

Impact of Export Finance on Agra Shoe Industry

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ABSTRACT:

Exports play an important role in the economic and industrial progress in both industrialized and developing countries. For the latter, it is a means to acquire the advanced technological and managerial knowledge of industrialized countries, for which exports are the real lifeline of their economies. The need of foreign exchange in a developing country like India may be met from various sources, such as foreign official aids, grants and loans. But all these means depend on a country's developing efforts on the whims and fallacies of outside agencies as well as the vagaries of international politics. Secondly such aids and loans carry high service charges and repayment obligations. So finally, it is vital to export and earn foreign exchange in order to pay for imports of machinery, material, technology etc. for producing export goods. Thus in the context to strive for economic development and to improve balance of payments situation to boost exports and expansion of export earnings have strategic importance for developing countries like ours.

Key words: export, grants, foreign exchange.

INTRODUCTION:

Agra is considered to be a very big centre of production of footwear, not only in India, but also in the world. In fact it is the greatest market for the (finished and unfinished) footwear in Asia. Approximately two lacs skilled, semi-skilled and unskilled people are employed in this industry. Agra meets the requirements of leather shoes of every pocket where finest quality of products of the choice of artisans is met. From here, the export quality of shoes is the main choice from Agra. Along with the super quality of goods, the consumer variety is manufactured in abundance. Even the big and renowned manufacturers of the country complete their range from Agra. The shoe industry is really an industry where the manufacturing is done mostly in small units, employing all the members of the family. They work in their residence for the whole day, and then go to the market for the disposal of the product. A few of them make shoes on contract basis while a small fraction of them are engaged as regular workers in the large establishments. But the situation has changed now. There are about 50 modern units with per day manufacturing capacity of 3000 pairs. Besides 10 large units, about 100 medium and small units, there are 5400 cottage and tiny units spread over in 10 km area of Agra City.

India enjoys a natural comparative advantage in leather in terms of its substantial live stock wealth. While the Indian leather Industry had traditionally been an exporter of tanned hides and skins, over the past two decades the industry has been focusing on value addition with a view to becoming a major player in the leather product segment. Leather Industry today occupies a pride of place in the Indian economy given its considerable contribution to employment generation and to our countries export oriented growth effort. This Industry is today the sixth largest foreign exchange earner for the Nation and constitutes nearly 4-5 percent share in our total exports. Footwear (Shoe) industry is one of the major segments of leather industry, spread up in whole of the country at present. It has got a lot of employment potential to the weaker section of the society and the women employment is all the more predominant.

The industry employs nearly 2 million people directly and equal number in indirect employment. During the past years several technological advancements have taken place in the industry, and today the industry is able to produce quality goods of international standards. As far as the finances for exports are concerned requirements of finance for exports are wider than the internal trade. For export trade, financial assistance is required prior to

shipment and post-shipment of goods. The financial assistance is provided for exports under various schemes of banks and other financial institutions.

Agra is one of the most important centers of Shoe industry in India. There are over 50 modern production units with per day manufacturing capacity of about 2500-3500 pairs. The total export from Agra in 2003-04 was Rs. 3015 million which rose to Rs. 4556 millions in 2007-08 and further to the tune of Rs. 8879 million in 2013-2014.

In the proposed research the problem has been investigated is to examine the export financing facilities available at Agra and the problems and policies concerning export credit.

In Agra, export finance is provided by the public sector banks and private banks, for which there is good net work of branches. The State Bank of India with its 42 branches and all the nationalized & private banks, having their branches spread over the whole city, are providing export finance. In addition there are some export promoting agencies like Export Credit and Guarantee Corporation of India Ltd. (ECGC); Council for Leather Export; State Trading Corporation of India; Small Industries Bank and the Export Inspection Agency.

The present work is confined to Leather Footwear produced in Agra within a radius of 10 Kms. A survey of 43 export units has been conducted to evaluate the impact of export financing policies on the Agra Shoe Industry as well as its impact on performance, Potential, export promotion, foreign exchange earnings, problems of borrowings from banks etc.

The chief objective of the present paper is to examine the nature and volume of export financial assistance needed to Agra Footwear. The researcher feels that the work proposed will be useful in improving not only the structural aspect but also the functional dynamism of the export financing and other agencies promoting shoe export. It is expected that the present work will help the other financial institutions of the country to step forward and help the exporting units in future and to formulate further programmers to promote export not only in Leather Sector but also in other sectors of the economy, who have the potentials of export.

