CHAPTER 5
FINDINGS
AND
RECOMMENDATIONS
# CHAPTER 5

**FINDINGS AND RECOMMENDATIONS**

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CHAPTER 5
FINDINGS AND RECOMMENDATIONS

‘Findings and Recommendations’ which deals with future of leather industry, brief summary of present study, major findings of the study, recommendations, and suggestions for further study.

5.1 Future of Leather Industry

The Indian leather industry occupies a prominent place in the Indian economy, due to its substantial export earnings, employment potential and growth. The industry is primarily driven by the availability of skilled manpower, raw material, low operating costs and focus on product development. The policy initiatives such as free import of raw material, concessional duty on the import of machinery and chemicals, incentives for modernization, etc., have further leveraged the growth of the industry.

Thus, the opportunities for growth of the leather industry lie both in the domestic and the international markets. The large population base and the increase in disposable income have led to the growth of domestic market. India is the third largest exporter of leather products in the world. Most of the leather industry in India inherently comprises the family-owned business. The industry faces tremendous competition from other Asian and East European countries which are able to supply quality leather products at competitive prices. Compared to the developed countries, one of the inherent advantages of the leather industry in the developing countries is the availability of a labour at comparatively lower cost. For instance, the labour rates in India, China, Romania, Philippines, etc., are 50% lower than those in developed countries. Though the cost of labour in India is one of the lowest in the world, yet a large proportion of this advantage is eroded due to low productivity. Consequently, many Indian companies lose opportunities as a result of larger response time, low quality, lower flexibility in operations, etc. A basic drawback hampering the productivity is the low level of skills being put in practice.

The growth in the leather industry will be primarily driven by exports and complemented by domestic demand. The domestic market is also gaining
importance as a potential growth area, and as a means for
derisking/diversification. It is expected that leather exports would be able to
sustain a long term growth rate of about 12 per cent given that it is highly
correlated with India’s overall growth in exports. Exports in leather are thereby
projected to clock Rs.788 billion in revenues by 2022. The domestic industry
would account for about Rs. 250 billion in revenues by the same year. In terms
of exports, the growth would be primarily lead by the footwear segment.

5.2 Summary

At the beginning of the research chapter first which states brief introduction of
exports, employment, production capacity, geographical diversification and
broad classification of micro, small and medium enterprise in leather industry,
then global leather trade scenario, features of Indian leather industry, case study
of Maharashtra and Dharavi's leather industry, thereafter importance, needs,
period, objectives, hypothesis, scope and limitations of present study has been
discussed. Later in chapter one, research methods, methodology, sources of
data, chapter scheme of the thesis are given.

The chapter second is based on the wide variety of literatures both of academic
and professional leather industry reports, journals and periodicals. However,
only few extracts of major literature have been covered here to provide a
comprehensive idea about the research trends on the different dimensions of
current research. The primary data collections, the observation at the time of
collecting data are the strength of this thesis. But required literature summary
for further analysis of data is done in depth. The review of literature has been
classified into six major areas: Literatures on the Characteristic of Indian leather
industry, branded and non-branded leather products, export performance,
growth and policy, challenges faced by leather industry, workers' characteristic
of leather industry, technology, social and environmental issues.

Third chapter presents design of the study, survey of sample, tools, operational
definition of variables, respondents' profile, data analysis and testing
hypothesis. The results of testing hypotheses are presented in this chapter.
Independent variables were taken occupation and categorical size of the leather
units and their association was investigated with various dependent variables
such as available supply of inputs, cost of inputs in national, international and
local market, production and demand for branded and non-branded products, price difference between branded and non-branded products, leather imports and exports, workers' strength and economic condition of the workers, welfare schemes for the workers, awareness about AAEPLCZ and sustained policy programmes.

Fourth chapter present the interpretation of the results in the form of discussion and conclusions of the discussion.

5.3 Major Findings of the Present Study

The following are major findings of the present study.

1. Structural analysis of the overall sample shows that 99.4 per cent of the participants were male in the age group of 19-40 years (60.2 per cent), and have higher secondary (HSC) passed (73.8 per cent).

2. Leather industry at Dharavi is dominated by leather manufacturing units. About 98 per cent of both micro and medium scale leather units are manufactures footwear components, leather footwear, leather accessories and leather garment.

3. There is 68.8 per cent of micro and medium scale of leather entrepreneur annually earns up to five lakhs.

4. Dharavi's leather units have comparatively input cost advantages in local market than national and international market. The cost of inputs in local market is cheaper than national and international market.

5. 89.1 per cent of leather units in study area are producing non-branded leather products. Leather units that are producing branded leather units have higher sales values than those selling non-branded leather products.

6. 9.8 per cent leather units in Dharavi are importing raw material and finished leather goods from abroad. All leather units put together they are spending merely 25 per cent of total purchase on imports. This also indicated that leather units at Dharavi are not dependent upon imports from abroad; they are able to manage raw materials within the country.

7. 3.8 per cent leather units from Dharavi are exporting finished leather but they are earning up to 50 per cent of their total sales in foreign exchange. Earning of foreign exchange has bearing on workers earnings also. Leather
units that are exporting leather products pay their workers much more than other leather units in the market.

8. It was also found that manufacturing units (42.7 per cent) predominantly hire unskilled workers while trading units' (60.9 per cent) predominantly hire skilled workers.

9. About 64.3 per cent manufacturing and trading units put together, the number of workers hired by any unit ranged from 0-10.

