CHAPTER - I
INTRODUCTION

The development of each country besides other things depends on its exports leading to foreign exchange revenues. The global trade is on the basis of dynamic exports. Thus, every country needs a long-term planning in the export front. Many have studied the issue of economic development particularly after the Second World War. It is revealed that promoting non oil export industry can result in rapid economic development. Diversification of export was considered as a rational move to speed up the process of economic development. The economy of Iran has become increasingly dependent on the production and export of oil as the most important source of its exchange revenue during the last fifty years. Again in the past the country was earning lot of foreign exchange by exporting traditional items like hand-woven carpets.

The Iranian hand-woven carpet is one of the most important non-oil exporting items which plays very prominent role in the domestic economy. It has a antiquity in the trade domain that the most nations of the world recognize the carpet by Iranian name and know carpet as a symbol of Iran.

The Iranian hand-woven carpet is as the illuminated star in the East which has a global reputation which can be considered as the interconnection between art and industry. Due to high quality in pattern and color, the Iranian carpet has had substantial demand all around the world. Of late, the exports of hand woven carpet has been on the decline.
Hand-woven carpet industry is important even from the domestic economy point of view. It is estimated that it provides employment to nearly 9-10 million people. Of this majority are women workers. Further the industry is widely spread even in rural belt of Iran. Hand-woven carpet industry, thus being labor intensive and rural based is of significance to the nation. Any fall in the production would affect the employment situation and has an adverse impact on rural life.

IRAN’S SHARE IN INTERNATIONAL CARPET MARKET

In the past Iran had the greatest share of carpet industry among the hand-woven carpet exporters. In 1974, 60% of global carpet market belonged to Iran. Nevertheless, Iran’s share in the global market gradually reduced due to the emergence of strong competitors such as India, China and Pakistan. The country wise distribution of exports of hand-woven carpets from Iran from 2000 to 2006 is presented in table no 1.1
Table 1.1

Export of Iran hand-woven carpet to main countries during 2000-06

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>96</td>
<td>103</td>
<td>124</td>
<td>130</td>
<td>91</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td>Germany</td>
<td>195</td>
<td>161</td>
<td>122</td>
<td>127</td>
<td>125</td>
<td>107</td>
<td>76</td>
</tr>
<tr>
<td>Italy</td>
<td>71</td>
<td>58</td>
<td>54</td>
<td>56</td>
<td>48</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>Emirate</td>
<td>44</td>
<td>40</td>
<td>38</td>
<td>43</td>
<td>54</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>27</td>
<td>23</td>
<td>24</td>
<td>26</td>
<td>30</td>
<td>23</td>
</tr>
<tr>
<td>Canada</td>
<td>25</td>
<td>16</td>
<td>22</td>
<td>23</td>
<td>13</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>20</td>
<td>19</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>12</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Trade Promotion Organization of Iran

Figure 1.1

Source: Trade Promotion Organization of Iran
An analysis of Table no.1.1 reveals that during 2000, Iran used to export maximum to Germany (195 million US Dollars). This is followed by USA (96 million US Dollars), Italy (71 million US Dollars), Emirates (44 million US Dollars), Japan (30 million US Dollars), Canada (25 million US Dollars) and France (20 million US Dollars). The decline in Hand Woven carpet exports for each of these countries has been consistent. By the end of 2006, Iran’s export to Germany declined to 76 million US Dollars; USA to 92 million US Dollars; Italy to 38 million US Dollars; Emirates to 36 million US Dollars; Japan to 23 million US Dollars; Canada to 12 million US Dollars and France to 9 million US Dollars. One can visualize the impact of such fall in exports on the Iranian economy in terms of employment, foreign exchange earnings, usage of domestic resources, achieving balanced economic development and on the carpet industry.

Another aspect to be noted at this juncture is the composition of non-oil exports. The share of hand-woven carpets in total non-oil exports has been coming down consistently. The data pertaining to composition of non-oil exports is presented in table no.1.2.

