

Strategies For Improved Handicrafts Exports

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ABSTRACT

In the current globalized economy, there is a market for every product. Any organization /country can identify the products that provide them a competitive advantage to engage themselves in export of that product. Handicrafts are one such category of items that have a huge potential for export, especially in the Indian Context. This is essentially because handicrafts cover a wide range of products. India is a nation with a strong cultural background - where diverse geographical areas come out with unique handicrafts of their own, which are very difficult to imitate, where technology cannot have a major role, and where the experience of the artisan is highly critical - all these factors provide a crucial competitive advantage. These factors also act as an entry barrier for the competitors. In spite of such competitive advantages, the Indian handicrafts export is just about 2% of the world market, as compared to 17% of China in the world trade. The present paper attempts to study the challenges in this regard and suggests focus areas for action.

Keywords: Competitive Advantage, Handicrafts, Artisans, Entry Barriers

JEL Classification : M16

INTRODUCTION

Handicrafts as a sector is still considered as a cottage industry and has not been given an industry status even though it engages nearly 47 lakh artisans, including women in India. It is still the largest employing sector next only to Agriculture in rural India. Even though the statistics of Indian handicrafts export is dismal, it is still a major thrust area as it provides for rural employment and also ensures the survival of few of the dying arts.

❖ **Importance of International Trade:** International trade is critical for the entire globe as it leads to division of labor and specialization at the global level. Some countries have abundant natural resources, and if they export raw materials or finished goods made out of the available raw materials, this benefits other countries as it leads to lowering of cost and also optimizes the utilization of scarce resources across the globe, which is the essence of free trade.

Other benefits of globalized trade include lowering of costs, creation of multiple varieties of products and standardized quality, which helps in the enhancement of global standards of living and also increases employment opportunities. International trade in general facilitates the flow of goods and investment across the globe and improves the economic development of all nations and indirectly helps in promoting world peace as well.

Table 1: Region Wise Breakup of Artisans		
Region	States	No. of Artisans (in Lakhs)
Northern	Delhi , Punjab, Rajasthan, Himachal Pradesh, J&K , Haryana, Chandigarh (UT)	12.64
Central	UP, Uttarakhand	11.77
Eastern	West Bengal, Bihar, Odisha, Jharkhand, Chhattisgarh	8.37
North East	Assam, Manipur, Tripura, Arunachal Pradesh, Mizoram, Nagaland, Sikkim and Meghalaya	8.89
West	Maharashtra, Madhya Pradesh, Goa, Gujarat, Daman & Diu	3.07
South	Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Pondicherry, Andaman & Nicobar & Lakshadweep	2.87
Total		47.61 Lakhs
Source: Office of the Development Commissioner of Handicrafts, handicrafts.nic.in/faq.htm last accessed on Jan 25,2012		

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❖ **Importance of Handicrafts As A Commodity In India's International Trade:** One single reason for India to focus on the Handicrafts sector could be to protect and if possible, to enlarge the employment opportunities it provides, especially in the rural areas and more so specifically for rural women. There are about 47.61 lakh artisans in the country as per the last census conducted during 1995-96. The region wise breakup of artisans enumerated during the above census of 1995-96 is presented in the Table 1.

RESEARCH METHODOLOGY

The data for this research paper is mainly based on secondary data available from the Ministry of Commerce, Ministry of Textiles and other institutions like Export Promotion bodies, Office of The Development Commissioner- Handicrafts, Export Promotion Council For Handicrafts, etc.

❖ Research Objectives:

- ❖ To analyze the performance of Indian Handicrafts in the world trade ;
- ❖ To conduct a comparative analysis of Export of handicrafts in India;
- ❖ To find out the major clusters of handicraft artisans in India;
- ❖ To identify the potential market for handicrafts of India;
- ❖ To identify the challenges facing this sector and to suggest possible actions that could be taken for the development of this section.

❖ **Scope of The Research:** The study attempts to cover the handicrafts' sector in India and covers the challenges faced by different clusters of handicrafts across the country as each cluster has different kinds of products among them. However, the challenges are generalized for the handicrafts' sector in general. The study provides further scope for research to understand the challenges of each of those specific clusters.

❖ **Limitations of The Study:** The results of this study are entirely based on secondary data and no direct survey could be conducted.

