

# India's Saddlery & Harness Sector – Exports and its Challenges

Mohamed Rafiuddin  
Research Scholar  
Bharathiar University  
Coimbatore, India

Dr. Satyanarayanan. G  
Professor & Research Supervisor  
Bharathiar University  
Coimbatore, India

**Abstract:- India's Saddlery & Harness sector occupies a place of importance in the Indian economy in view of its huge potential for employment, exports and growth. As far as sourcing of Leather product especially Saddlery & Harness, India has proven itself as a potential sourcing destination. In spite of India being third largest exporter of Saddlery & Harness in the world, India's share is only 9.8% in the global Saddlery & Harness imports and hence there is an enormous scope to augment exports & enhance the market share. For one to comprehend the complexity of business especially in exports of Saddlery & Harness, one needs to recognize the challenges faced by India's Saddlery & Harness sector.**

**Keywords:- saddlery; harness; exports; imports; market share; Kanpur.**

## I. INTRODUCTION

Leather Industry of India holds an important place in India's economy. Leather Industry is known for its steadiness in high export earnings and foreign exchange earnings. The various product categories of Leather Industry are Finished Leather, Footwear (leather & non leather), Footwear components, Leather Garments, Leather Goods, Saddlery & Harness. From being mere exporter of raw materials in 1960s to a manufacturer of value added product in 1990s exhibit a significant transformation. Government Policies after 1973 has helped the Industry in such a transformation. The Indian Leather Industry also benefitted post liberalization era and has generated significant opportunities for itself.

### A. About Saddlery & Harness

Products for animals such as Horse, like Saddle and Bridle, are identified as *Saddlery*. The 02 categories of Saddlery are Western (American) style & English (European) style are. *Harness* is the Items required when Horse is attached to a cart. The range of items covered in Harness provides comfort, safety and protection to the horse as well as to the rider. Either Leather or nylon is used as a key material to manufacture harness goods. India's Saddlery sector occupies a place of importance in the India's economy in view of its huge potential for employment, exports and growth.

With global players looking for new sourcing options, Indian Saddlery & Harness sector stands to gain a large share of the global market. . In spite of India being third largest exporter of Saddlery & Harness in the world, India's share is only 9.8% in the global Saddlery & Harness imports. Globally, China share of exports is 33%, is world's largest exporter, followed by Germany with a share of 12%. Besides, the

current economic deceleration in key western economies and subsequent lull of consumer demand, has affected the performance of most Leather manufacturer exporters, including the ones from India. Distinct advantages in availability of raw materials with the largest livestock population in the world, has not helped the Saddlery & Harness sector to scale up the exports to the next level. To comprehend the complexity of business especially in exports of Saddlery & Harness, one needs to recognize and examine the challenges faced by India's Saddlery & Harness sector and hence this paper. The structure of this paper is as per the following: Segment I highlights outline of global Saddlery & Harness sector. Segment II highlights the outline of India's Saddlery & Harness sector including organization, competitive advantage and export performance. Segment III highlights on a series of challenges India's Saddlery & Harness sector is facing. Segment IV the paper is concluded by highlighting outlook for Indian Saddlery & Harness sector.

### ➤ Segment I - Global Saddlery & Harness Sector - A Outline

Saddlery & Harness sector dates back to 19<sup>th</sup> century, is one of the oldest sectors globally. Saddlery & Harness sector is quite disintegrated & is extended in multiple geographies, with key production ingredients like skins & hides, semi part processed and finished leather largely exported and imported. Key reason for sector's disintegration is due to leather production getting moved from developed nations to least developed and developing nations. Increase in labour cost along with tough environment control measures in the developed nations have been key reasons for this move. As per International Trade Centre (ITC) Geneva, from 2009 onwards, there has been a steady increase in Global imports of Harness & Saddlery. Global Import of Harness & Saddlery enhanced from US\$ 1.25 Bn in 2012 to US\$ 1.45 Bn 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.

