

EXPORT POTENTIAL OF INDIAN HANDICRAFT INDUSTRY

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Handicraft industry offers considerable potential for exports. Present paper examines its prospects and offers a concrete action programme.

GLOBAL SCENE OF HANDICRAFTS SECTOR

Owing to lack of or inadequate data and information on world production and import of handicrafts, it is difficult to make an exact assessment of the size of the global market for handicrafts. The present world retail market for precious gems and jewellery is reportedly much larger. Handicrafts accounting for the world imports consists of both genuine handmade handicrafts and similar machine made substitute. The handicrafts sector is dominated by the imports of works of art, carpets and woodwares followed by basket wares, embroidery and the base metal decorative articles.

PRINCIPAL SUPPLIERS

The suppliers of handicrafts include the developed, developing and the centrally planned economy countries. The developed countries mostly specialise in the production and supply of machine-made substitutes which look similar to hand-made handicrafts products. The developed countries

accounted for the suppliers, while the remaining of the imports originated mainly from the developing and to a limited extent from the socialist countries. However, among the developing countries India emerged as the third largest supplier of Handicrafts after Hong Kong and Taiwan.

MARKET SEGMENTS

Based on the classification, the market for handicrafts (including the machine-made substitutes) is broadly segmented into two sectors, namely:

- (i) market for utility and utility-cum-decorative items; and
- (ii) market for artcrafts, i.e., the crafts of a purely decorative and artistic in nature. However, the utility and utility-cum-decorative segment is sufficiently large as compared to the segment for artcrafts which is limited.

This segment is dominated by the importer-wholesalers. They normally import and distribute handicrafts to retailers, department stores, boutique

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shops, specialty stores, etc. They work on a margin of about 50 per cent on the landed cost while the retailers' margin varies from 100 per cent to 200 per cent on the wholesale price. The importers in this segment usually expect that their suppliers should be capable of effecting bulk supply of handicrafts at standardized quality, finish and price. Their expectation is based on their experience with some of the South East Asian suppliers like Hong Kong, Taiwan, South Korea who have arranged bulk supply of selected handicrafts by mechanising their handicraft workshops without compromising the hand and artwork involved in the products to cope up with the growing requirements of the developed country markets.

DEMAND TRENDS

In wake of the demand boom during the late sixties and seventies, the market for handicrafts, particularly in North America and Western Europe continued to ride high. Almost all types of handicrafts without any publicity and promotion found ready acceptance. The market growth was mainly due to the following factors:

- (i) Growing demand for manufactured products and preference for all types of handicrafts, reflecting the artistic and cultural traditions of the developing countries.
- (ii) New life styles, occasioned by increased travel and extensive coverage of the cultural traditions

of other countries by mass media, helped the handicrafts, (exotic and natural products) to gain and enjoy a strong position in the market.

- (iii) Awakening of ethnic pride among the minority groups, particularly in North America, opened up a new market for ethnic handicrafts. This trend and movement extended to the general buying public aroused their interest in all forms of ethnic clothing, jewellery, home furnishing, etc.

The boom, however, subsided towards the end of the seventies. Its aftermath witnessed a decline in the market for ethnic handicrafts, as the fashion and style changed and the general buying public became less interested in the same. The market for purely decorative items slumped, as the novelty of such products had worn off and the recession affected the buying power of the consumers. Competition from machine made substitutes also affected the demand for utility and utility cum-decorative items. Most of the Indian handicrafts were affected by these trends which was evident from the exports of carpets, art metalwares, hand-printed textiles, imitation jewellery, embroidered goods, etc. During the period of rapid growth craft producers in the developing countries were completely alienated from the market by middlemen and marketing organisations like charitable agencies. As a result of this, they failed to take advantage of the burgeoning market

for developing long-term marketing strategy to maximise exports.

The handicraft makers were also unable to respond to the demand for new types of handicrafts like increasing, high quality utility items, as they continued to be unfamiliar with the end-use of such products and the living habits of the general public in the importing countries.