It may be seen that during the year 2000, the share of Hand Woven carpet exports in total non oil export was 14.13%. This percentage consistently declined and touched 2.55 in 2007. There has been a fall in the share without any let up.
Table 1.2
Share of hand-woven carpets in total non-oil exports

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran non-oil exports</td>
<td>3763</td>
<td>3918</td>
<td>4608</td>
<td>5972</td>
<td>6384</td>
<td>10474</td>
<td>13027</td>
<td>15200</td>
</tr>
<tr>
<td>Iranian hand-woven carpets</td>
<td>619</td>
<td>553</td>
<td>514</td>
<td>539</td>
<td>472</td>
<td>466</td>
<td>413</td>
<td>397</td>
</tr>
<tr>
<td>Share of hand woven carpets in total non-oil exports</td>
<td>17.7</td>
<td>13.1</td>
<td>11.7</td>
<td>9</td>
<td>7.4</td>
<td>4.5</td>
<td>3.9</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Central Bank of Iran

*Source: Trade Promotion Organization of Iran

Figure 1.2

An analysis of the data in table no.1.2 reveals that the share of non-oil exports is increasing in absolute terms whereas the share of hand-woven carpets is coming down
regularly. The Iranian non-oil exports was amounting to 3,763 US million dollars in the year 2000 and this touched 15,200 US million dollars by the year 2007. In terms of percentage the growth rate was 403.93. There is no fall in the share of non-oil exports in any of the years during the period under review. The situation in case of hand carpet is quite different.

During the same period the share of hand woven carpets has registered a negative growth. In absolute terms the value of hand woven exports have come down from 619 US million dollars in 2000 to 397 US million dollars by 2007 thereby registering a negative growth rate of -35.86%. Further in term of share of hand woven carpets in total non oil exports, there has been a continuous fall. The share was 17.7% in 2000 which came down to 13.1% in 2001 and further declined to 11.7% in 2002. Again it touched 9% in 2003; 7.4% in 2004; 4.5% in 2005; 3.9% in 2006 and 3.3% in 2007. The decrease is consistent both in terms of percentage and absolute figures.

CAUSES FOR THE DECLINE

This consistent fall in the growth of hand-woven carpet exports obviously affected the Iranian economy. Our literature survey reveals that many internal and external features are responsible for this. Internal factors relate to production and policy decision, poor quality and consequent higher cost have lead to the loss of competitive edge in international markets. Again the external factors relate to the fall in demand in world market for hand woven carpets. This is ascribed to factors like cheaper imitation carpets by competitors, excessive competition, world economic recession, unemployment, free trade policies by other countries etc.
The economic planners in Iran have to appreciate the fact that oil resources are depleting gradually and hence they have to evolve ways and means to encourage non oil exports. The hand woven carpet industry should catch the attention of policy makers in the nation.

STATEMENT OF THE PROBLEM

Carpet industry is one of the oldest industries in Iran. Hand-woven carpets of Iran was an important source of exchange income after oil and the most important non-oil exports of the country. There are 1.5 million carpet weavers in Iran whereas 9-10 million people thrive on this key industry.¹ At present a large number of women are working in the industry across the nation. In addition, the industry generates considerable revenues. But the situation has changed now. As established earlier, the share of hand woven carpet in total non-oil export has been registering a consistent fall.

From 2000 to 2007, production of Persian carpets decreased from 7.5 to 5.3 million square meters.² During the past few decades, Persian carpet have lost a significant degree of their appeal because of severe competition from other countries and from machine –made carpets. Political problem have also taken a toll on Iranian exports. In view of the socio-economic significance of hand-woven carpet industry, it is imperative to evolve appropriate policy to revive the industry. There is need to probe into the causes for this situation.