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	11.50	10.42	9.86

Table 1. Global Imports of Saddlery & Harness compared with India's Export

	USA	Germany	UK	France	Canada
2012	USD 0.4 billion	USD 0.12 billion	USD 0.063 billion	USD 0.062 bn	USD 0.057 bn
2016	USD 0.51 billion	USD 0.14 billion	USD 0.088 billion	USD 0.07 bn	USD 0.06 bn

Table 2. Top 5 Importing countries of Saddlery & Harness in 2012 and 2016

The above five countries together account for 60% of World Saddlery & Harness Imports (Source: ITC, Geneva)

	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

Table 3. Top 5 Exporting countries of Saddlery & Harness in 2012 and 2016

The above five countries together account for a share of around 65% of global Saddlery & Harness Export (Source: ITC, Geneva, Switzerland).

Leather goods imports are estimated to grow at 5% annually from 2016 and reach USD 81 bn in 2020. Accessibility of key production material like Vegetable tanned buffalo leather, is key strength of south Asian nations, developing nations produce more than sixty percent of leather. Having a lead in accessibility to affordable manpower, the Saddlery & Harness sector in within Asia have to move towards augmenting both regional and world exports. Need of the hour is to find out new markets especially the premium one, which are largely unaddressed by South Asian players like India.

#### ➤ Segment II - India's Saddlery & Harness: An outline

India's Saddlery & Harness sector comprises of cottage and small scale units. It's the most labour intensive product segment in the leather sector generating employment to the economically & socially backward section. As the sector is highly labour intensive, most of the items made are artisan's work. In 19th century, British Indian Corpn. At its Copper Alan branch situated in Kanpur started manufacturing Saddlery and parallel, British Govt. set up an Ordinance Equipment Factory at Kanpur to cater to requirements of the Military. Master saddlers brought from the UK, imparted the craft of making saddler to local artisans. Generations of these artisans are presently the skilled manpower of the sector. The uniqueness of Saddlery produced at Kanpur exists due to its craftsmanship of tallest order. Specialization in vegetable tanned buffalo hides along with availability of trained manpower has ensured Kanpur today is the only centre in India which produces the Saddlery & Harness goods. Over 300 product spectrums (when horseback rider goods in all popular designs are included it goes over 5000), each product passes through many expert hands of artisans before it takes the final shape. In terms of volume, Kanpur is the largest Saddlery & Harness manufacturer globally. The Indian domestic market for Saddlery is quite negligible. Over 95% of the Saddlery manufacturing units of Kanpur are 100% export-oriented ones. In global trade, India's Harness & Saddlery sector has considerable advantages to command a prominent position. But, India has only a meager share of 9.86% (2016) in global Harness & Saddlery exports. China is the largest

exporter of Saddlery & Harness having 40% of global share (2016) as against a share of only 3.4% in 1980. Though there are many advantages for India's Saddlery sector, lots of investments have gone to Pakistan, Vietnam, Bangladesh, Thailand leather industries. Hence, India needs to take immediate steps to draw investments into Saddlery & Harness sector. Infrastructure development will be the key for investments to come into India as against other south Asian nations like Pakistan, Bangladesh, Vietnam, and Thailand.

#### B. Contribution to Indian Economy

Saddlery & Harness is a key part of India's leather industry is known for its steadiness in high export earnings and foreign exchange earnings. Government Policies after 1973 has helped the Industry in such a transformation. The Indian Leather Industry also benefitted post liberalization era and has generated significant opportunities for itself. To modernize this sector, government has legislated this sector, government schemes like ILDP have supported the sector in technology restructuring and possibly therefore a noticeable increase in exports has been witnessed. Saddlery & Harness sector, a part of Indian Leather Industry has experiences considerable growth, exports increased from USD 1.42 bn during 1990-91 to USD 5.66 bn during 2016-17, an increase of 400 percent over last twenty years, an all time high. In global leather and leather products trade, India's share is only 3% , in year 2016-17, this leather industry ranks 8<sup>th</sup> in country's foreign exchange earnings. A significant foreign exchange earner, leather industry provides employment for 25 lakhs women and men. World players are constantly looking out for options in sourcing, huge opportunity for India to grab a larger share of the global Saddlery & Harness market.

