



# Leather Industry in Bangladesh: Opportunities and Challenges

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## ABSTRACT

Leather is a unique commodity that links grassroots villages with high societies and traditional practices with emerging technologies. For many developing countries, leather and leather manufacturers constitute an indispensable and dependable source for export trade and foreign exchange earnings. For Bangladesh, leather is a high priority industrial sector and footwear exports, an extreme focus area. Bangladesh has, just few decades since Independence, made significant gains from the leather trade, progressing from the status of an exporter of 90% plus raw hides and skins to that of an exporter and predominantly leather product manufacturer. However, there is little systematic research into this sector. This study is trying to address the research gap by seeking to understand the current status, problems and prospect of leather industry in Bangladesh.

**Keywords:** Leather Industry, Problems and prospects, Bangladesh

## INTRODUCTION

Leather is one of the most prospective industries in Bangladesh. It has enough scope for both vertical and horizontal expansion in terms of economic return and social benefits (Sharif and Mainuddin, 2003). Leather making is capital-intensive, with labor costs in the region of 10 percent to 15 percent. A tanner has limited opportunities to isolate any high labor cost and shift it to a low-cost area. The leather industry of Bangladesh is the fourth largest foreign exchange earner of the country, contributing 8% of total export earnings (Bangladesh Economic review, 2012). This sector occupies an important position in relation to the manufacturing sector in terms of gross output, high value addition, employment generation, poverty alleviation, income generation and a socio-economic benefactor for the country (Rahman, 2009).

However, till now leather industry occupies only a modest position in Bangladesh economy way below its true potential. Thus, in 2001-02, value addition in leather enterprises with 10 or more workers amounted to Tk. 8,737 million (\$152 million), which was about 3 percent of manufacturing value added in that size group of industries. Total employment in leather enterprises with 10 or more workers was 27,686 or about 1 percent of manufacturing employment in that size group. In 2007-08, export of leather and leather products amounted to \$463 million, which was around 3.3 percent of total export earnings in that year (Ahmed, 2010). Leather Industry occupies a place of prominence in the Bangladeshi economy in view of its massive potential for employment, growth and exports.

There has been increasing emphasis on its planned development, aimed at optimum utilization of available raw materials for maximizing the returns, particularly from exports. Leather industry has been one of the traditional industries operating in Bangladesh and is essentially located in certain regions, but dispersed as cottage industries in rural areas. Bangladeshi leather industry is both in the organized as well as unorganized sectors. The predominant decentralized nature and small size makes it difficult to change this industry. The global competition has been the major driver that forced the leather industry to upgrade its technological base. A tanner has limited opportunities to isolate any high labor cost and shift it to a low-cost area. European and North American tanners and manufactures have introduced computerization and robotics to reduce the labor input, rationalize selection and production control, and improve effluent quality and discharge volumes. In Bangladesh, the manufacturing of wet blue, the chrome tanned semi-processed leather, was featured in 1965. Earning foreign exchange apart, such trade expansion would mean generation of substantial employment, skill building, and entrepreneurship development and widely spread socio-economic benefits. For Bangladesh, therefore, the growth of the leather industry is a direct contribution to rural advancement and socioeconomic development.

## OBJECTIVES OF THE STUDY

The objective of this study is to evaluate the socio-economic impact of leather industry in Bangladesh. The others objectives are:



- To identify the current status of Leather Industry in Bangladesh.
- To identify the problems of Leather Industry in Bangladesh.
- To set out the opportunities of Leather Industry in Bangladesh.

## METHODOLOGY

Although there has been no extensive review on leather industry in Bangladesh, there have been many studies on subcomponents of the larger issue. Several such studies specific to Bangladesh are used for this assessment. Secondary data were collected from published journal articles, conference proceedings, book, newspaper and magazines. Primary data collected from one-on-one discussions with owner, policy makers, academicians, experts, and trade representatives.

