

## MAKE IN INDIA: A CAUSAL ANALYSIS OF PAST PERFORMANCE AND CHALLENGES IN INDIAN SHOE MANUFACTURING INDUSTRY

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### ABSTRACT

**Purpose:** The purpose of this paper is to study the current status of shoe manufacturing firms in global context. Further this paper tries to identify the problems faced by these firms in context of "Make in India" campaign.

**Design/Methodology/ Approach:** Both primary and secondary data were used for the study. For primary data, 80 shoe manufacturing firms were surveyed. For secondary data available literature relevant to the study were taken into consideration. Further, causal loop approach was used to depict the problems of shoe industry.

**Findings:** The results reveal that shoe industry in India is a highly notable sector and has potential to stand in global market. Still, manufacturing in India is a problem as these shoe manufacturers are faced with many problems that are marring the growth of domestic manufacturing.

**Research Limitations:** Additional research is needed to draw stock flow diagram in the later stage and simulations can be conducted to study the dynamic consequences of variation of different factors on the successful implementation of Make in India Campaign.

**Practical Implications:** This paper assist in showcasing the actual status of shoe manufacturing firms in India and provides an opportunity for self-evaluation as to how shoe industry can become a major manufacturing hub in India.

**Originality/Value:** The paper is original and makes the foundational contribution for a beginning stream of research.

**KEYWORDS:** Make in India Campaign, Shoe Manufacturing Industry, Casual Loop Diagram.

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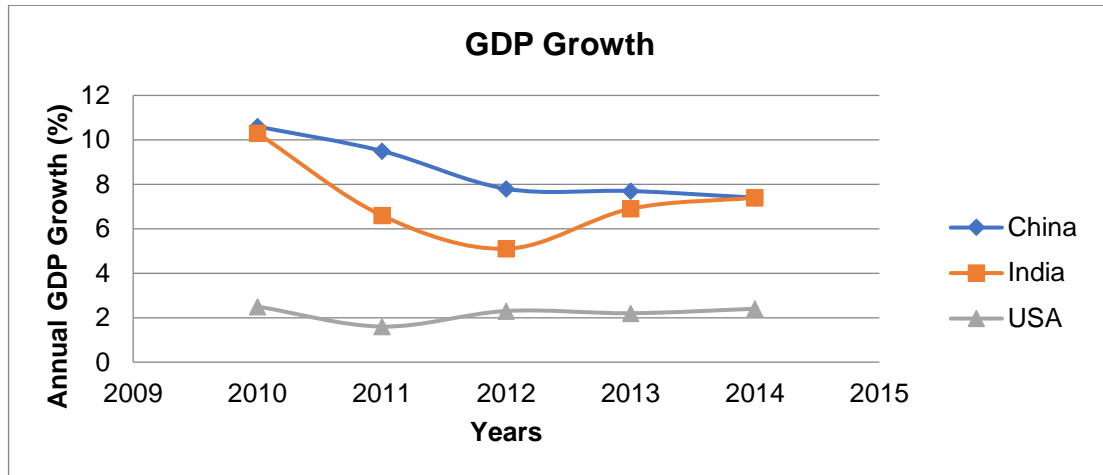
### Introduction

With the aim of transforming India into a "global manufacturing hub", the conceptualisation of "Make in India" campaign introduced in September 2014 is a major step towards revitalization of Indian economy. This international marketing strategy is an initiative to boost country's Gross Domestic Product (GDP) from stagnant ~15% to 25% in next few years by promoting the country's manufacturing capabilities. However, growing 9-10 % requires manufacturing sector to cater to both domestic market as well as international market.

Over the past five years, Indian economy has seen ups and downs in annual GDP growth rate with 10.3 % (2010) to 7.4 % (2014). The percentage share of manufacturing in India's GDP has by and large grown at the same pace (World Bank Database). Figure 1 exhibits the GDP growth rate of India in comparison to Rapidly Developing Economies (RDE's) over past 5 years.

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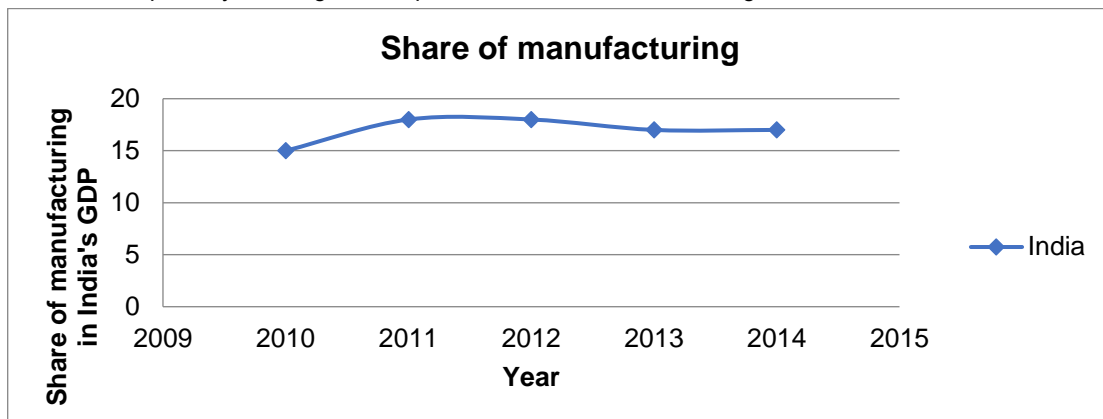
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**Figure 1: GDP Growth of Different Countries over Past 5 Years**