RESULT & DISCUSSION:

Table –1

Installed capacity of different types of footwear

(Figures in lacs pairs per annum)

Centres	Leather shoes	Non leather Shoes	Leather Shoes/ Up-pers	Leather Sandals/ Chappals	Non-leather Chappals/ Sandals
Ambur	77.28	–	121.80	–	–
Ranipet	33.15	–	142.59	–	–
Chennai	48.72	7.50	283.64	1.44	0.05
Delhi	76.98	111.60	39.90	2.16	240.00
Bangalore	35.27	4.50	44.10	–	–
Mumbai	63.64	3.00	12.90	57.21	0.54
Agra	254.08	–	185.23	–	–
Kanpur	78.16	–	139.27	118.02	–
Calcutta	18.10	–	22.20	4.80	–
Others	44.99	18.00	29.11	1.17	162.00

Source- Survey report of CLRI on Leather product units in India (2014)

A survey was made of the footwear industry in India by the CLRI on Leather products in 2014 in which the manufacturing capacity has been assessed. Above table depicts that installed capacity of Agra Footwear in the

largest in nine major centre's of footwear manufacturing in India. The report depicts that out of all nine the capacity of Agra is 254.08 pairs per annum which is the highest in all, while the installed capacity of leather shoes uppers is 185.23 pairs per annum which is the second to Chennai where the installed capacity of leather shoes uppers is 283.64 lakhs pairs per annum. Today Agra manufactures more than 200 thousand pairs every day apart from about double of the quantity of chapels and other categories of foot wears. This goes to prove that Agra Shoe Industry is flourishing considerably after the policy of liberalization in respect of exports. The most important step by the government has been radically alter policy frame so as to make it favorable for the rapid expansion of products. The earlier policy environment had a constraining effect in this regard. The devaluation of rupee in 2013 about 20 per cent had cheapened the export, Certain other reforms were also made in the trade policy like liberalization of controls and licenses, reduction in tariff rates to promote competitiveness of enterprise in the economy. Much liberalization of foreign investments and easy import of the technology also helped Indian exports as well as the footwear industry. Within a policy frame work, the Government provided large incentives in different forms like income from exports is exempted from Income tax. The present system of full convertibility of rupee on trade account since March 2013 on current account since 2014 allows the exporters for full benefits of their exports. They can see their entire foreign exchange earnings at the market rates. The reduction in custom duty on the purchase of machinery and inter mediate products that are used in the production of export goods.

At the export end to the Government has provided many facilities to the private exporters. The strengthening of the Export Houses and trading Houses, has considerably helped the marketing of footwear export. The Export processing zones (EPZ) scheme and also the cent per cent export Oriented Units (EOUs) have been given concessions. The footwear has been put under the Open General License (OGL).

Table -2
Value of Export from Agra

Year	Value of footwear export (in mn Rs)
2007-08	2070
2008-09	2347
2009-10	2582
2010-11	2944
2011-12	3338
2012-13	3772
2013-14	4152

Source: Various annual reports of council of leather exports, Chennai

In the considered opinion of the researcher these policy changes have no doubt, brought about a change in the export of footwear, yet the changes made in the export financing policies since a long, have in the opinion of the researcher, greater impact on footwear export. From Dec. 1980 the banks were required to charge rate of interest not exceeding 11.5 per cent per annum up to a period of 180 days from the date of advance for export purposes. Recently the Reserve Bank of India further cut rate on export credit by 120 basis points w.e.f. Sept. 26, 2013 up to March 31, 2014. The R.B.I. has recently in Nov. 2014 further reduced the Bank Rate by 0.5 and brought to 6.5 percent and the banks are required to adjust lending rates accordingly. Through the policy of liberalization, the Government has provided a favorable frame work for the enterprise to flourish. Thus by providing these incentives along with continuously reducing the lending rate by banks for export, the situation started improving onwards. The exporters of Agra succeeded in establishing themselves in the foreign market and the value of exports reached to Rs, 1608.97 million as is evident from table 2.

The export of Agra shoes in value terms has been increasing year after year and reaches to about Rs. 3000 million rupees by the end of the present decade. It is expected that the export of shoes will further increase and it will reached to the quantum of more than 4000 million by 2014. It all goes to show that the industry is flourishing considerably. Within a 6 years span the export in value has been doubled.