Table 2: Export Performance Of The Handicrafts Sector In The Last 5 Years						
	2006-07	2007-08	2008- 09	2009-10	2010-11	2011-12 (Target)
Export Value (in crores of ₹)	17288	14012	8183.12	8718.94	10533.96	12428
Source: Export Promotion Council for Handicrafts - www.epch.in , last accessed on Jan 21,2012						

Table 3: Review of Exports During 2010-11 (April-March) In Comparison With The Corresponding Period of April-March 2009-2010			
Item	2009-2010 (April - March) in ₹ Crores	2010-2011 (April - March) in ₹ Crores	Increase/decrease in % over 2009-2010
Art metalwares	1877.64	2199.92	(+) 17.16 %
Woodwares	717.24	1021.05	(+) 42.36 %
Hand printed textiles & scarves	1173.38	1398.37	(+) 19.17 %
Embroidered & crocheted goods	3116.85	3570.12	(+) 14.54 %
Shawls as artwares	131.74	181.98	(+) 38.14 %
Zari & zari goods	184.96	216.31	(+) 16.95 %
Imitation jewellery	245.83	359.47	(+) 46.23 %
Misc. Handicrafts	1271.30	1586.74	(+) 24.81 %
Total	8718.94	10533.96	(+) 20.82 %
Source: Export Promotion Council for Handicrafts - www.epch.in , last accessed on April 19, 2012			

DATA COLLECTION AND ANALYSIS OF DATA

The export performance of Handicrafts for the last five years is presented in the Table 2.

❖ **Interpretation:** There have been fluctuations in the growth for some of the years but at the same time, the market existed throughout the years. This enables people engaged in this sector to continue in their trade even though the volume of trade fluctuated from time to time.

Table 4: Statement Showing Provisional Export Figure Of Handicrafts As Of February 2011-12 As Compared To The Corresponding Month Of February 2010-2011			
Items	2010-11 April -Feb (in Crores)	2011-12 April -Feb (in Crores)	Increase/decrease in % over 2010-11
Artmetal wares	1689.98	2039.11	(+) 20.66 %
Woodwares	569.30	941.58	(+) 65.39%
Handprinted textiles & scaraves	1161.88	1400.29	(+) 20.52%
Embroided & crocheted goods	2401.86	2660.11	(+) 10.75%
Shawls as artwares	171.90	235.17	(+) 36.81%
Zari & zari goods	183.46	203.89	(+) 11.14%
Imitation jewellery	227.70	316.66	(+) 39.07%
Misc. Handicrafts	1326.88	1827.96	(+) 37.76%
Total	7732.96	9624.77	(+) 24.46 %
Source: Export Promotion Council for Handicrafts, www.epch.in last accessed on April 19, 2012			

The Table 3 reveals that Handicrafts of all categories and in totality showed an increasing trend in the year 2010-11 as compared to the previous year of 2009-2010.

The Table 4 gives a clear trend of the Handicrafts export performance in the current period of 2011-12 in comparison with 2010-2011, which again reaffirms that handicrafts as a sector has performed very well on the export front and has a huge potential to improve further, if supported by appropriate government policies in place as it benefits a huge rural population of handicrafts artisans and keeps them engaged remuneratively.

The strategic plan of the Ministry of Commerce in their outline of strategy confirms that the “Handicrafts” sector is one of the strong areas of India's exports, even though they account for only a small segment in the world trade.

CHALLENGES FACED BY THE HANDICRAFTS SECTOR

Even after several years of the existence of this sector, there is still a lot of confusion as to which item is a handicraft and which is not. This is mainly because there are many varieties of items. This confusion poses a big challenge for the exporters as many a times, they face difficulties in getting the items that they export to be categorized under “Handicrafts” - be it for custom duty valuation or for availing some export incentives offered by the Government. The export promotion council has now taken the initiative to first define what a “handicraft” is.

They have tentatively defined an item as a “Handicraft” if it is an :

“Item or a product produced through skills that are manual, with or without mechanical or electrical or other processes, which appeals to the eye, due to the characteristics of being artistic or aesthetic or creative or ethnic or being representative of cultural or religious or social symbols or practices, whether traditional or contemporary. These items or products may or may not have a functional utility and can be used as a decorative item or gift.”