Source: World Bank

When seen against performance of other countries, GDP growth rate of China is in a far better position than India in the same period. Still from year 2012 to 2014 India has also witnessed the increase in GDP growth rate. As far as the share of manufacturing in India’s GDP is concerned there is a stagnant situation over past 5 years. Figure 2 depicts the share of manufacturing in India’s GDP.



**Figure 2: Share of Manufacturing in India’s GDP**

Source: World Bank

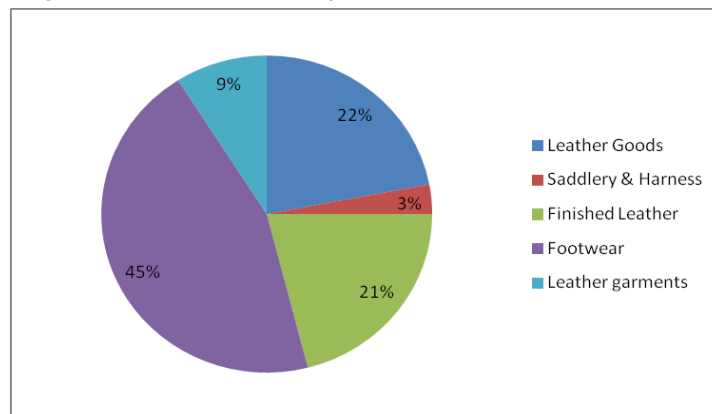
Thus, Make in India campaign aims at using manufacturing as a vehicle for growth which includes 25 sectors under it viz., Automobiles, IT and BPM, Leather, Construction, Thermal power, Wellness, Defence, Chemicals, Electronic system, Space, Textiles and Garments, Mining, Media and Entertainment, Biotechnology, Manufacturing ports, Food processing, Mining, Pharmaceuticals, Renewable energy, Roads and Highways, Railways, Oil and Gas, Aviation, Automobile components and Chemicals ([www.makeinindia.com](http://www.makeinindia.com)). Of all these, leather and footwear industry consistently ranked amongst top 10 sectors contributing significantly to country’s foreign exchange ([www.ey.com](http://www.ey.com)).

Thus, the objective of present study is:

- To study current status of shoe manufacturing industry in global context.
- To identify the problems faced by shoe manufacturing firms in context of Make in India campaign.
- To develop causal loop diagram depicting the problems faced by shoe manufacturers and provide solutions for the same.

### Current status of Shoe Industry

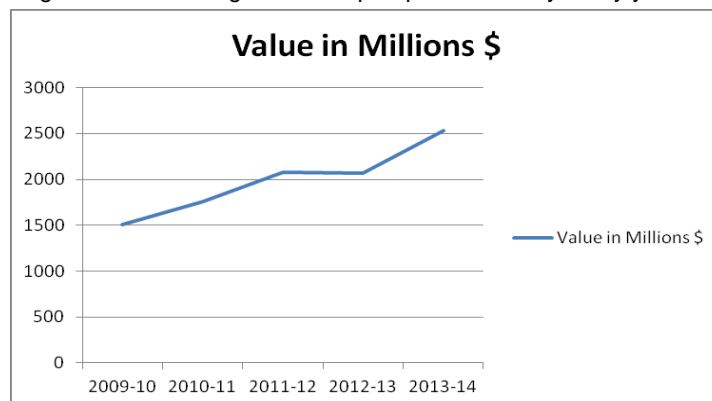
In India, the footwear sector is very notable sector of leather industry and is regarded as the mechanism of growth for the whole Indian leather industry. India experienced a steady growth of its shoe export with CAGR of 8.67% in the last five years ending 2011-12 (leatherindia.org). The Indian footwear industry has developed extensive connections in global market. Following China, India is the second largest global producer of footwear accounting for 13% of international footwear production with producing 16 billion pairs (Council for leather exports). The major production centres in India are: Tamil Naidu (Chennai, Ambur, Ranipet, Vaniyambadi, Vellore, Pernambut, Trichy, Dindigul and Erode), West Bengal (Kolkata), Uttar Pradesh (Kanpur, Agra, Noida, and Saharanpur), Maharashtra (Mumbai), Punjab (Jalandhar), Karnataka (Bangalore), Andra Pradesh (Hyderabad), Harayana (Ambala, Gurgaon, Panchkula, Karnal, Faridabad), Delhi, Madhya Pradesh (Dewas), Kerala (Calicut and Cochin) (Council for leather exports). Figure 3 shows the percentage share of leather and leather products.



**Figure 3: Share of Leather and Leather Products (2014-15)**

Source: Council for Leather Exports

Growing demand for footwear globally has led to increased footwear export from developing countries like India. Figure 4 shows the growth in export performance year by year.