The image of handicrafts was further impaired when their marketing was undertaken by charitable organisations and institutions. The consumers, as a result, became reluctant to pay high prices for these items even though these were products of long hours of skilled workmanship. Craft producers and exporters were also affected as some of their inexpensive and simple crafts were successfully duplicated by machines in developed countries and sold at a cheaper price without their knowledge. This happened particularly with tie and dye fabrics, which were machine-printed and looked like real handmade tie and dye materials.

Owing to increasing demonstration of actual production techniques, establishment of vocational schools for artisans, and availability of craft kits, particularly in North America and Western Europe, many of the consumers themselves acquired the status of producers. The development further aggravated the precarious position of the craft producers in developing countries.

While it is evident from the growth of

the market for handicrafts during the 'Sixties and the 'Seventies not only limited the type of handicrafts that can be produced and sold during the 'Eighties but also threw up real challenges for craft producers and exporters. Changes in fashion and style coupled with demand recession, brought about profound changes in the demand for ethnic and purely decorative handicrafts. Consumers tend to buy a product, whether handmade or machine-made, that served their purpose. The importers were more interested in the profitability of the purchase than the exotic or handmade features. The suppliers have, therefore, been left with a choice to export handicrafts provided the consumers consider it a necessity and they are satisfied with its quality, performance, price and supply.

In this context, it will not be out of place to mention that the growth of the handicraft market, after the slump of early eighties, has continued to be moderate and the future expansion of the market is dependent on a number of factors including economic recovery in the industrialized developed countries where the demand (both latent and patent) and preference for handicrafts continue unabated. Despite the moderate growth, the present market for handicrafts both (wholesale and retail), as mentioned earlier seems to have growth further in both size and importance offering thereby large scope and prospect for the craft producers and suppliers from developing

countries, to increase their exports of utility and utility-cum-decorative handicraft products in which skilled craftsmanship is apparent.

HANDICRAFTS INDUSTRY IN INDIA

In India, the office of the development commissioner for handicrafts in the ministry of textiles group handicrafts as :

- Carpets
- Art metal wares
- Woodwares
- Hand Printed Textiles and Scarves
- Handknitted and Embroidered Goods
- Shawls as Artware
- Zari and Zari goods
- Imitation Jewellery
- Miscellaneous Goods

The Handicrafts sector is one of the start performers among the thrust products identified by the Government of India for export promotion and growth. This sector, besides providing for the economic and social needs of the craftsman also plays an important role in earning valuable foreign exchange for the country. In view of this encouraging performance on the export front, the share of this sector in all-India exports has increased. Besides earning the valuable foreign exchange, this sector has been instrumental in generating employment

and the much needed supplementary income for the artisans, particularly in rural areas. In a country like India where rural development has been considered as a national priority, the handicrafts sector, as mentioned earlier, has come to play an increasingly important role in earning valuable foreign exchange for the country, besides meeting the economic and socio-religious needs of the craftsmen and the community at large.

The handicrafts industry concentrated in the small scale and cottage sector is highly labour oriented and provides employment to more than two million artisans and sustenance to their dependents numbering another 3 million. These artisans are mostly unorganised and in certain crafts they work only on a part-time basis. However, most artisans renowned the world over for their artistic and traditional style, skilled craftsmanship and versatility. The Indian handicrafts sector specializes in the manufacture and export of an impressive and widest range of handicrafts products for the world market. The major crafts of importance include hand-knotted woolen carpets, art metalwares, silk and cotton carpets, hand printed textiles, woodwares (in the handicrafts group), these major items contribute more than 90 percent of the country's production and export of handicrafts. Although spread over the whole country, certain states like Uttar Pradesh, Delhi, Rajasthan, Maharashtra and Gujarat, with large concentration of artisans continues to be the major

producing and exporting states accounting for bulk of the country's production and exports of major handicrafts.

MAJOR DESTINATIONS

Handicrafts are exported to more than 100 countries of the world. Major markets, however, include USA, West Germany, Belgium/Luxembourg, Hong Kong, Japan, UK, France, Switzerland, Netherlands, Australia, Canada, Italy, Saudi Arabia, Kuwait and Singapore. These 15 countries by and large absorb about 90 per cent of India's exports of handicrafts.