¹ Iran Carpet Company 2007
² Iran National Carpet Center & Economic World Newspaper, 6th year, No.1521, P5
REVIEW OF LITERATURE

The purpose of literature survey is two fold, one, it enables the researcher to get a clear perspective about the research that has been carried out on a topic. And Two, it helps to identify the research gaps. Of course, such a survey will help avoid repetitive in research.

REVIEW OF LITERATURE RELATING TO THE HAND-WOVEN CARPET INDUSTRY

Iranian universities have done several studies on the problems of the hand-woven carpet industry. The researcher has compiled a few studies which have focused on the problems of hand-woven carpet industry. Moreover, in recent years the industry fell into deep crisis. Several newspapers and journals published the current problems faced by the carpet industry. A brief review of the works carried out has been presented in the following paragraphs. Works are categorized into two viz., (i) works carried out in other countries; and (ii) works carried out on Iranian carpet industry. Only important works are reviewed here.

Kakade R.G in his study titled “A socio-economic survey of weaving communities in Sholapur” analyzed the socio-economic conditions of weavers of Sholapur city. The study undertaken by the Gokhale Institute of Policies and Economics, Pune, at the invitation of the Sholapur Municipality in 1939. The survey was undertaken with a view to study the organization of the industry in Sholapur, one of the biggest centers of handloom weaving in India, in a comprehensive and detailed manner and to study the sociological aspects of the communities engaged in the industry.
Nanekar K.R\(^2\) in his study titled “Handloom industry in Madhyapradesh”, argued that unless the production of handloom industry was increased substantially nothing tangible can be gained by solving other problems. The latter may be given marginal benefit to the weavers and may bring about some stability in their incomes. The long term and significant improvement in the earnings, however, depends on the productivity of labor, a problem ultimately associated with the technique of production.

Rao C.S\(^3\) in this study titled “Employment in handloom industry”, observed that the employment in handloom industry was declining. In the recent years the weavers were trying to change their profession to go to alternative jobs. Because of inadequate financial support from government the weavers are facing the problems of hike in the raw material cost, scarcity of the necessary inputs, lack of proper production, marketing, and financial facilities.

Murray D\(^4\) in his article titled “Export earning instability: price, quantity, supply and demand”, has analyzed the instability of price, quantity of export, and the fluctuation of costs and demand. The information used in this study belongs to 1952-1971. The result of this study determines that instability in cost and quantity. Especially the cost in developing countries are more than the developed countries that has caused highly volatile market. Moreover, the impact of changes in the quantity of exports caused more changes and instability in the carpet industry of two different types of countries.

Goldstein N and Khan S\(^5\) have carried out a study entitled “The supply and demand for exports: A simultaneous approach”. The objective of this study was to do research on demand and supply of carpets in eight industrial countries during 1955-1970. In this
study, two relatively simple models of demand and supply have been used and the price elasticity of each country was calculated.

Sharma D.S\textsuperscript{6} in his study titled “\textit{Strategy to boost handloom industry in the North Eastern Region}”, states that the government has made several programs for the benefit of the handloom weavers, but the weavers didn’t receive any benefit from any source, because of the middlemen and master-weavers have knocked away all the benefits. They could get yarn and raw material for subsidized rates in the name of weavers. The government introduced a photo-pasted-identity-cards of the actual weavers to eliminate middlemen.

Noor Basha A\textsuperscript{7} in his study titled “\textit{problems of handloom industry in Andhra Pradesh}”, has observed that in the year 1991 handloom industry has fallen into severe crisis and more number of weavers in the state were facing the problem of dire-poverty and under-employment. The hike in the raw material cost was the cause for the industry falling into deep crisis. More number of co-operative societies in the state were running on dormant lines. To mitigate the problems of the industry, the author suggested that the government should reserve certain items for handloom sector and supply sufficient yarn to the handloom weavers.