## AN OVERVIEW OF THE LEATHER INDUSTRY IN BANGLADESH

Leather is the basis of one of the oldest industries in Bangladesh and plays a significant role in the national economy with a good reputation worldwide. This is an agro-based by-product industry with locally available indigenous raw materials having a potential for export development and sustained growth over the coming years. Bangladesh leather is widely known around the world for its high qualities of fine grain, uniform fibre structure, smooth feel and natural texture. In Bangladesh the leather industry is well established and ranked fourth in terms of earning foreign exchange. In consideration of being a value added sector the Government of Bangladesh (GoB), Ministry of Industry (Mol) has declared it as a priority sector. The leather products sector have huge opportunities in generating employment, entrepreneurship and investment by increasing export of higher value added products rather than finished leather and by utilizing locally made raw material (finished leather) to convert into more value added leather products (including footwear and other leather goods). This sector occupies an important position in relation to the manufacturing sector in terms of gross output, poverty alleviation, income generation and a socio-economic benefactor for the country (Ahmed, 1994). It is becoming gradually a high performer and the expectations from this sector are considerable.

Statistics prepared by Export Promotion Bureau of Bangladesh for the Financial Year 2011-12, the leather sector grew by 17.5 percent and earned \$765 million in revenue representing 8% of the total export in the country. Of this \$434.8 million was attributed from leather products, accounting for approximately 57 percent of the total revenue. The leather sector includes 220 tanneries, 3,500 MSMEs and 110 large firms controlling more than 90% of the export market. Most of the enterprises are located in Dhaka, followed by two big clusters at Bhairab and Chittagong. The sector generates direct and indirect employment for about 850,000 people, including a significant number of women, particularly in the leather products industries. Besides, 50, 00,000 persons are involved in shipping, C&F, local agent, insurance, chemical traders, port, airport and so on. The Table 1 shows the current scenario of leather sectors in Bangladesh.

Over 90% of basic raw materials i.e. hide locally available. About 220m sq feet of leather of high grain produced locally. The sector is very much akin to the RMG sector, but there is far greater scope of value addition ~90% as oppose to RMG where value addition scope is ~40% as basic raw materials for leather sector are locally available. RMG is the single largest contributor to export about USD over 20b; however, basic raw materials are imported. 50% of leather is being exported in the form of semi-finished and finished leather losing the value addition opportunity. Rest 50% is being converted into footwear and leather products for low-end market.

Table 1: Current Situation of Leather Sector in Bangladesh

Description	Weight
Number of Tanneries	220
Number of leather products large firms	110
Number of leather products SMEs	3500
Employment (direct & indirect)	0.8 million
Total leather used in the country	2 croressft
Total production capacity in the tanneries	42 croressft
Export revenue FY2011-12	USD 765 million
Leather exports earning as % of the total export in the country	8%
Share of total exports earnings in the world	2%
Domestic Market	USD 350 million
Major Clusters	Dhaka, Bhairab, Chittagong
Types of Products	Finished leather & leather products
Level of Technology	Low to Intermediate

## HISTORY OF LEATHER INDUSTRY IN BANGLADESH

The leather (tanning) industry of Bangladesh has a fascinating historical background. Prior to 1971 a few small and medium sized tanneries were engaged in the production of wet blue leather. The production was mainly destined for the local market and only a small part for export. With the emergence of Bangladesh, the experienced non-Bangalee tanners abandoned their plants, and a vacuum was created in the leather industry. Despite such a situation, the resilient Bangalees have been able to advance fairly well in the sector during the last three decades. Most of the abandoned enterprises were nationalized and the sector continued to suffer till 1980-81. After 1980-81 major policy reforms took place, which resulted in positive development of the sector. Today the leather sector is a major industry in the country. The basis of this sector is the domestic supply of rawhides and skins of goat, cow and buffalo.

During the 80s and the 90s some Tanneries and manufacturing units were setup and then began a new era for leather and leather goods sector of the country. So in place of raw leather Bangladesh began to export high-quality processed leather and various leather goods. The demand of leather goods, especially for footwear, increased progressively with the growth of the population and economic development not only in international but also in domestic market. For example from 1950 to 2000 has increased from 2.1 billion to 11.3 billion, i.e. by nearly 438%, far wicker than the population growth of the world. Besides, even during economic crisis the demand for main leather

goods, especially footwear, remains fast unchanged, which indicates that leather and leather goods have a sound and stable world market.

