

# Footwear Sector in Nepal

## Background

In 2015, the worldwide footwear production was of 23 billion pairs. The sector is most likely to continue with moderate growth rates in the future. With 87 per cent of the worldwide production, Asia is the main hub of the footwear sector.

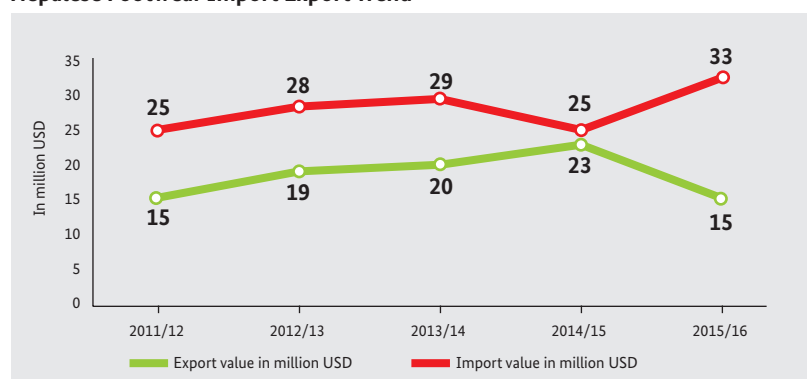
By far, the world's largest producer and exporter of footwear is China with a production of approximately 14 billion pairs in 2015. The volume of the world's exports of footwear accounts to 14 billion pairs with a total value of 127 billion dollars. (Source: World Footwear Yearbook)

In Nepal, the footwear sector has recently been characterized by significant growth rates of 15 per cent. As of 2016, 1,500 companies were manufacturing 30 million pairs of footwear per year. The sector is able to produce a variety of shoes with customized designs and in different price ranges. 42 per cent of the demand of the domestic market is covered by Nepalese products; some years ago the rate was only of 20-25 per cent.

With an exception of the fiscal year (FY) 2015/16, the footwear export has steadily been growing. In FY 2014/15 the export volume was 8.6 million pairs, a significant growth compared to 6.3 million pairs in FY 2011/12.

The key market of Nepalese footwear is India with approximately 99 percent of the export (source: TEPC). In 2015 Nepal was the third biggest trading partner of India for footwear, with an import growth rate of 317 per cent over the past 5 years.

## Nepalese Footwear Import Export Trend



Source: TEPC

## DID YOU KNOW



The Nepalese footwear sector employs 60,000 people, of which 30 per cent are women.

The cost of production per pair of shoes in Nepal varies from NPR 271 (USD 2.53) to NPR 1,206 (USD 11.27).

The footwear production in Nepal requires 36 types of raw materials - 70 per cent of which are imported.

Labour charges constitute 20 per cent of the total production charges in the Nepalese footwear production process.

Source: The Footwear Sector in Nepal: A Value Chain Analysis. Published by GIZ

1



2



3



Types of footwear manufactured in Nepal:

1. Footwear with outer soles of rubber or plastic or leather or composition leather with uppers of textile
2. Sports footwear with outer soles of rubber or plastic
3. Different types of slippers

## Footwear as a Priority Export Sector

Given the dynamics of the footwear sector, the Government of Nepal included the sector in its Nepal Trade Integration Strategy (NTIS) in 2016. Footwear is one of the 12 priority sectors of this strategy. This national strategy aims to increase the annual production from 30 million to 45 million pairs and export of Nepalese footwear to 12 million pairs per year until 2020.

The Ministry of Commerce (MoC) is responsible for the coordination among the line agencies to ensure the effective implementation of the Nepal Trade Integration Strategy 2016. On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supports the Commerce Ministry's effort to improve the trade related environment and strengthen the export potential of the footwear value chain.



## Analysis of the Nepalese Footwear Sector



Source: NTIS 2016

## Footwear Manufacturing Process



1 Raw Material Management



2 Finalising Design



3 Cutting



4 Upper Stitching



5 Lasting



6 Manual Pasting Sole



7 Mechanic Pasting Sole



8 Finishing (Polishing)



9 Packaging



10 Marketing





- Types of footwear manufactured in Nepal:
4. Footwear with outer soles of leather or composition leather or plastic or rubber and uppers of leather
  5. Ladies sandals with plastic or rubber or synthetic sole
  6. Felt and natural fiber- based footwear

## Message from the Footwear Manufacturer's Association of Nepal (FMAN)



**Rabin Kumar Shrestha**

President, FMAN

The Footwear Manufacturer's Association Nepal (FMAN) as a prominent association in the sector, aims to advocate for better production and marketing of footwear in domestic and international markets. At the same time, the association also focuses on strengthening the capacity of the producers to improve their production quality and standards.

The footwear sector has been integrated as a priority product in the Nepal Trade Integration Strategy 2016. Following the integration, the sector has received more support from both public sector and development partners.

With the support of the German Development Cooperation, a market entry strategy has been developed for better forward



**The footwear sector has been integrated as a priority product in the Nepal Trade Integration Strategy 2016.**

market linkages. Furthermore, the association has developed an online portal/ website to connect with national and international buyers.

Some challenges remain for the development of this sector such as lack of common facility center and high labor turnover rate. To mitigate these issues, a footwear training center is being established; simultaneously policy matters with relevant government agencies are also being taken up.

With these interventions the association is expecting to develop a skilled workforce, quality production and diversify its market.

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