Besides, there has been about Rs. 150 crore of export which is an integral part of Agra Footwear Industry. In other words the shoes are manufactured in Agra but being exported by Indian concerns in Delhi, Bombay etc. In this chapter researcher ventures to analyze the impact of export financing policies on the shoe industry of Agra, which is discussed under the following heads:-

IMPACT ON PRODUCTION OF EXPORT:

Though Agra is a major production centre of leather footwear, its share in India's export has not been good enough. It caters to the domestic market substantially with only low cost footwear and ballerinas for ladies, are being made here for export. Higher segment includes dress shoes for export but the quantities exported are not large enough as compared to other manufacturing centers of India. It is hard to believe that although Agra has traditional artisans, large human resources and raw material availability, footwear for export is mainly produced in a big way in Delhi, Kanpur, Mumbai and Chennai.

Broadly speaking men's dress shoes are produced for export in Chennai's Amber Belt (About 10 million pairs per annum), Kanpur (about 2 million pairs per annum) while in Agra (about 5 million pairs per annums). But gradually Agra's footwear Industry is picking up and coming up for layer export share. The position is depicted in Table 3)

Table 3

Showing Agra's share in total export of Leather Footwear from India

Year	Export of Leather Shoes and uppers from India (Value in Mn)	Export of Leather shoes and uppers from Agra (Value in Mn pairs)	Percentage of share
2007-08	14355.88	1608.47	11.20
2008-09	15751.34	1825.27	11.59
2009-10	17282.37	2069.85	11.07
2010-11	19010.60	2347.20	12.30
2011-12	21044.70	2581.92	12.20
2012-13	23090.27	2943.38	12.70
2013-14	25630.19	3337.79	13.02

Source: Compiled from various Reports of Currency and finance and R.B.I. Bulletins.

Thus the share of Agra Shoe Industry was at the peak in 2013-14 (13.02 Share) as USSR was the biggest importer of shoes. But the downfall of USSR brought out a set-back to Agra shoe exports and the share in total export reduced to 11.07 in 2009-10.

IMPACT ON EXPORT EARNINGS (Foreign exchange earnings):

There has been a major change in the export earnings of Agra Shoe Industry. The last ten years export earnings from Agra are shown in Table-4.

Table – 4

Showing Foreign Exchange earning of Agra

Year	Values of footwear Export (In mn Rs.)
2007-08	2070
2008-09	2347
2009-10	2582
2010-11	2944
2011-12	3338
2012-13	3772
2013-14	4152

Source: Various annual reports of Council of Leather Exports, Chennai.

The Agra shoe industry started as a mere cottage industry in the beginning, it reached its peak in the year 2013-14 with an export figure of Rs. 4152 million but suffered a setback with the breakdown of former USSR, the main buyer of leather shoes and shoes upper from Agra and the export figure was mere Rs. 2070 million in the year 2007-08. The policy measures adopted since the structural adjustment programmed of July 2007 have resulted in improvements in the external sector scenario of the footwear industry of Agra also. The reform process of 2007-08 brought about significant changes in the trade policy framework and this include the continuance of the exemption of income- tax, the policy has provided several measures for the strengthening of incentives for exports and raising the profitability of export business. The existing exemption from income tax, opportunities provided to the exporters to earn more and allowing them to sell the foreign exchange earned by them on higher market rate rather than the lower official rate. The first Exim script scheme allowed the free sale to the extents of 60 percent of the foreign exchange. The scheme of full convertibility of rupee on current account permitted the exporters to sell hundred percent of the foreign exchange earned on their products. The devaluation of rupee in July 2007 was also meant to boost exports. It lowered the price of export goods in foreign currency. It also increased the competitiveness of shoe-product in terms of prices in the world market.

IMPACT ON INSTITUTIONAL SUPPORT:

Realizing the potential of footwear industry of Agra, Govt. of India had established many institutions in Agra for the promotion of the industry namely:

- State trading corporation (STC)
- Council for leather export (CLE)
- Govt. Leather Institute (GLI)
- U.P. State leather development marketing corporation Ltd. (LAMCO).
- Khadi & village Industries (KVI)
- Bharat Leather Corporation (BLC)
- Central Footwear Training centre (CFTC).

The latest being AADHAR WELFARE SOCIETY, registered under rule 21 of the societies registration Act of 1860 on June 1, 1987, as a voluntary organization.

Besides, there are various other institutions like Central leather Research Institute, Satra footwear design and development institute, Indo German Export Promotion etc., who are working tooth and nail for the development of footwear industry.