In later years, for rapid development of this sector particularly emphasizing on the switching over to production of crust/finished leather, the government formulated a policy putting a ban on the export of wet blue leather from the country after June 1990. Simultaneously efforts were initiated by the Government regarding modernization of leather tanning industry through BMRE, offering certain facilities for the purpose. Utilizing the given facilities of the Government of both fiscal and non-fiscal nature, quite a number of firms developed their leather processing facilities employing skilled technicians and worker, besides brining in latest machinery for the production and tanning of crust/finished leather. We can see the historical development at a glance in the Table 2 below.

Table 2: Registered Tanneries in Bangladesh up to the present

Year	Total Number of Plants	Source
1951	1	BB
1951/52	8	BELA
1970/71	54	Ansari (1971)
1980/81	135	BTA
1981/82	140	BTA
1982/83	146	BTA
1983/84	150	BTA
1984/85	151	BTA
1985/86	160	BTA
1986/87	175	BTA
1987/88	201	BTA
1988/89	214	BTA
1993	270	World Bank Survey(1993)
1997	249	SHED(1997)
2002	206	Ahmed(2002)
2012	220	EPB

The government has given special emphasis on the growth and development of leather sector and has taken up initiative for shifting the existing tanneries of Hazaribagh to an eco-friendly place at Savar on the bank of river daleshwari with modern facilities of central effluent treatment plant. The shifting of the tanneries, it is hoped, will bring significant success in the way of productivity improvement and development of the leather industries in the country. It is hoped that our entrepreneurs will establish their position by way of using modern technology, cost effectiveness, quality improvement and diversification of product to contest with the highly competitive international market scenario. If government initiative is successful, it will provide the entrepreneurs an opportunity to overcome the new challenges of globalization and millennium development goals. Shifting of tanneries will bring into being a new horizon to expand our foreign market.

## CURRENT MARKET SCENARIO AND COMPETITIVE EDGE OF LEATHER INDUSTRY

Leather and leather products have traditionally been an integral part of our products for export. The country had been producing hides and skins, the basic raw materials for the leather industry from time immemorial. In the last two

decades, the leather industry of Bangladesh has given particular attention towards development of its infrastructure. By combining the latest in leather technology with abundant raw materials and inexpensive skilled labor, leather is now playing an important role in earning foreign exchange revenue for the country. The sector, apart from exporting crust/finished leather at present, has also earned capability to produce quality leather goods and shoes for export to overseas markets.

The footwear production is dominated by newly developed, developing and least developed countries. So countries like Bangladesh have all the opportunities to earn an increasingly higher share of the world market. The production, export and consumption data of the countries of Asia Pacific undoubtedly support this conclusion. China, India and Indonesia who produce most of the footwear of the world also export most of the footwear of the world. China for example produced in 1994, 3,850 million pairs of footwear out of which it exported 2,160 million pairs; India produced 580 million pairs and exported 100 million pairs and Indonesia produced 436 million pairs and exported 268 million pairs. It is expected that in 2000, China and India will produce and consume 4,600 and 810, and 2,600 and 250 pairs of footwear respectively. Further, it is expected that in the next few years the export of India will increase faster. In addition, India's own consumption will increase faster and its local market has a vast potential.

The larger enterprises like BATA, Gallerie Apex, Bay, Jennys are controlling the domestic market of high ended leather products but they are mostly dependent on imported products. So there is an immense opportunity for the MSMEs to provide up to USD 150 million in import substitution via becoming subcontractors for these very large global enterprises. The main strengths in the leather industry are accessibility of raw material, cheap manpower and other natural assets. Moreover in the contemporary years the tanning industries in developed countries have been shrinking due to pollution problem and high labor cost. The tanning industries are now shifting from developed countries to developing countries. Bangladesh can be benefited from this shifting.