EXPORTS PROSPECTS

World market for handicrafts particularly the utility and utility-cum-decorative items has been growing in both size and importance. The overseas buyers in this segment of the market require volume supplies in a reasonably standardised quality, finish and price. The novelty sector is growing faster than the traditional sector of the market. India's as mentioned earlier, is one of the major suppliers of handicrafts to the world market. Although handicraft exports appear to be sizeable, India's share in world imports is very small. Despite the existence of a fairly large production base and vast reservoir of artisans, India has not been able to cash on these opportunities. This is mainly due to the following reasons:-

- (i) The production and supply have continued to be inadequate.

- (ii) The quality and finish are not standardised to the extent possible.
- (iii) Subject to a given quality the price standard is not maintained.
- (iv) The product development is not well conceived and effected.
- (v) Marketing and financial support to craft producers countries to be inadequate.

SPECIAL EFFECTS OF THIS SECTOR

The small scale and Cottage sector helps to solve social and economic problems of the artisans, by providing employment to over 6 million artisans (including those in the carpet trade), which include a large number of women and people belonging section of the society. In addition to the high potential for employment, the sector is economically important from the point of view of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country. The industry is highly labour intensive and decentralized, being spread all over the country in rural and urban areas. Many artisans are engaged in certain crafts on part time basis.

SWOT ANALYSIS OF HANDICRAFTS EXPORTS

Strengths:

- India's art and craftsmanship is considered to be the best in the world

- Abundant skilled labour in the industry – (approximately 41 lakhs)
- Raw materials for most arts and crafts are available locally
- Possess a variety of crafts ranging from art metal ware to bamboo and jute products.

Weaknesses:

- Usage of poor inputs such as Azo dyes in textiles and cadmium instead of silver
- Areas of production – Lack of adequate infrastructure
- Exporters – ambiguity in nomenclature to avail duty drawback schemes
- Artisans – lack of innovation and training
- Packaging – not to international satisfaction

Opportunities :

- Wave of oriental fashion
- Eco friendly goods becoming popular
- Huge potential with large retail chains
- Tourism being seen as a vehicle of growth for the tourism growth
- Networking with the Indian Diaspora

Threats :

- * Issues concerning child labour

- Competition from far eastern countries
- Competitors engaging in mass produced goods
- Non-tariff barriers

MAJOR PROBLEM AREAS FACED BY HANDICRAFT EXPORTS

In this sector, a more pragmatic approach in an export planning and management is called for. In this exercise, there has to be complete coordination between the exporting community and the Government agencies. Some of the important factors in the marketing of handicrafts are price, quality and delivery schedules. While prices are an important decisive factor, in terms of competition, quality of the product and its timely supply to the buyers and its presentation are also important. India is one of the important suppliers of handicrafts to the world market. Although, exports of handicrafts appear to be sizeable, India's share in World imports is very small. Despite the existence of production base and the large no. of craftsmen, India has not been able to encash the existing opportunities. It is generally stated that this is mainly because of the following reasons:-

Infrastructure: The major crafts concentration areas have problems of infrastructure. The delivery schedule cannot be maintained due to transport bottlenecks, power shortage, and lack of proper port facilities etc.

Non-Availability of Raw Materials:

The production and supply are continued to be inadequate due to non-availability of raw materials for some of the important crafts.

Poor Quality: The quality and finish are not upto the mark due to non-availability of seasoning plants for wood and treatment of materials plants for various crafts.

PRODUCT DEVELOPMENT: Product development is not fully conceived.

MARKETING: Marketing has all along been a major problem for Small Scale enterprises, it intensify varying from industry to industry and enterprise to enterprise. The problem areas have been broadly classified on the basis of views expressed by various exporters who were interviewed from the Handicrafts Sector.