IMPACT ON TECHNOLOGICAL INNOVATIONS:

The basic purpose of these institutions in Agra is to provide skilled man power to the footwear industry by providing training e.g. CFTC & GLI. CFTC although started as to provide latest technology, scientific temper, in depth knowledge of designing, shoe making to the professionals, is now one of the premier institute, where raw hand (fresh students) undergo different courses and learn the art of shoe making, later on to serve the footwear industry of Agra. Recently CFTC is linked with closing institute of UK to improve infrastructure base and is provided with latest machineries to bridge the big technological gap in the Agra Footwear industry. CFTC has standard laboratory for testing footwear computer aided industry, design facilities, sample room and design studio. Computer aided design (CAD) is introduced in the curriculum of the GLI so that those students passing are geared to meet the needs of the modern leather industry in the country. The need for the introduction of CAD was felt keeping in view the international demand for leather goods which has shown a scientific change in the last three years. An organization of its own kind AADHAR is working through the professional expertise available for socio-economic development of the masses by spreading scientific temper, popularizing simple scientific techniques and helping the target group through training efforts, seminars, lectures, workshop, street theater etc.

In collaboration with science and society division, project 'TOTAL TIPS OF TRADE AND LEATHER WORKING' was launched in 1993 for the skilled, semi skilled and unskilled youth/ family member of the tra-

ditional leather shoe artisans. The course was launched initially for two years. The aim is to prepare the otherwise neglected but skilled artisans for the future. This is a unique attempt to cover the technological gap in the Agra footwear industry.

IMPACT ON MARKETING PROMOTION ACTIVITIES:

The Agra Footwear Industry has participation in international as well as national footwear fairs to demonstrate the products in the world market. The International fairs are arranged by Council of Leather Exports, Chennai, while the Indian Trade Fairs are organized by trade promotion organization, Delhi and Agra Fair is organized by 'Footwear Federation of Agra'.

LEATHER SHOE FAIR IN AGRA- INNOVATIVE STEP TOWARDS PROMOTION OF FOOTWEAR INDUSTRY OF AGRA

Leather Shoe Fair in Agra

To promote footwear industry of Agra, footwear federation of Agra started organizing footwear fairs since 1994. First ever footwear fair 1994 was organized at Hotel Mayur complex, Agra during 27/28 Feb. 94. More than 189 Indian and foreign participants exhibited their products.

Besides Indian companies and manufacturers, foreign companies from Germany, Italy, Belgium, England, France, America, Taiwan and Czechoslovakia also participated in the fair. Different kinds of machinery and the specific material used in the manufacture of good quality shoes at a low cost were displayed by the exhibitors. Footwear machineries were displayed for the first time in the fair. There were 180 participants from shoe industries including 9 overseas countries.

More than 24 participants participated in New Delhi fair of which 10 were from Agra.

- Fraternity, International, Agra.
- Dawar Exports, Agra.
- Royal polimers, Agra.
- Honey Footwear's components Pvt. Ltd. Agra.
- Manufex (India), Agra.
- Indian footwear exports, Agra.
- Jay Jagdamba Plastics Gen. Ind. Agra.
- A.K. Plastics, Agra.
- Tej Shoe Factory, Agra.
- Foot on Shoes. Agra.

Thus, by arranging such fairs, Agra footwear industry will boost up and will earn a lot of foreign exchange in future.

IMPACT ON EMPLOYMENT AND INCOME:

The Indian leather industry occupies a place of prominence in the Indian economy in view of the substantial export earnings and employment generation "Leather footwear and product sector offers a vast potential for employment, social empowerment and gender equity. An employment driven policy structure for large additional investments could form a possible direction". The Agra shoe industry is the segment of leather industry and it creates greater income and employment. As a matter of fact when production increases, the income and employment both are increased. Greater output provides surplus for exportable goods after fulfilling the domestic demand. But in respect of Agra shoe product it has been not very difficult but impossible to measure the income and employment generation in quantitative terms as respondents are never ready to help the investigator to give such data on account of several fears. But here the researcher is of considered opinion that when there is greater demand for the product output increased resulting increase in income and employment. It can not be believed by saying that there is no significant increase in employment. In export process there are many avenues to create employment and income.

There are few exporters who can directly export the product. In such case there are lesser opportunities to generate employment, but majority of units take help of export houses, agents, buying representatives. The amount

of business that is conducted buying operations is substantial. Many export house of Delhi, Bombay purchase footwear from Agra manufactures and export to different countries. Thus whole this process increases employment from pre-shipment to post-shipment. There are many links where persons of different skill are required to sore.

CONCLUSIONS:

Moreover, considering the potentialities of Agra shoe industry, Government of India has set up a number of financial and other institutions to promote export and employ a large number of skilled workers managerial personal and other professionals and experts to help export process. Such institutions and organizations have been well discussed in earlier chapters. Thus in views of these facts, the researcher is of considered opinion that there is no denying fact about it. Thus the industry has created substantial potential for employment and income.

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