Cost competitiveness of a product in the essence of present of international marketing that in turn depends upon the supply of raw materials, manufacturing know-how and conversion cost. The leather industry, manufacturing is highly labor intensive and the production cost is greatly dependent on labor wage. There has been a continuous shifting of leather and leather products manufacturing base from developed countries to low cost countries of developing economy since the Second World War due to high labor cost and strict regulation on pollution control for cost competitiveness. The journey started from USA to war divested European countries in 1950's and then from Europe to Asian countries; Japan, Taiwan, Hong Kong, and Republic of Korea during seventies. The established producers of these newly industrialized countries being affected recently by high rise in labor wages and export limitation in Europe have been looking for expanding and/or relocating their production base to low cost China, Indonesia, Thailand, India, Pakistan, Bangladesh and Vietnam. Supply of quality hides and skins, the basic raw materials for leather industry and availability of a large pool of easily trainable educated



cheap labor force are the major advantages of Bangladesh over the other exporting countries.

Having a large pool of cheap labor force, Bangladesh can be the best base of cost competitive producers. Comparative hourly wage rates in leather industry in 1993 are shown in the Table-3.

Table 3: Labor Cost/hr in India, Pakistan, Bangladesh and China

Country	Year	Labor Cost ratio	Labor wages/hr (in US\$)	Total Labor cost /hr (in US\$)
India	2006	5.0	0.47	2.35
Pakistan	2006	3.9	0.39	1.52
Bangladesh	2006	4.2	0.27	1.13
China	2006	5.2	0.57	2.96

We, Bangladeshi, are in a good position regarding labor cost but we are behind from China, India and Pakistan on the subject of backward and forward linkage industries.

### BANGLADESH LEATHER AND LEATHER PRODUCTS

Hides and skins, the outer covering of mammalian animals are the basic raw material of leather industry. The supply position of raw hides and skins therefore, determines the strength of leather industry of a country, which in turn depends upon the livestock population, management of live animals, slaughtering rate and removal of skins from carcasses. Bangladesh being a beef consuming agricultural country has a sizeable livestock population and supply of hides and skins to sustain a healthy leather industry and the industry based on local raw-stock supply plays an important role in the economy of the country. The annual supply of hides and skins in Bangladesh is about 18 million square meter comprised of mainly cow hides and goatskins. Hardly 15-18% of the this supply is required for domestic consumption and a large surplus, being 82-85% is exported in the form of leather and leather products earning a sizeable amount of foreign exchange for the country.

Hides and skins of Bangladesh though smaller in size and thinner in substance, have a good demand in international market for their fine fiber structure and good grains and generally used for making high quality leather goods including shoes. Kushtia and Dhaka killed goatskins are well known in leather world for their tight fiber structure and raised good grains and ideal raw material for glace kid leather. Until mid-seventies, the hides and skins of Bangladesh were exported mainly in the form of chrome tanned wet blue leather. With the introduction of export incentives by the government in seventies and restriction on wet blue export in 1990, there has been a significant development of crust and finished leather in the country during eighties and nineties. The leather industry is now reasonably established and exporting various types of full chrome, full veg. and semi-chrome crust and finished leathers to UK, Germany, France, Italy, Spain, Japan, Taiwan, Republic of Korea, Hong Kong, China, Russia, Brazil, Australia, Portugal, Mexico, India, Singapore, Malaysia, USA, South Africa, etc.

Export of Bangladesh leather products before 1990 was limited to tourist items produced mainly in cottage sector. With the development of finished leather, there has been a considerable development of footwear and leather goods

export of the country as shown in table-2 with the gradual development of export oriented mechanized industries in this sub-sector. Bangladesh leather industry is now exporting various types of leather shoes and leather goods as to Japan, Hong Kong, UK, Germany, France, Netherland, Italy, Spain, Canada, USA, Russia, Australia, Taiwan, Republic of Korea, Singapore, Middle East, South Africa, Sri Lanka, etc.

Bangladesh leather and leather products industries use sophisticated technologies and process chemicals mainly of European origin and, good quality shoe components and leather goods fittings for production of quality articles. Having footing in international markets Bangladesh leather and leather products industries have been gradually improving quality of their products and entering into newer and newer markets.