- Identification of a suitable product with marketing acceptability and good growth prospects
- Lack of finances
- Lack of proper Infrastructural facilities
- Poor knowledge of marketing strategies, accurate market intelligence
- Inability to get adequate advertising and publicity
- Lack of comprehension regarding distribution channels
- Inability to provide credit facilities to customers

- Less significance attached to modern methods of packaging
Less emphasis on after-sales-services
- Methods of sales promotion used only emphasise on providing credit facilities to customers and sometimes discounts
- Artificial barriers in the market place in the form of inter-regional tax variations such as entry tax, sales tax, etc.
- Excessive delay in payments made by Government Department and parent units in terms of ancillarisation
- Inability to push sales because of lack of trained marketing staff/expertise
- Vulnerability in terms of dependence on large enterprises/marketing agencies.

SUGGESTIONS AND RECOMMENDATIONS

a. Marketing-oriented Financial Assistance

- Finance is an area which small scale units reported as a major impediment for marketing. The credit extended by the units to their customers, to the trade and Government Departments and public sector enterprises, blocks the major part of their funds. It is, therefore, suggested that banks should finance activities

for advertisement or promotion of products or setting up of regional marketing offices.

- Factoring services by the banks should be given more priority. Factoring has been defined as a continuing relationship between a financial institution (the factor) and a business concern (the client) selling goods or providing services to trade customers on open account basis whereby the factor purchases the client's book debts either with or without recourse to the client, and in relation thereto controls the credit extended to customers and administers the sales ledger. In addition to purchase of the book the factor provides three basic services to the clients.
 1. Immediate advance cash ranging between 80 to 90 percent against invoices whenever the client so desires
 2. Credit management and administration of a sales ledger
 3. Credit protection.
- The small scale units often report delay in receiving payments from both public and private sector units as well as from government departments. While a legislation has been enacted (Delayed Payments Act) and the government has decided to set up tribunals in the states to deal

with such cases, the same needs to be implemented expeditiously and effectively.

- Special marketing grants similar to the Technology Development Fund being operated by Small Industrial Development Bank of India (SIDBI) be introduced.

a) Appraisal of Projects

Projects of small entrepreneurs are scrutinised at the time of financing by State Financial Corporations and banks. Such evaluation is mainly from technical and financial points of view with minimum consideration of marketing. Entrepreneurs engaged in exports of Handicrafts pointed that for this purpose marketing experts should be engaged who can advice entrepreneurs to make their plans more realistic. Banks can also act as consultants to small scale units and guide them in formulating strategic marketing plans. Officers dealing with small entrepreneurs should be trained in all aspects including marketing management.

b) Infrastructural Support

In the developed countries a strong factor contributing to small industry development has been the linkage between large and small enterprises. A two pronged strategy is adopted, that is, development of infrastructure and improving the competitive strength

of the industries. Success of industrial clusters has been demonstrated in the Indian context through development of townships such as TISCO. It was suggested that an Industrial Plaza in each major industrial cluster in the form of a multi-storeyed building with the following facilities be established:

Wholesale market: The purpose is to make available high quality raw material, technology (equipment, plant and machinery)

- Clearing/forwarding agents and a truck/ transport area – Common display areas, exhibition centre
- Conference facilities and convention centres
- Office of District Industries Centre
- Banks
- Post Office
- Single or two starred hotels, restaurants
- Chamber of Commerce of the district.
- Dispensary
- Suppliers' representative offices
- Consultancy outfits/ Training Centre
- Data bank/ Computer Centre
- Consultancy outfits/ training centre
- Data bank/ Computer centre

c) **Setting up of Mini Pragati Maidan**

Mini "Pragati Maidan" for Small Scale Industries need to be established in all major cities having a populations of more than two million within the country and also at major international commercial centres in selected countries across the world. To start with cities like London, Paris, Milan, Frankfurt, Los Angeles, New York, Toronto, as also come of the South East Asian countries such as Singapore, Bangkok etc should be covered. The objective is to provide exhibition facilities to SSI units for access to markets abroad.

d) **Training of Entrepreneurs**

Marketing is a Specialised skill for which entrepreneurs should be given adequate training. Some organisations rendering training to entrepreneurs include the PHD Chamber in Collaboration with Konrad Adeneur Foundation of Germany; Indian Institute of Management, Ahmedabad and National Institute of Entrepreneurship and Small Business Development (NIESBUD). A Central level educational institution should be given the responsibility to design short-term courses on specific aspects of marketing and other management aspects. These courses may be translated into various languages and should be disseminated

through SISIs, DICs, Industry associations, Chambers of Commerce etc. The UGC television programmes may be made a model for specific thrust on imparting education to entrepreneurs on marketing. These programmes should be publicized during prime TV programmes so as to generate awareness regarding the timings/ purpose etc. The training programmes for marketing should give special significance on total quality management and packaging aspects.