#### C. Structure of Indian Saddlery & Harness sector

India's Saddlery & 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 & Harness sector is primarily driven by Cottage and SME (around 95%) and around 5% of the total manufacturing is catered by bigger. Depiction of number of leather product manufacturing units across different product categories are highlighted in the below table (Source: NAS – Year 2011).

Category	Big Units	Medium	SME	Traders	Grand Total
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 & Harness	3	9	297	26	335
Total Units	130	162	2476	603	3371

Table 4. Leather Product Manufacturing Units across India

Manufacturing capacity of various product categories during 2010-11 & Export of Saddlery & Harness (Quantity

wise during 12-13 is depicted below in a table (Source: CLE membership records)

Category	Production Capacity
Hides (Leather)	65 Million Pieces
Raw Skins	170 Million Pieces
Ftwr & Footwear Components	909 Million Pieces
Shoe Uppers (leather)	100 Million Pairs
Footwear (Non leather)	1056 Million Pairs
Garments (leather)	16 Million Pieces
Goods (Leather)	63 Million Pieces
Gloves ( Industrial – leather)	52 Million Pairs
Saddle & Harness	12.50 Million Pieces

Table 5. Production Capacity – Various Product Categories ( 2010-2011)

Product	2012 to 13
Harness / Saddlery / Bridle (Non-Leather)	76,46,951
Leather Saddlery / Bridle (Leather)	38,04,296
Leather Harness	36,50,065
Grand total (In Pieces)	151,01,312

Table 6. Volume (Qty.) of Exports of Saddlery & Harness (In Pieces)

**D. India's Saddlery & Harness Sector – SWOT Analysis**

➤ **Strength**

Accessibility to vegetable tanned leather, highly skilled manpower at affordable cost, customization / product development is the strengths of the sector. Government policies on 100% duty free import of raw material like leather, concession on Import duties duty on machinery & chemicals, and further incentives for technology up-gradation, has supported the industry to reach the next level.

➤ **Opportunity**

The sector sees huge opportunity untapped markets especially the Premium European markets. To enter markets of North America, Europe & Japan, key growth drivers will be Non Leather Saddlery (Textile & Synthetic).

➤ **Weakness & Threat**

In spite of India being 3rd largest exporter globally, Saddlery & Harness sector counters huge competition from Asian nations like China, Pakistan, Thailand, and Vietnam who export Saddlery at very competitive price. (Source: Report on Intervention Strategies by Ernest & Young).

**E. India's Saddlery & Harness Exports Performance**

Globally, India is third largest Saddlery & Harness exporter with a share of less than 10% in the global imports of Saddlery, which is USD 1.45 Bn during the year 2016. Saddlery & Harness exports from India enhanced from USD 0.11 bn during 2012 - 2013 to USD 0.143 bn during 2016 - 2017 (Source: DGCI&S & ITC, Geneva).

Details	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 & Harness

India's key export markets for Saddlery & Harness are:

- Europe (Germany, France, Australia, Holland, Sweden, Belgium, Denmark, Spain, and Italy).
- USA.
- UK and Canada.

	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 & Harness – Top 05 Countries

The above 05 countries account for about 65% of India's total export share. Harness & Saddlery has seen a steady increase in exports during last decade; however the sector has experienced a deceleration in exports during 3 year period (2014-15 to 2016-17). 2009 year was a disaster as the sector had seen huge deceleration in exports. In spite of India being 3rd largest exporter behind China and Germany, in terms volumes we are way behind the global leader China. (Source: DGCI&S & www.leatherindia.org). Considering Saddlery & Harness previous performance, existing global trends, sector's natural strengths & prospects, sector aims to enhance manufacturing capacity especially in Non Leather category (Textile & Synthetic Saddlery), thus increasing exports from existing value of USD 0.143 bn. Outlook for India's Saddlery & Harness sector will be focused towards markets of European Union, UK, USA, Canada, Australia and Japan who are the key sourcing destinations for this product category.