Bangladesh is still exporting 65-70% of its hides and skins in the form of crust leather and enormous economic potentials exist in the development of finished leather and leather products for export. The Government of Bangladesh encourages private investment in leather sector with special emphasis on foreign investment and provides policy supports and investment incentives including priority financial assistance for new establishments and BMRE of existing units, duty free import of capital machinery, export credit at a preferred rate of interest special credit from Export Development Fund at a reduced rate of interest for importation of raw materials, bonded warehouse facilities for duty free importation of raw materials or duty drawback for imported raw materials for export production, exemption of overdue interest for export under L?C on sight payment, export credit guarantee, special rebate in export insurance premium, tax holiday or income tax rebate on export earnings, high rate of depreciation, foreign exchange allocation for business travels, retention of 20 percent foreign exchange earnings in interest bearing foreign currency account for importation of chemicals/spares and business tours, credit card facilities, marketing mission abroad, etc. The foreign investments are being protected through the Foreign Private Investment protection Act 1980 that provides basic guarantee to foreign investments including: equal treatment in relation to local investment; guarantee against expropriation or nationalization; right of repatriation of invested capital and the profits thereto.

### PROBLEMS AND CONSTRAINTS CONFRONTING THE LEATHER SECTOR OF BANGLADESH

Leather industries in Bangladesh are traditional and to some extent modernized. It is confronted with numerous problems and constraints, of which, some are continual, and others are modern and problematical. The quick structural transformation has been taking place within the industry over the years and with more impressive targets of growth for realization of more value added products for challenging and stimulating prospects. Considering the present foreign exchange crisis, we are to look into the various problems and constraints faced by the industry. Our efforts can be prepared to set the targets into reality and to make sure the sustainable growth process. The problems and constraints of the industries relate to raw materials, technical, financial, environmental, marketing and export.

### Raw materials base problems and constraints

- The basic raw materials of hides and skins are required for the leather industry. Recently, the leather industry faces severe shortage of basic raw materials hides and skins which would lead to seasonality problems in the tanning process of the country. The supply of hides and skins are dependent on the livestock population. Demand for meat is highly inelastic in nature. As a result the supply of hides and skins are irregular and sometimes inadequate. The prices also fluctuate and sometimes fetch a high price in total market.
- The traditional use of cattle in agriculture farming is gradually declining in the country with the introduction of tractor in farming.
- Hides and skins of Bangladesh suffer from many pre-mortem defects like diseases, pin marks, insect bites, tumors, parasites, ticks, band marks, paint, cuts, wounds, etc. by reason of inferior livestock management and animal health care.
- In India, there are many chemical industries established from time memorial. Our tannery owners easily purchase their chemicals from India that is why our backward linkages Chemical industry did not grow.
- Many tanneries in Hazaribagh are multi-story buildings. Raw hides are often processed into "wet blue" leather in large wooden drums and pits on the ground floor, before they are taken upstairs for drying and further processing with heavy machinery.

### Financial, marketing, and export problems in the tanning industries

- Lacks of good management and marketing expertise are the major constraints in development and expansion of finished leather and leather product capacity.
- Most of the owners do not have educational background, managerial capacity and marketing knowledge.
- High bank rate of interest and sudden change in bank lending policy.
- Usual strike and gheraos are political problem that caused 10 crores loss per annum.
- Sick tanneries are doing job-work for commercial exporters, which create unhealthy competition in leather export markets and sudden change in export policy.
- Lack of cost-benefit analysis, weak appraisal and monitoring of bank loans.
- Sometimes paucity of foreign exchange to purchase machinery, equipment and spare parts.
- Scarcity of working capital is severe in this sector.

### Skilled and Technical Personnel problems and constraints

There is acute shortage of trained manpower and persons with experienced technical know-how for production of quality crust and finished leather. Most of the leather units are operating with leather technologists who are graduates from the leather college at Hazaribagh, with little practical knowledge in commercial production. Tanning industries are by and large labor intensive. Bangladesh is densely populated country in the world. But we have no training institution for skilled and semi-skilled manpower for leather processing. Leather is a fashionable consumer

product subject to many changes in styles and designs. It requires a well-trained manpower with a high degree of adaptability for the forthcoming changes in the near future. Manpower resources in tanning industries comprises of technologists, supervisors, chemist, machine operators, maintenance staff, designers etc. More over value added items hardly have the crisis of skilled human resources. Marketing expertise is the major constraint in development and expansion of finished leather and leather product capacity in the country and there is also a seasonality problem in leather production. In order to achieve development of this sector, it would require additional skilled manpower.

