 15,000 small and medium enterprises operating largely in the unorganized segment; and limited presence of organized segment.
- The **industry is dominated by unorganized sector** which accounts for around 85 per cent of the total footwear production. The competitive intensity is high between the two segments and currently, both are estimated to have an equal share of the overall domestic market in value terms.
- India has an **installed capacity of 2.8 billion pairs**, second only to China. The bulk of production is in men's leather shoes and leather uppers for both men and ladies. India has over 100 fully mechanized, modern shoe making plants.

Footwear is a labor intensive industry, **providing jobs around 1.1 million people**, and is a source of employment to people from the weaker sections of the society and the minorities, especially in the leather segment. The footwear industry along with other few industries such as textile and apparel industry together are the **largest employers in India, after the agricultural sector**.

The footwear industry has a **significant representation of women**, who comprise **more than half of the workers** employed in this industry. However, this is primarily in the southern part of the country, where a high degree of mechanization and a stronger organized sector has enabled the share of women in the workforce to be as high as 90 per cent in footwear clusters in Tamil Nadu and Kerala.

Government Initiatives in India's Footwear Market

The Indian government has introduced several initiatives to boost the footwear industry, including:

- **Make in India:** Encourages domestic manufacturing and positions India as a global manufacturing hub, fostering innovation and job creation.
- **Goods and Services Tax (GST):** Simplifies the tax structure, making the business environment more predictable and encouraging further investment.
- **Special Economic Zones (SEZs):** Provide tax breaks and improved infrastructure, attracting footwear manufacturing units.

These government efforts are instrumental in propelling the growth of India's footwear market, making it a key player in the global arena while simultaneously enhancing local economic development.

New Trends:

- Footwear industry in India is very optimistic right now with growing awareness about the latest trends and consciousness among consumers. Western influence has also played a part with people being inclined towards styles like Oxfords (Europe) and Brogues (Ireland). Unlike the past, people today require footwear as per the occasion. However, shoes per capita for India (1.9) is still much lower than US (7.2) and UK (7.4), presenting a large opportunity.
- The consumers have become more technology savvy, extensively prone to digital marketing and practices, fashion conscious, demanding the latest trends and contemporary styles and fashionable in a certain manner. The growing footwear segment along with the budding working-class population, increasing brand consciousness, rising discretionary income, has led to an enormous growth in footwear consumption. Moreover, due to increased internet penetration and subsequent evolution of e-commerce ecosystem, the last decade has been exceptional for the industry.
- Leather footwear market is closely aligned with consumer spending on fashion accessories. Rapid growth in the spending on fashion accessories due to growing influence of social media is driving the market. Recent changes in consumer shopping trends and increasing propensity toward buying high-end and designer shoes are estimated to trigger the growth.

- There has been a drastic change in India's import basket. It consists of non-leather footwear and are primarily plastic or textile footwear components, highlighting the change in consumer preferences over the years towards non-leather footwear products.