➤ **Segment III - Challenges faced by Saddlery & Harness Sector**

Saddlery & Harness sector is confident of achieving an export turnover of USD 0.25 Bn in 2020. To ensure the export target of USD 0.25 billion is achieved & be a top global player, the sector believes that several roadblocks need to be addressed on priority. Few of the challenges that need immediate attention are listed below (i) A large portion (90%) of sector is disintegrated, funds through bank loans and private equity is a challenge (ii) Even though there are several tanneries and allied units in India, key raw material like cow leather (6mm thick) for manufacturer of leather saddler & fabric items used for manufacture of non leather Saddlery are imported, as these materials cannot be manufactured in India and also, quick accessibility to such key production ingredients is a challenge (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 & Saddlery industry and hence there is shortage of trained manpower. (iv) Lack of knowledge on International

standards especially in quality control by manufacturer exporter, a key hindrance to growth. (v) Not being present in the key international fashion arena is a concern for the sector. (vi) Low innovation in product design, buyers provide design and specifications to Indian manufacturer exporter. 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 & lower profitability & 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) Indian Exporters are feeling the heat of falling INR, effect of the same is extending further discounts ranging from 10-15% to the International Buyers. There has been an increase cost of raw materials, chemicals and machineries. Leather (a key component in Saddlery making) has shot up witnessed an extent of 25%. Miscellaneous items which go into production have also witnessed price increase (x) considering the contribution shown by the Small and Medium units of Harness & Saddlery sector towards job creation, earnings in foreign exchange focus on SME growth through schemes and policies by the government is quite essential and need of the hour.

#### *F. Growth of Exports – Key Hindrances*

The key hinderances growth of exports in Saddlery & Harness sector is classified as follows:

- Non availability of common Warehousing facility.
- Limited product portfolio & low innovation.
- Limitations in Production due to obsolete systems and thereby achieving less production.
- Negligible measures on building India brands in Saddlery & Harness.
- Low presence in Global Fashion arena especially the premium markets.

#### ➤ *Segment IV – India's Saddlery and Harness: An Outlook*

- In-spite of being the 3<sup>rd</sup> largest exporter of Saddlery & Harness, India's export share is only 9.86 % share is global imports. India's Saddlery industry is likely to enhance many folds thus generating huge employment, earning high foreign exchange earnings. Also growing demand of Non Leather Saddlery (Textile / Synthetic), breeches, equestrian boots & accessories will further enhance exports.
- Government of India's has initiated several schemes / programmes for sector development and enhancement of exports. IIFLADP, a 2018 initiative by Govt. of India, with an outlay of Rs.2600 crs is one such scheme to help the sector in infrastructure development, HRD & research.
- To address the concern of shortage of skilled manpower, in 2012, Leather Sector Skill Council (LSSC), council approved by National Skill Development Corporation (NSDC), was set up. LSSC will cater to the training and employment needs of Saddlery & Harness sector, which will be huge plus for the Industry.
- Further to this are the inbuilt strength of sector like, accessibility of vegetable tanned buffalo leather (a key production ingredient) and other components, sufficient ancillary units to support the manufacturing, adherence to environmental controls and prospects shown by the

associated sectors, will further help the sector to achieve its objectives.

## II. CONCLUSION

India's Saddlery & Harness sector has distinctive prevalence of cottage and small scale units, which are self-sufficient in all the Saddlery & Harness trade associated actions. Though certain units have very good marketing capabilities, other units possess aggressive production capabilities. For India's Saddlery & Harness sector to achieve a realistic export turnover of USD 0.25 billion by 2020, continue as a key foreign exchange earner for the country and be top global player in this product category, Saddlery & Harness sector has to tackle the challenges listed in the Segment III on priority.

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