The UNESCO/IT Community symposium on Crafts and international market defines Handicrafts as follows:

“Artisan product or handicrafts are those produced by artisans completely by hand or with the help of hand tools or even mechanical means as long as the direct manual contribution of the artisan remains the substantial component of the finished product. Their special nature derives from the distinctive features which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional and religiously and socially symbolic and significant. They are made of substantial raw materials and there is no particular restriction in terms of production

Table 5: List Of Categories Of Handicrafts With Items And Their HS Codes		
Category	Products covered	HS Code
Woodwork	Boxes,Cutlery,Jewelry cases, wood marquetry, tableware and kitchenware of wood	4414,4419,4420,6602
Basketwork, Wickerwork	Baskets, boxes, furniture, matting and other decorative articles of natural painting material viz. reed, bamboo, cane, loofah	4601,4602 6504,9401,9403
Art Metalware	Tableware ,kitchenware, statuettes and other ornamental articles of copper, silver, brass, pewter	7418,8306,9606
Ceramics	Tableware, kitchenware, household articles, statuettes and other ornamental articles of porcelain, earthenware and china	6912,6913,6911,6907,6908
Furniture	Tables, chairs, bedroom and office furniture of wood and metal	9403,9401
Lighting articles	Chandeliers and other electric and non-electric lamps and light fittings	9405
Toys and Dolls	Stuffed and non stuffed toys representing animal, non-human and human forms	9503,9502
Glassware	Glassware for table or kitchen purposes, interior decoration items including similar articles of lead crystal	7013,7018,7016
Festive craft articles	Candles, tapes, artificial flowers, Christmas and other festival articles	9505,3406,6702,9405
Fur, feather and leather crafts	Bags, wallets, purses, key pouches, jackets, cutlery cases, footwear, belts and clothing accessories of leather, composition leather, fur and skin and feathers of birds	4201-5,4303-4,6403-6,6703-4,6701
Carpets	Carpets,rugs,floor coverings of wool, man made and other textile material, coir, felt and vegetable textile material	5701, 5702,5703,5704,5705
Imitation jewelry	Imitation jewelry of base metal, silver including jewelry of semi-precious stones and pearls	7117,7117,7114,7116,7111
Paper crafts	Handmade paper and paper articles , including paintings and collages	4802,9701-2
Worked, carved crafts	Embroidered, knitted, crocheted clothing, embroidered, knitted crocheted furnishings, shawls and scarves (excluding, knitted and crocheted), Zari and zari based goods	5804,5810,61104-11,6117 5805,6302-4 5605-6, 5809 6214
Misc. crafts items	Musical instruments , attar and agarbattis	9202-3, 9205,9206 3301,3307
Source: Export Promotion Council for Handicrafts , www.epch.in last accessed on April 19, 2012		

quantity. Even when artisans make quantities of the same design - no two pieces are ever exactly alike.”

Currently, though there are many varieties of items getting categorized under 'Handicrafts', they are covered under various chapters based on Harmonious System of classification by having HS Codes for ease of recognition of items across the globe in a uniform manner.

A list of such categories and the nature of items covered under each of those categories and their respective HS codes are presented in the Table 5.

❖ **Challenges In Areas Related To Production:** The Handicrafts sector is suffering as it is a highly unorganized sector with additional constraints such as lack of education, low capital, and poor exposure to new technologies, absence of market intelligence and a poor institutional framework. Since it is a 'craft', the technology has to be limited to 'automation' and to get 'economy of scale' benefits and not to manufacture entirely the 'craft' out of a machine. The uniqueness and differentiation of the handicraft is dependent mainly on the extent of the artisan's own effort in making the craft.

❖ **Challenges In Areas Related To Marketing :** It so happens that handicrafts being a craft are produced by artisans from rural areas and mainly out of family tradition. The typical feature of an artisan is that he or she is illiterate and does not have the wherewithal to market the crafts produced directly to the end user. Dependence on middlemen is the only way to realize their earnings.

❖ **Challenges In Policy Enactments:** Since handicrafts are an unorganized sector, the Government has difficulty in bringing together all the stakeholders. Added to the above, high illiteracy among the artisans creates challenges for the Government in reaching out to them and in creating awareness among them, which necessitates providing them with appropriate training. The policies of the Government have to facilitate establishing connectivity between the producer (the artisan) and the buyer.

❖ **The Channel Of Distribution To The Markets :** Normally, handicrafts items are produced by artisans (mostly in clusters in an area) and exported through an exporter or a buying agent. The wholesale importer imports and sells it to the ultimate end users through retailers like discount stores/department stores etc. Now-a-days, some charitable organizations or governmental bodies also facilitate exports, while in the importing country, some independent retailers also import using the internet. The challenge here is that the artisans are not able to directly deal with the end customer but has to depend upon the middlemen as most of the artisans are illiterate and lack business and negotiation skills.