Challenges

- Lack of branding in Indian footwear – Despite being one of the largest employers, marketing and branding remains the industry's Achilles heel. Marketing activities at the industry level are poor and ineffective, while at the company level, low marketing budgets result in ineffective, short term marketing campaigns which do not go beyond generating awareness.
- Challenge from China and other low cost markets – The USD 35 billion Indian footwear industries is reeling under pressure as China is dumping its goods in India at a lower rate and also the ratio of exports to imports has fallen drastically. People prefer Chinese footwear over domestically produced goods as they are cheaper and offer a wide variety of goods. Out of the total Indian footwear imports, 63% is imported from China, and the import has increased by 295% in last 5 years. Further, most of these footwear products are sold in the unorganized retail market, without VAT and Excise addition, causing a significant loss to the exchequer and a potential loss of more than 214,000 jobs for the domestic industry.
- Due to the increasing imports from China to Italy, Indian presence has reduced in the total imports of Italy and thus has recorded a negative growth rate. The maximum exports of India are made to UK and US as they acquire the largest share in India's total footwear exports with 18.9 per cent and 11.3 per cent respectively
- Unorganized industry structure and India's competitiveness vis-à-vis major exporting nations – The primary reason for the unorganized and small scale setup of Indian leather industry is the historical restrictions of licensing and SME reservation of the sector until 2001. Further, majority of companies in the Indian leather and footwear sector are proprietorship or partnership firms, which generally have a lower risk appetite and are usually unwilling to undertake major capacity expansions.
- The domestic market – overshadowed by exports – The domestic footwear industry was estimated to be valued at US\$10 billion (or ~INR62,300crore) in FY2014-15. India exported US\$2.6 billion (or ~INR16,200crore) worth of footwear in FY2014-15 (according to Ministry of Commerce data). Despite the domestic industry being almost 4 times the size of the export market, the domestic footwear industry has not received much support from the government in terms of policies, compared to the export sector.
- Tax and Trade Regulations – Globally, footwear is considered as part of the apparel category and taxed similarly. However in India, though branded garment attract no excise duty, footwear attracts excise duty similar to other consumer durables, with central excise duty on

non-leather footwear as high as 12 per cent. The effective excise duty rate being approximately 26% of transaction value. In addition to excise, at the state level, Value Added Tax (VAT) of 12 to 15 per cent and octroi (or local body tax) of 2 to 5 per cent are also levied on footwear.

- Lack of skilled labour – The production process of a leather shoe requires a significant level of knowledge and skill, considering the number of components that go into the making of a leather shoe. While the need for appropriately trained and skilled manpower is felt across all levels, the shortage is felt more acutely at the lower level of semi-skilled work force.
- Impact of wages – The minimum wage revision which took place in July, 2007 increased the effective minimum wages for unskilled workers by 37 per cent and subsequent increases in January/July every year have further increased this higher base figure by another 216 per cent to adequately compensate for the increased cost of living. Thus, the unskilled worker's salary has almost tripled between January 2007 and September 2015. In addition, many components of wages not reflected in Minimum Wages fixed. An unskilled worker at the prevailing Minimum Wage of INR 7,600 per month actually has a total remuneration of INR 9,439 per month. With up to 25 per cent of 'cost of goods sold' being contributed by labour costs, even a 10 per cent increase in the labour component erodes profitability by a big margin and bring industry dangerously close to making losses.

Opportunities

Interventions required making Indian Footwear globally competitive

The Indian footwear industry has the potential to increase its share in the global footwear export market from the current 2.1 per cent to 6 per cent. In order to achieve this potential, the industry would need to transform itself through a combination of structural changes, as well as government incentives.

Need for Structural Reforms/Institutional Reforms –

There is a need to create a National Level Body particularly for domestic business “Footwear & Leather Products Development & Promotion Council (FLPDPC) and serve as an important bridge between Domestic players and State/Central Governments for Policy advocacy, Infrastructural developments & Fiscal support to Indian companies.

Building the Indian Footwear Brand –

Branding strategy could help Indian companies, coming on to the global map. As, the industry is more unorganized, the organized sector needs to be taken care of in an efficient manner by advertisements and promotions through newspapers, Print, TV, celebrity endorsements etc. Key points to help bring the Indian footwear brand on the global scene include:

- Attract FDI into Retail/JV and tie-ups.

- Increase domestic manufacturing & capacity building in the organized sector.
- Create skilled manpower for organized retail.
- Increase cost competitiveness of Indian footwear.
- Create quality and brand consciousness amongst consumers.

Cluster development efforts have yielded high benefits in SME-intensive leather sector –

Cluster initiatives have had success globally, and have allowed the regions implementing such approaches to produce products that are internationally competitive, by allowing firms in the clusters to take advantage of pooled resources and incentives, as well as ensuring availability of skilled manpower. The close geographical location of similar manufacturers within a cluster enables flexibility and capacity pooling to better handle uncertain demand.