**Figure 4: Growth Performance of Footwear Industry Year by Year**

Source: www.dgciskol.nic.in

### Methodology

Both primary and secondary data have been used for the study. For primary data, 80 shoe manufacturing firms were surveyed to identify the problems and make some recommendations that lead to successful implementation of Make in India Campaign. Further literature that has highlighted the problem of shoe firms has also taken into consideration. The study tries to depict the strengths and problems that are associated with Make in India Campaign through interview method and causal loop approach. Finally, the paper recommends possible solution to deal with the same.

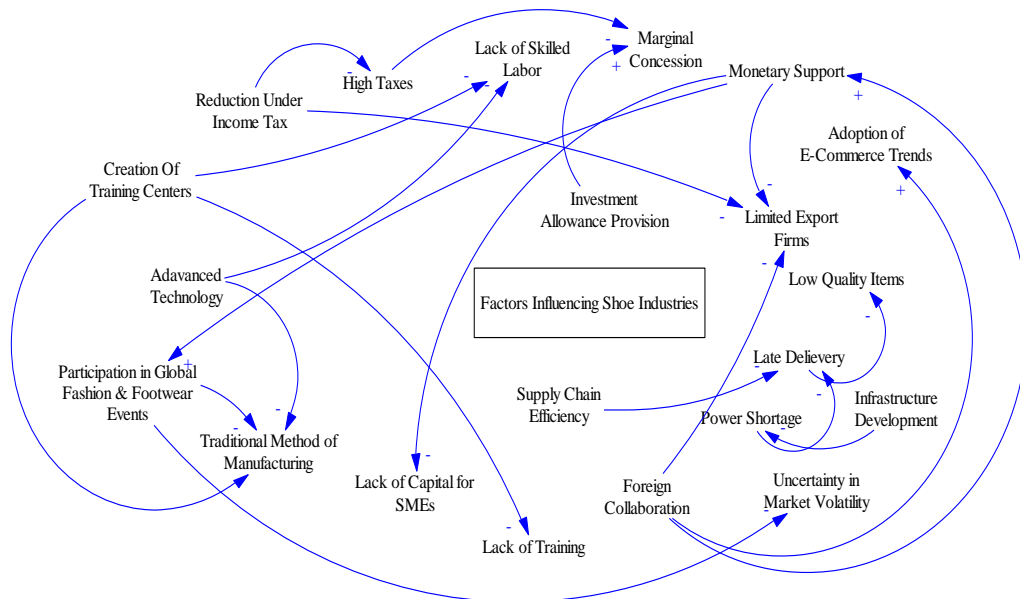
**Challenges Highlighted in Shoe Industry**

Based on interview results, the challenges that have been identified in shoe industry are listed below.

High Taxes
Marginal Concession
Traditional method of manufacturing
Lack of skilled labour
Lack of capital for SMEs
Lack of training
Limited export firms
Low quality items
Late delivery
Power shortage
Uncertainty in market volatility

**Causal Loop Diagram**

An attempt is made in this paper to link various challenges faced by shoe industry and to provide solution for the same.



**Figure 5: Causal Loop Diagram Depicting Problems Faced by Shoe Industry**

As shown in figure, higher taxes are one of the biggest concerns for the shoe manufacturers which failed to attract new investment due to marginal concession. As compared to China, India has limited number of factories to meet export demand. This is due to lack of monetary support. In order to meet this challenge monetary support from the government and reduction under income tax is required which in turn will reduce the burden of high taxes and entrepreneurs will be attracted to access international markets also. Another major problem facing this industry is that most of the SME's follow traditional method of manufacturing and create shoes manually which becomes time consuming and as such they are unable to meet high demand. Even there is a high problem of unskilled labour. To deal with this problem, Indian Government must look forward to create training centres for these unskilled workforces where necessary training should be provided on the adoption of new technology. As a result, adoption new advanced technology will lead to mechanised working. Most of the Shoe manufacturers do not have up to date information about the evolving fashion in the industry so they must be encouraged to participate in fashion and footwear events and government must provide monetary support to such industry representatives.

Another major problem with Indian shoe industry is poor infrastructure and power shortage which leads to late delivery. Due to price competition prevailing in the market the quality of products also degrade. To meet this problem, supply chain should be efficient enough to deliver products on time and infrastructure should be developed which will minimise the problem of power shortage and ultimately deliveries would be on time. Adoption of e-commerce trend and foreign collaboration can also draw fruitful results for this industry.

### Conclusion

Over the past few years, Indian footwear industry has undergone remarkable changes in terms of production and its share in domestic and international market thus contributing in India's GDP. As the paper have analysed there are some lacuna which have to be worked upon like lack of capital, poor infrastructure, high taxes, problem of skilled labour, low technological development. Government in collaboration with industry representatives need to work upon these problems for the successful implementation of a campaign.

### Limitation and Direction for Future Research

This study is limited to causal loop diagram only. In the later stage stock and flow diagram can be drawn and other simulation techniques can be implemented. Future research can also be done on other manufacturing industries which have a great potential like textile industry.

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