Larson K.B\textsuperscript{8} in his research entitled “\textit{Women’s work and status in rural Egypt}”, explores this issue by noting that there is a positive value of working at home in the Egyptian village of Beni Suef. He argues that craft work, since it is usually done within the context of a family business, is seen not so much as a profession or as work but simply as an extension of one’s family or household responsibilities. In cultural terms,
the role of a housewife who does not have to work outside the home generally carries high prestige in rural Beni Suef, as it does in the rest of Egyptian society. He goes on to state that much of the work that a women does as part of her domestic duties is not considered work, rather it is considered a sign of a woman’s skill as a good domestic manager. Being a housewife implies that the family has high enough financial status that a wife’s employment for monetary return is unnecessary.

Kotaiah P⁹, in his research entitled “Loom strategy”, felt that most of the weavers were leaving their profession and diverted to, alternative jobs. The root of the crisis was the New Textile Policy announced by the Government of India in the year 1991. Kotaiah was of the opinion that the scarcity of the yarn was the cause and consequence for the crisis in the industry. He suggested that the yarn should be supplied to the weavers at subsidized rates.

O’Brian R¹⁰ in his research entitled “Who weaves and why? Weaving, loom complexity and trade”, explores the impact of the market economy on the production of crafts in Mexico and describes the dependency of the rural proletariat on a cash economy.

Hareven K.T¹¹ in his research entitled “The silk weavers of Kyoto: Family and work in a changing traditional industry”, notes even highly skilled women weavers in Nishijin viewed their weaving as supplemental to their husbands’ work, and perceived little distinction between their weaving and their overall contribution to the family through child rearing and housework.

Afshar H¹² has carried out a study entitled “The position of women in an Iranian village”. He describes the role of rural Iranian women as producers of carpets and
handicrafts as well as co-participants in activities such as agricultural production and animal husbandry.

Mollah Hosseini Sh\textsuperscript{13} in his research paper entitled “\textit{The reason of carpet export recession}”, paid due attention to the export impasse and concluded that the main reasons of recession are the fixed carpet price, carpet disqualification, the simulated patterns adopted by competitors in carpet industry, carpet smuggling, lack of appropriate planning and lack of attention to the customers’ tastes.

Deilami pour M\textsuperscript{14} in his research entitled “\textit{Iranian carpet and a survey on it and its accounting}”, analyzed the Iranian carpet historical background and highlighted the reasons for decline in carpet exports.

Monsef A.A\textsuperscript{15} in his dissertation entitled “\textit{The influence of global foreign exchange downfall on carpet export demand}”, took into account the foreign exchange and analyzed 12 giant carpet importers and their impact on Iran’s carpet exports. He concluded that the reasons of Rial (currency) devaluation can be attributed to growing inflation, imbalance in foreign exchange allocation, chronic budget deficit, high population rate and the impact of imposed war.

Esmaieli-houri M\textsuperscript{16} in his research entitled “\textit{The effects of home foreign exchange changes on the exports of non-oil products}”, concluded that there is a reverse and negative relationship between foreign exchange raise and price index on hand-woven carpet exports.

Batuli F\textsuperscript{17} in his dissertation entitled “\textit{The role of carpet in Iranian economy and its importance in export}”, highlighted the role of the carpet industry in economy and
suggests the growth of employment, income source and the perseverance of hand-woven carpet weaving, as well as the development of this industry.

Nikkholgh A.A\textsuperscript{18} in his research entitled “The role of rural Iranian women in production”, notes that in ancient times, rural women in Iran played significant economic roles in the household by participating in various activities including food-gathering, animal husbandry, pottery-making, harvesting, and producing a variety of handicrafts for personal use and as supplements to the family income.

Khoshkanaei R\textsuperscript{19} in his article entitled “Carpet weaving is the most important economical support”, elaborated the reasons of decline in the carpet industry and highlighted the following causes:

I. Increase in oil price.

II. Volatile economic condition in the carpet industry

III. Emergence of machine manufactured carpets.

IV. Acceleration of the worldwide competition.

Falatuni A\textsuperscript{20} in his dissertation entitled “The role of planning in development of carpet export”, investigated the importance of planning in carpet exportation by presenting methods and alternatives for carpet production planning and for carpet marketing planning of Iran. He concludes that these methods could result in development of carpet exports.
Mohebali D in his research entitled “selecting the non-oil exports”, believe that proper attention has not been paid for non-oil exports and hence there has been a decline in non-oil revenues.