e) Wider Publicity to Government Schemes

The various government schemes outlined earlier should be publicized through industry associations, Chambers of Commerce, electronic and print media.

f) Marketing Companies

The government and financial institutions have taken steps to encourage private marketing companies by way of recognizing them as small scale enterprises and providing institutional credit facilities for the necessary infrastructure and purchase of goods. To further encourage these marketing companies, credibility and performance rating should be given to them based upon their professional worthiness.

g) Sub-Contracting

In India there is no separate policy for the sub contractors. The policy related to small and ancillary units apply even to sub contractors belonging to SSI units. The new thrust of the government to encourage sub contracting activities in the private sector through grants to industry associations for setting up sub contracting exchange is needed a welcome step. In order to encourage sub contracting, it is suggested that multiple taxation on sub contracted items should be avoided by adopting a uniform rate structure for the sub contracting units.

h) Air Travel for Business Purposes

Small entrepreneurs be given concessional rates for air travel abroad for business purposes.

SUGGESTIONS ON EXPORT-IMPORT POLICY

1. Low Credit Rates under DEPB scheme for Handicrafts Items:

- There is a vast difference of the Duty Drawback rates available for Handicrafts items and the DEPB rates announced for handicrafts items. The DEPB rates are far less than the drawback rates available for handicrafts items such as Brass artware, EPNS ware etc.

- Since the DEPB rates are far less than the drawback rates, the DEPB rates are not at all attractive.
- 2. **Request for review of input and output norms for Art metalwares**
- The loss of metal in production of Brass ware is higher as the same are produced through handcrafting. In respect of Brass Artware it must be higher because of loss of metal at various points of the different jobs of production and finish because Brass etching alone results in 50% metal loss. So the input and output norms should be revised.

PRESSING NEEDS OF THE INDUSTRY

- **Cent percent Sales Tax Exemption for sale of Handicraft Items:**

Some of the States have exempted items of handicrafts from the levy of State sales tax whereas others are continuing. So the Development Minister Handicrafts should ensure that all the States are exempted from the burden of State Sales tax. The exemption of sales tax by all the states would give a relief to all artisans/ manufacturers producing handicrafts items.

- **Need for sub-Regional Centres at the important Craft Pockets:**

Government of India under office of Development commissioner (Handicrafts) has its Regional Offices and Regional design and Technical development centres. These centres are at Delhi, Bombay, Bhopal, Bangalore, Calcutta and Chennai. However, most of the main pockets are Moradabad, Saharanpur, Jodhpur, Narsapur etc. Manufacturers/ Exporters of these prominent craft pockets did not have an easy access to the designs and other help provided by these Regional Centres. Similarly the Regional Centres did not have the present market requirement since they did not have easy access to interact with exporters of main craft pockets. So the emphasis should be made to open sub-regional design centres at all important craft pockets for frequent interaction with artisans and exporters, so that necessary help with regard to market requirement of design should be made available to the Trade.

- **Importance of out-workers in Handicrafts Exports-necessary provisions of labour Laws:**

Manufacturing of Handicrafts items require lot of skilled/semi skilled and un-skilled work force and also the work load is seasonal. At the same time they are not in the list of regular persons employed by the exporter

but they are independent free workers. Therefore, the provision for them should be made in the labour Laws specifically for Handicrafts Sector to ensure their protection.