WORLD MARKET FOR HANDICRAFTS

The major markets for the handicraft items are developed countries/regions like USA, EU, Germany, UK, Japan, Hong Kong, France, Canada, Belgium, and Spain etc. They are the major importers of handicrafts (Refer to Tables 6 and 7).

The factors that influence increase or decrease in buying these handicrafts are:

- ❖ Over all economic climate in the country ;
- ❖ Other factors like employment, personal disposable income and spending pattern changes etc;
- ❖ Flooding of market with low cost handicraft items by exporting countries.

Furthermore, the tastes and preferences of end users also vary and the market is also segmented accordingly.

For example, countries like Italy, Germany, France, Turkey, USA, Spain and UK are high-end market segments whereas, countries like Poland, Taiwan, Hong Kong, Belgium, and Korea are market segments for medium value and low end market segments are China, India, Thailand, Vietnam, Malaysia and Indonesia.

China and India are the major competitors as suppliers of handicrafts, especially in Asia. India has an edge in the handicrafts sector as the products are mostly handmade, while the Chinese products are having a high content of

Table 6: Country Wise Export Share Of Handicrafts During 2010-2011	
Country	% share of export
USA	28.6
UK	10.66
Germany	8.99
UAE	6.02
France	4.45
Italy	3.43
Netherlands	2.90
Canada	2.86
Japan	2.32
LAC	1.72
Switzerland	1.41
Australia	1.39
Other countries	25.25
Source: Export Promotion Council For Handicrafts	

Table 7: Comparison Of Export Of Handicrafts For The Year 2010-11 With That Of 2009-2010			
Country	2009-2010	2010-11	% increase/decrease over 2009-10
Australia	117.30	146.11	24.56
Canada	248.13	301.54	21.53
France	386.60	468.99	21.31
Germany	782.57	947.35	21.06
Italy	294.58	361.77	22.81
Japan	201.65	243.76	20.88
Netherlands	248.70	305.11	22.68
UAE	517.99	633.57	22.31
Switzerland	121.26	148.94	22.83
USA	2489.19	3012.45	21.02
UK	928.06	1123.32	21.04
LAC	144.56	181.15	25.31
Other Countries	2238.35	2659.90	18.83
Total	8718.94	10533.96	(+) 20.82
Source: Export Promotion Council For Handicrafts			

mechanized effort. Due to automation, the Chinese products are comparatively less costly than the Indian crafts. A comparative study also reveals that there is a potential for improved exports if a focused approach is adopted. There has been a consistent market for the Indian handicrafts in the above countries and a focused analysis and appropriate strategies will help this sector to improve its trade.

SUGGESTIONS TO OVERCOME THE CHALLENGES FACING THE HANDICRAFTS SECTOR

As a part of social intervention, the Government has an obligation to nurture the artisan group as it engages a larger rural workforce in a revenue generating activities. This group can be nurtured by way of training them for any additional focus areas, which can result in cost reduction or improved sales or improved operational efficiencies or better quality, etc.

By way of marketing intervention, the private sector can be actively made to interact with the artisans so that the products get visibility in the market.

Since this sector has a huge export earning potential, the bottlenecks in the form of lack of infrastructure, etc. can be addressed by the Government so that the sector can achieve cost reduction and thereby gain a competitive advantage in the global market.

Ministry of textiles has already identified two locations - Moradabad in UP and Narasapur in AP as places under its cluster development initiative as these locations have a high density population of artisans specialized in the respective products - namely brass handicrafts and “crochet” handicrafts. These kinds of locations can be further identified and targeted for infrastructure improvement as these locations can facilitate good handicraft products coming out with least cost due to the economy of scale possible in such locations. Furthermore, many locations like tourist spots, pilgrimage centers offer a unique advantage for handicrafts artisans to exhibit their products directly to buyers, and such locations need to be identified by the Government and infrastructure facilities are to be spruced up so that a cluster can be formed reflecting the local culture and provide scale of economy to these artisans.

Use of IT should be facilitated for information sharing among the partners of the supply chain like artisans, buyers on the lines of e-choupal initiative done by ITC for agricultural products.

CONCLUSION

Unlike private organizations that are more inclined on profitability, the unorganized sectors like handicrafts need interventions of the Government to streamline the sector as it benefits a huge rural population. The primary objective in this case is to keep a large workforce productively engaged, and the earning potential that this sector offers is incidental or secondary in nature. However, Government policies should facilitate the artisans engaged in this sector to overcome all the challenges listed above. It may include providing the necessary infrastructure and facilitating direct meeting of buyers and sellers, thereby creating consumer surplus and supply chain profitability.

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