### Environmental problems and constraints

Out of the most important factors for development of the tannery industries is the increasing concern of the environmentalists about the physical hazards posed by the wastes and the remains of the chemicals used in the tannery process. In fact, this is the major deciding factors for driving the leather industries out of industrially developed Europe particularly Italy. The present concentration of tannery units at Hazaribagh in Dhaka City and the adjoining areas is a big stumbling block for the expansion of this potential export oriented industrial sector. Hazaribagh is closer to the city center of metropolitan capital, Dhaka. The problems relating to environmental issue in the tanning industry can be explained as follows:

- Effluent treatment is costly and has the effect of ever-increasing leather price.
- Unplanned Drainage system: All kinds of effluents being discharged from the tanneries are mixed together and released in the adjoining canals and rivers.
- Use of excess water in tanning: At present the hide water ratio in the tanning in Bangladesh is about 1:55 which needs to be reduced 1:35 (UNIDO).
- Frequent power load shedding is a common phenomenon.
- Lack of solid waste management: So far a huge amount of raw hide trimmings are being used in making of glue; tanneries are emitting 45 ton chemically treated solid waste everyday (UNIDO).
- The residents complained of illnesses such as fevers, skin diseases, respiratory problems and diarrhea caused by the extreme tannery pollution of air, water, and soil. According to the WHO, over 8,000 workers in the tanneries of Hazaribagh suffer from gastrointestinal, dermatological, and other diseases, and 90% of this population dies before the age of 50.
- Air Pollution: Air pollution occurs when industries, vehicles etc. turn out smoke and dangerous gas, main grounds for air pollution are injurious to health. Some of these gases are carbon dioxide, carbon monoxide, CFC, Hydrogen sulfide, Hydrogen chloride etc. According to WHO about one fifth of the world's people are exposed to hazardous level of air pollutants. An environmental study by the BAEC (Bangladesh Atomic Energy Commission) shows that one cubic meter air of Dhaka contains 463 nanometer lead whereas Bombay and Mexico the worst polluted countries of the world contain 360nm and 383nm respectively. Sodium sulfide is used as un-hairing agent

and sulfur containing compounds of hide material may lead to release hydrogen sulfide gas to the air.

- **Water Pollution:** The change in the composition of water in any way which may create a threat to living beings is called the pollution of water. Sewage, toxic chemicals, metals, etc. are different substances of water pollution. Environmental problems related with the leather industry are the discharge of extremely contaminated waste water. The waste water generated in tannery contains dirt, blood, hair, dissolved and suspended hide proteins, greaser, animal fats, residues of various types of inorganic and organic process chemicals including sodium chloride, sodium sulfide, ammonium sulfate, enzymes, chromium, vegetable tanning, syntans, resin dyes, fat, bactericides, etc. They have propensities for high Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD).
- **Soil Pollution:** Soil pollution may be defined as the alteration of the soil condition, which reduces its utility. The combine of various kinds of harmful matters or elements which alter the natural condition of soil can be defined as soil pollution. Soil pollutants help to cut essential soil elements and to increase such elements which are dangerous. Chemical fertilizer, pesticide, irrigation, etc. can damage soil in the long run. The tanning industry produces a huge amount of solid wastes consisting of dusted salts, meats, raw hide and skin trimmings, fleshing, lime trimmings, lime sludge, leather trimmings, shaving dusts, buffing dusts, residues of finishing chemicals, etc. These wastes with adhering chemicals damage the environment and public welfare.