RECOMMENDATIONS

1) Policy Level measures

- **Recognition of the sector as an industry** – There is a strong need to recognise the Handicrafts Sector as a full-fledged Industry so that this sector can avail the benefits accruing to a Industry.
- **Diversification of cultural export base** - Attempts should be made to diversify the cultural base to various Countries by Exporting various Handicrafts items which are the symbol of our culture.
- **Adapting cultural goods to international trends** – With the advent of Globalisation the World has become so small that the market as a whole has shrunked. So, while designing the product the marketer should try to sense the needs of the customer across the border and should be able to change it in the form that is readily accepted by him. International Trends have to be kept in mind before taking the decision of manufacturing products for the export purpose.
- **International promotion of India's cultural artifacts** - The

promotion of India's cultural artifacts should be Internationally promoted in order to give them a feel of the Indian Products.

- **Diversification of market's** – “Nobody is in the Business for Philanthropy” - This holds true for every Businessman. So, in order to reap benefits the attempt is made by them to reap more and more profits. So it becomes imperative for them to Business in other areas be it related or un-related. Similarly it is essential to expand the Business in other markets be it National or International.
- **Joint ventures for technological, marketing and financial strength**
 - The Companies should try to enter into Joint Ventures with other Companies in the same trade as this would help them in synergising their efforts with each other and thus getting benefited mutually.
- 3. **Enterprise level measures**
 - **Customer focus** – “Customer is the king”

The Enterprise should keep the customer preference on the top priority before manufacturing a product. Today, the market is driven by Customer's Choice rather than the Seller's. Customer is very clear about his

requirements, so he indulges into a purchase very consciously. Thus, it becomes imperative for the Organisation to focus on the Customer's need and choices before manufacturing the product.

- **Engagement of services of designers** – Tastes and Fashions change at such a rapid pace that it becomes difficult to keep a pace with it. So, in order to offer the customer something unique various designers should be engaged by the Exporter in order to get benefited by his skills and at the same time reap the benefits of attracting Customer's attention.
- **Use of dyes and moulds for standardization** – Dyes and Moulds which are required for standardization in the Handicrafts Sector should be used by the Exporters to be Compliant with the norms of the Industry.
- **Specialization** – There is a need for the Handicraft Exporters to specialize in one field so that they can make it as their core competency and get benefited in return.
- **Development of specialized ancillary units** – Specialised ancillary units should be developed more and more in order to encourage people in this sector.
- **Packaging** – Packaging is one of the most important P's of the Marketing Mix. Even a bad

product can be sold if it has a good package cover. Thus, the Exporters should lay emphasis on choosing a suitable package for the product so that the Customer is attracted towards buying the product.

- **Quality certification** – The products manufactured should be of good Quality and should be compliant of the various Quality Certifications
- **Participation in International affairs** – It is necessary for any exporter to participate in International affairs and keep himself updated on the happenings abroad so that he can sense the tastes and requirements of people abroad.
- **Branding of handicrafts** – It is necessary in today's Competitive World to create a image of the product in the minds of the Customer which requires that what you are offering should be different from your competitor's offering which can be done by branding the product.

CONCLUSION

India in all set to make a mark on the World Map in this century. This is mainly true for technology-oriented Industry but the Indian exports are also not too far. In fact, these are the Indian exports that have helped a lot in building the relations first. Indian handicrafts plays an important role in

communicating this message abroad. The status of the Small Scale Industry that is being accorded to Indian Handicraft Sector has also helped a great deal in the accrual of certain benefits. The Indian Handicraft Industry has been facing stiff competition since the opening up of the economy but it has faced the tough times. Although the share of the Indian handicrafts is very small in the World trade of Handicrafts, but Indian handicrafts is very small in the world trade of handicrafts, but Indian Handicrafts have been successfully able to make a mark. The export potential of the Indian Handicraft Industry can be rightly judged with the kind of efforts that the Indian exporters are putting into. They are continuously working on their strengths of Price Leaderships, Good

Quality and new and Innovative designs. Simultaneously, the efforts are being taken to overcome their weaknesses and to cash on the opportunities.

This is the 'right time to make more efforts aggressively since the World is also looking at India, for trade the government is keen on improving the status by providing the facilities in terms of Infrastructure and Taxes and the mindset of Indian Handicraft exporters is to rise high. Therefore, with the positive and favorable measures being taken by the government, continuous efforts of the Indian exporters, Indian Handicrafts are here to stay and definitely there lies a huge export potential of the Indian Handicrafts.