Taxation/Regulatory Issues-

Bring footwear at par with the apparel industry: Footwear is part of the basic attire globally, i.e., Footwear and Headgear, Clothing classified are under-Class 25 of Trade Mark Act, 1999. Though clothing is exempt from Excise Duty, the same is not true for footwear and leather.

The challenge of low abatement rate-

The low abatement rate has resulted in an exorbitant effective rate of excise duty on footwear. The problem of high effective rate is further exacerbated by a fractured credit system and fragmented nature of production processes, resulting in break in CENVAT chain and limited availability of CENVAT credit on raw materials and other components.

Minimize Chinese low quality products invasion into Indian markets-

The government should enhance the existing anti-dumping provisions on footwear from low cost countries such as China and Vietnam and provide an added incentive to domestic manufacturers.

Bring the unorganized sector into mainstream for greater Tax Revenue-

The Budget proposal to reduce the excise duty on footwear with leather uppers and having retail price of over INR 1,000 will help increase competitiveness. The move will provide boost to the domestic leather footwear industry and help it compete globally and it would also help provide a level-playing field for the organised sector and would result in integration of unorganised sector into organised sector.

Skill building –

As a step towards having a highly skilled and productive workforce in this industry, there should be focus on vocational training through the existing institutions, especially in the areas of manufacturing, quality control and designing. The industry needs mass training programmes in the areas of cutting, stitching, Assembly, Lasting/Soling, QC & Packing.

Future outlook

Per capita footwear consumption in India is ~1.7 pairs, compared to 6 pairs in developed markets. Assuming that this level of per capita demand for footwear in India will be reached by 2030, the overall **demand for footwear could reach up to 9 billion pairs**. Assuming 6% inflation in footwear cost every year, this represents a total domestic market size of US\$ 80 billion by 2030. Even if the per capita demand for footwear is lowered to 4 pairs, the total domestic market size (compounded for 16 years from 2014 to 2030) would come out to be US\$ 45 billion.

Though there is significant potential in this sector, it must be noted that **footwear production capacity in India has remained almost stagnant in the last decade** primarily due to a small organized presence in the footwear sector and a policy framework that does not encourage the growth of the organized sector.

How the Footwear industry is one step ahead of others

- Footwear is a non-polluting industry and falls under the green category. There is no effluent or waste discharge, it being a dry industry. In addition, there is almost no noise pollution.
- Very low intensity of electricity is required, hence there is no significant burden on the power grid.
- Land requirement for setting up a footwear manufacturing unit is very low compared to other industries such as automotive, refining, electronics, etc. A SME startup needs just a 20 x 20 square meter shed to start manufacturing.
- Easy to skill and start operations. Footwear units in the SME category can start operations within 6 months of approvals, including skilling workers, which typically takes only between 6 to 8 weeks.

Conclusion

Despite its much-stated advantages of large source of raw material, plentiful labour supply at low cost, heavy Govt. support in promotion, the Indian footwear industry has not been able to realize its potential.

Based on the challenges, there is a requirement for interventions across many areas and therefore, there are 4 major areas which require support from a technology and overall infrastructure standpoint.

- Leveraging the latest technological advances in the manufacturing value chain - Treatment of raw material for leather products in tanning operations - There are challenges across the value chain and treatment of the raw material in tanning operations leads to sub optimal quality and usage of processes detrimental to the environment. This is a critical area to address since it not only impacts the footwear sector but the overall leather sector.

- Encourage upward movement within the leather footwear value chain - Within the leather footwear sector, there is considerable infrastructure, although elementary at the cluster level, to support it. However, self-design, production, branding and distribution account for a very small part of Indian leather footwear sector and need to be increased.
- Create supporting infrastructure for non-leather footwear products manufacturing - Despite the growing demand for non-leather footwear (estimated at ~30% of total footwear production in Agra20), there is limited infrastructure to support it, leaving the cluster unprepared to deal with future trends. Also, the sector needs to be geared towards the rising demand for women's footwear.
- Incorporating technology within the footwear itself (Smart shoes) - As highlighted earlier, the market for smart shoes is expected to expand significantly.

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