#### **Others problems in the tanning industries**

- **Limited access to market -** Bangladesh has a limited or small share (~0.56%) in the global business, so there is a tremendous opportunity to grow to capture more market share around the world. Vietnam can be a benchmark for Bangladesh who imports 70% of raw materials and exports shoes and footwear products: USD 6.549b, Bags & leather handbags: USD 1.289b
- **Limited access to market information:** A deeper, more widely held understanding of market trend in terms of quality, fashion, leather product prices, competitors, importers and consumers' preferences, and anticipated regulations and restrictions needs to be developed in Bangladesh.
- **Poor cooperation between firms/ stakeholders:** Strong connections between value chain members for a strong sector position, the stakeholders should hold their hands together for mutual benefits. Unfortunately, this is still not the case.
- **Low product quality and productivity:** Product quality and overall productivity is always a concern for this sector. The product quality means the reliability and aesthetics of the finished products. It stems from the quality of basic raw materials including flayed hide/skin and chemicals, the overall workmanship and the machines/process used in the industry, so the sector still today targets mostly the low end product market.

Besides, Bangladesh has been facing some international challenges. One of which is the dominance of the world market by China, India, Thailand, Indonesia, etc. These countries are relatively stable politically and developed, have big local markets and are preferred by foreign investors and buyers. The international image problem is another constraint, which hinders high value addition. Internationally, Bangladesh is known as a low-quality and cheap goods producer country which does not care for environment and employs child labour. Furthermore, the world market is dominated by consumers and there is hard international competition to gain and increase market share - which demands that the quality of the products constantly be improved and the price of products be competitive. Moreover, the global market demands that environmental issues, question of quality, design, material usage, prices and after sales services must be kept in consideration and all necessary development and marketing steps. The Bangladesh export-oriented leather and leather goods may be characterized by:

- Lack of an integrated comprehensive policy with proper inputs by all the stakeholders such as exporters, government, suppliers and buyers;
- Other than three or four exporters most of the factories are not engaged in regular production and exports;
- A total lack of adequately trained and skilled human resources for production as well as for managerial personnel in the leather footwear industry;
- No training institute or facilities for skill development;
- No support industry in terms of linkage factories such as lasts, cutting dies, etc. so there is a high import dependence thereby reducing price competitiveness as well as increasing lead times;
- Low awareness amongst international buyers as not enough factories are working in the industry
- Poor representation in major international product fairs and shows;
- No design, product development or product testing capability in the country;
- No awareness of international quality standards such as Eco-labeling and packaging, occupational standards and environmental management requirements and their growing importance to foreign buyers;
- Insufficient co-operation & co-ordination between various regulators, policy makers and stakeholders of the industry. In some cases duplication of efforts by various agencies especially donors is occurring;
- Inadequate working capital finance as most banks insist on Master L/C and back to back L/C procedures for import. Unfortunately in today's highly competitive market most buyers no longer operate on L/C. Our competitors offer much easier payment terms such as open account, D/A basis delivery, etc;
- No easy access to the local market for exporters, making them highly vulnerable to the perils of stock lots and cancellations. In China as well as India up to 50% of the total output can be sold onto the local market, whilst still enjoying exporter status. In contrast, in Bangladesh local sales are taxed at such high rates of duty which makes the price too high for the mass market;



## PROSPECT OF BANGLADESH LEATHER AND LEATHER GOODS

The location of the production site for world leather goods and its consumer's show that at present most of the leather goods are produced in so-called newly industrialized and developing countries. The majority of the products, however, are consumed by highly developed, affluent countries. World regional movement of the production site of leather goods show that it has been moving away from countries with high labour cost to countries with cheap labour cost. Besides, Bangladesh has a huge raw material base which provides extra opportunities for the development of this sector. These days world footwear production is absolutely being dominated by China, India, Thailand, Indonesia, Pakistan and other developing countries. Most of the leather goods, however, is being consumed by the USA, EU, Japan and Canada. The USA, EU, Japan and Canada are, however, consuming most of the leather goods.

The experiences of China and India indicate that for the development of this sector foreign investment and transfer of know-how is vital. For this, however, international experiences should be studied and supportive policies worked out and implemented, as well as be constantly reviewed and improved. The country's footwear manufacturers see a bright future for their products mainly because of the prospect of procuring hide and skin at cheaper prices this year. Rawhide and skin were sold between Tk 25 and Tk 30 per square foot this season. Local shoemakers claimed that a large number of overseas buyers had already contacted them for buying an increased number of shoes from Bangladesh.