Saberi E in his research entitled “Management operation and role analysis in carpet co-operative system of hand woven carpets”, has analyzed the link that exists between carpet weavers and cooperative managers. He concludes that co-operative system is best suited to Iranian hand-woven carpet industry.

Ghavamshahidi Z in his research entitled “The linkage between Iranian patriarchy and the informal economy in maintaining women’s subordinate roles in home-based carpet production”, highlights the role on importance of women in the hand-woven carpet industry and stresses her role in supplementing the family income.

Hosuri A in his research entitled “Carpet from the Iranian economic view” feels that the sellers are not often enthusiastic to propagate the carpet. Hence it is the responsibility of the Government to promote the carpets in international markets. The researcher further feels that carpet is a strategy commodity and place a pivotal role in the domestic market as well. The villagers in Iran survive on carpet income.

Rusta A in his article entitled “Non-oil export and its importance”, believed that economical development could be possible only if the country could generate an income in the foreign currency. For the improvement of Gross National Product the industrial policies are to be revaluated and redesigned.
Pooryazdanparast M\textsuperscript{26} in his research entitled “Utilizing the strategy of export promotion in the third world”, believes export promotion strategy along with due attention to the global market are the proposed solutions for developing the third world.

Sadeghi H\textsuperscript{27}, in his research entitled “A survey on the employment share compared to the total domestic active population”, claims that the employment ratio during 1959-90 is raised. To demonstrate the correlation between employment and production, he conducted many researches. He eventually concluded that carpet export should be considered as a criterion in the employment ratio.

Sadeqhi H\textsuperscript{28} in his article entitled “The result of carpet production in Iran”, concluded that in the hand-woven carpet industry two major factors affecting the industry are the raw materials as well as the skilled labor force.

Economic and Finance Ministry\textsuperscript{29} in a research entitled “Evaluation on employment prospect, export promotion and foreign exchange yielding”, revealed that the foreign exchange obtained from non-oil items for export is the highest in hand-woven carpets. And concluded that inappropriate planning in exports has resulted in the decline in Iranian carpet exports.

Fetres M.H\textsuperscript{30} in his research entitled “Economic renovation and solution on non-oil export development in Iran”, argued that the international economic relation can be defined as the economic links that connect various countries with a common wealth with the framework of export and import of products. He believes that oil revenues can be affected by two factors viz., price and quantity.
Khazaei A\textsuperscript{31} in his research entitled “A survey on production development and Iranian carpet exports” is of the opinion that each of the non-oil products has its own challenges. Thus, to increase the export, the problem of each product should be detected and solved separately.

Naji A.A\textsuperscript{32} in his dissertation under the title “An estimate and analysis on the paradigms of hand-woven carpet exports during 1971-1991”, demonstrated that domestic carpet export based on economic analysis models obtained from statistical data indicate a negative effect of foreign exchange on carpet export.

Afshari F\textsuperscript{33} in his research entitled “The impact of Iranian foreign exchange on carpet exports during 1991-1995”, analyzed the aftermath of foreign exchange policy on non-oil exports in general and carpet exports in particular and concluded that a negative or a reversed effect of the policy of central bank of Iran on hand-woven carpet exports are detected.

Alami-bayat M\textsuperscript{34} in a research under the title of “Determining the most important and effective factor on the decline of hand-woven carpet export during 1993-1996”, concluded that high carpet pricing is the main factor in the hand-woven carpet exports. Besides, laws instability, regulation fluctuation and advertisement shortcoming can be considered as the most significant obstacles in the foreign markets.