10. The amount of salary paid to the workers in manufacturing unit (61.6 per cent) ranged from Rs. 0-5000/- per month while in trading units (17.4 per cent) it ranged from Rs. 5000/- to Rs. 10,000/-.

11. Manufacturing units (45.8 per cent) was spending maximum of five per cent of their total operating cost on workers’ salaries while trading units (52.2) were spending 6 to 25 per cent of their operating cost on workers’ salaries.

12. 89.5 per cent of the manufacturing and trading leather units were illegal and had not registered with any government agencies.

13. 96.3 per cent of the leather units were home based units as part of cottage industry.

14. 68 per cent of leather units were not satisfied with available infrastructure for them.

15. A large number of leather units (87.3 per cent) were not aware about projected “Additional Ambernath Export Promotion Leather Complex Zone” and even those who were aware of such a project were not interested to shift from Dharavi to Additional Ambernath Export Promotion Leather Complex Zone.

16. 96.9 per cent leather units were not aware about any kinds of policy reforms available for them and did not have access to various schemes run by the government for leather units. They had no easy access to credit facility from the banks in Dharavi area.

17. 89 per cent leather units were not getting credit from financial institutions due to lengthy process, not enough documents, high rate of interest, unaware about loan facility, banks not being keen to provide loan to them due to the illegal nature of their business.
5.4 Recommendations

In the light of findings of the study and conclusion drawn thereby, the researcher has the following suggestions to leather industry to resolve their problems and improve overall performance of leather industry at Dharavi.

1. Approximately 95 per cent of leather units in Dharavi area are into manufacturing and their workers are in the age group of 19-40 years, group government should start leather art making institution in this area. This will lead to better utilization of manpower.

2. Right now leather units have a turnover of merely Rs.500,000/-, which is a very small amount that they earn. The reasons for such low income are stiff competition from China and use of outdated technology to manufacture leather articles, lack of skilled manpower, and design of leather articles is also weak area of Dharavi leather units. It is suggested that producers should be encouraged and facilitated to use modern technology for design, marketing and for training of workers to improve efficiency of units.

3. Cost of inputs is another important area of leather industry. Dharavi’s leather units has three different sources of inputs that is local, national and international market. Costs of inputs from local market are cheaper than national and international market but quality of leather procured is not as good as in national and international market. To make better quality raw material available from local market at affordable prices, leather tanning complex nearby Mumbai needs to be developed. There should be effective strategies and action plans for ensuring optimal and gainful utilization of fallen animal carcasses.

4. Study has already shown that branded leather products have more value added sales than non-branded leather goods. For brand building in India ‘working group of twelfth five year plan’ has suggested some programs such as constitution of Domestic Council - Footwear & Leather Products Development & Promotion Council (FLPDP), Indian Leather Mark, Research & Development and Design & Development, Outsourced Consultancy Program. There is a need to introduce such programs in leather industry of Dharavi.
5. Data showed that the majority of leather units find it difficult to adhere to stringent norms and guidelines issued by European markets for export. It is the need of the hour that government and Council for Leather Exports (CLE) help them in finding ways to follow those norms and procedure to improve export from Dharavi. At present, only finished leather is exported from Dharavi. Government and Council for Leather Exports (CLE) need to help these leather units to export finished leather goods as well to increase their export base. Furthermore, Government and Council for Leather Exports (CLE) need to provide exports subsidy, to promote leather exports from Dharavi, because it helps to raise workers’ salaries.

6. Skilled labor gives better quality than unskilled labor and that is why there is a need to establish training courses for workers so that more workers can help leather industry to produce attractive leather articles.

7. There is also a need to raise wages to the workers, most of workers were not getting even minimum wages decided by law. There is need to address workers problems related to salaries, welfare schemes for workers, government has to interfere in these issues.

8. Only 10 per cent leather units are registered with government or NGOs. So there is need to provide mechanisms to registered leather units and also simplify the registration procedure.

9. Majority leather units at Dharavi operate from residential area creating serious health, hygiene and environmental problems. Leather manufacturing is a very polluting process, so there is a strong need to separate residential and work area.

10. Government is trying to shift Dharavi’s leather units to “Additional Abernathy Export Promotion Leather Complex Zone” but majority of leather units were not interested, therefore, government needs to provide sufficient facilities, markets, infrastructure and incentives to persuade them to shift from Dharavi to Ambarnath.

11. There is a need to increase the awareness and availability of various government schemes to all the leather units in Dharavi area so that all can equally benefit from these schemes.

12. There is also need to introduce more policy reforms such as to provide a aggressive marketing mechanism, reduction of tax duty on raw materials...
Lack of credit is the main problem of leather industry at Dharavi, so there is a need to provide adequate easily accessible finance to leather units from banks. With the new development of introduction of 'Jan Dhan Yojna', 'Start-up Yojna', 'Adhar Linked Bank Accounts', efforts need to be made that Dharavi's leather units can reap the benefits of these schemes as well as there is a need for banks to change their attitudes towards this unorganized sector.

5.5 Suggestions for Further Studies

In the course of the study, the researcher came across the problems of leather industry located at Dharavi wherein future research is needed, which are outlined below:

1. Availability of supply of inputs for micro and medium scale leather units need to be conducted.

2. An in-depth study of comparison between standard of living of Dharavi's workers and remaining Maharashtra's leather industry workers need to be studied.

3. Keeping in mind that younger generation is more qualified, it needs to be investigated whether they continue with their family's old leather business or do they prefer to make career in some other area.