According to the BFMEA, around a dozen overseas retailers including, a number of them from the United States of America (USA) are enquiring about the prices of middle and high quality shoes. Of the world's leading retailers, Timber Land and Bostonia of the USA, Clark of the United Kingdom, Isetan, Takashuma and Tang of Singapore and ABC Mark of Japan have already communicated with the local shoemakers. "Officials of Crastmark, a large retailer in Singapore, will visit our footwear factories from December 7," Mr. Saiful added. Chief of the BFMEA, a group of more than 55 shoe manufacturers, told the FE 'the buyers want assurance of consistency in supply and Bangladesh has no problem with that as there is a good stock of raw material.' Footwear manufacturers use local finished leather and they expect to consume around 50 per cent of the country's leather output this year against around 35 per cent previously.

Local companies including Apexadelchi Footwear Ltd, Jenny's, Landmark, Leatherex, Bay Footwear, Picard Bangladesh, ABC Leather Goods have been producing both middle and high segment shoes for export. Industry insiders said earlier Japanese buyers used to buy the bulk of Bangladesh products but this time many new buyers, especially from the USA and Singapore, are showing keen interest to import local shoes. A senior official at the Jenny's Shoes told the FE: "We're getting regular queries mainly because of a massive shut down of tanneries in China." He also said adoption of China plus policy by the US government and European embargo on Chinese and Vietnamese footwear are also pushing buyers towards Bangladesh. Local shoe and leather goods manufacturers exported products worth US\$ 204 million in 2008-09 fiscal. The

export earnings stood at \$61 million in the first quarter of the current fiscal against the target of \$ 246 million. Many new jobs - mostly for women - have been created by the country's dynamic private ready-made garment industry, which grew at double-digit rates through most of the 1990s. By the late 1990s, about 1.5 million people, mostly women, were employed in the garments sector as well as Leather products specially Footwear (Shoe manufacturing unit). During 2001-2002, export earnings from ready-made garments reached \$3,125 million, representing 52% of Bangladesh's total exports. Bangladesh has overtaken India in apparel exports in 2009, its exports stood at 2.66 billion US dollar, ahead of India's 2.27 billion US dollar. Eastern Bengal was known for its fine muslin and silk fabric before the British period.

The dyes, yarn, and cloth were the envy of much of the pre modern world. Bengali muslin, silk, and brocade were worn by the aristocracy of Asia and Europe. The introduction of machine-made textiles from England in the late eighteenth century spelled doom for the costly and time-consuming hand loom process. Cotton growing died out in East Bengal, and the textile industry became dependent on imported yarn. Those who had earned their living in the textile industry were forced to rely more completely on farming. Only the smallest vestiges of a once-thriving cottage industry survived. Other industries which have shown very strong growth include the chemical industry, steel industry, mining industry and the paper and pulp industry.

At present the size of the global footwear market is still enormous for even during economic crises people need and buy shoes. Although in periods of economic recessions people might curtail buying higher-price fashion or sports items, the demand for functional shoes remains almost unchanged, if indeed it does not increase with the growth rate of the population. The high purchasing power of the population of the developed countries compensates for the lower purchasing power of the developing nations. Historical data show that demographic and wealth factors have consistently driven the growth in the footwear industry. For example, the volume of world footwear production in 1950 was 2.1 billion pairs, then in 1970 it was 4.9 billion pairs, but in 1998 it increased to 11.3 billion pairs.

## CONCLUSION

Leather and its products are major export items for Bangladesh. Due to the global recession, our exports earnings have fallen during the last quarter. However, indications are seen that we shall recover from this slump within a short time. We should bear in mind that our people are unhappy about the concentration of the leather industry in Hazaribag, and the poor disposal of effluent from the industry, which creates serious environmental hazards. The government must be up and doing to shift the leather factories from Dhaka residential areas at the earliest. Along with the leather industry, the government may try for a rapid improvement in a leather substitute industry because of the high price of natural leather and rapid urbanization.

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