Elmi N\textsuperscript{35} in his research entitled “The negative effects of centralization on promoting the Iranian carpet export” argued that concentration on some specific markets is the phenomenal of Iranian exports. He observed that heavy concentration is on European markets.
Sobhe K\textsuperscript{36} in his research “Research on carpet global market and its export production” reviewed the historical background of carpet industry in Iran and the rest of the world. Consequently, he elaborated on the carpet production situation in Iran and compared with other countries of the world. He suggested the diversification to other markets as well.

Ebrahim-yazdi H\textsuperscript{37} in his dissertation entitled “A survey on the impact of Iran’s membership in the global organization in carpet exports”, noted that Iran becomes a Member of the World Trade Organization, it would pave the way for the carpet industry development in Iran.

Berimnejad V\textsuperscript{38} in his dissertation entitled “Economic analysis of factors affecting Iranian carpet export” noted that whenever income from oil exports increases, the export of carpet will decrease.

Haqhparast H and Fathi Y\textsuperscript{39} in a research entitled “A survey on the reasons of Iranian hand-woven carpet economic devaluation in the European markets”, noted that the fall in the exchange value of the Iranian currency has affected the carpet industry.

Tarem-sari M\textsuperscript{40} in his research entitled “The support of international rights from the design of Iranian hand-woven carpets”, noted that the foreigners are imitating the Iranian carpets and thus are spoiling the image of Iranian carpets.

Donyadideh A\textsuperscript{41} in his research paper entitled “An analysis on the economic devaluation in the hand-woven carpet exports in European market during 2000”, concluded that Iranian hand-woven carpets have lost their appeal in European markets and the prices are the major limiting factor for exports.
Hosseini P and Vatar-Shiraz V\textsuperscript{42} in a research entitled “A research on consumers’ tastes and enthusiasm in the European countries”, have analyzed the European buyers’ tendency towards Iranian hand-woven carpets and noted that consumers’ demands are shrouded in mystery in the global market.

Pasban F\textsuperscript{43} in her research entitled “Comparative trade policies of Iran and the rest of the countries in the field of hand-woven carpet exports during 30 years (1970-2000)” concluded that there has been wild fluctuation in carpet exports during the period under review. The researcher opines that revolution, war, economic sanctions have affected the carpet industry.

Javad-zadeh A and Iran-nejad J\textsuperscript{44} in the research entitled ”Research on modern methods of Iranian hand-woven carpet in global market”, concluded that the carpet industry has suffered because of poor marketing and advertising strategy adopted by companies.

Behkeshi M.M and Karimi M.Sh\textsuperscript{45} in a research on “The comparative status of concentration in Iranian hand-woven carpet” state that there has been limited but concentrated coverage of markets in the world. They suggest that there should be diversification.

Norouzi H\textsuperscript{46} in his research entitled “A study on hand-woven carpet, export impediments and the other problems in Khorasan province in Iran”, pinpointed that factors like labor force, machinery, raw material, environmental influence and governmental laws have affected the promotion of quality hand-woven carpets. He argues for a comprehensive quality management to be introduced in the industry.
Shafieion M\textsuperscript{47} in his dissertation entitled “Evaluation of important factors in replacement of human resources and their relationship to the decrease of export”, highlighted the factors like poor salary structure, inadequate skilled labor force and raw material cost escalation have retarded the growth of carpet industry.

Mirzaie O\textsuperscript{48} in his dissertation entitled “A study on the effective factors on hand-woven carpet exports”, states the foreign exchange policies and other concurrent policies on raw material import had positive impact on hand-woven carpet exports.

Shajari Sh and Ghavami M\textsuperscript{49} in their article entitled “Hand-woven carpet exports to the European union”, analyzed the relationship between the income and the demand. They have done a case study of European countries in this regard.

Shamsoddini Sh\textsuperscript{50} in his article entitled “Iran’s status in the hand-woven carpet industry” states that encouraging non-oil exports should be under the active consideration of policy makers in Iran. He suggests to concentrate on producing quality carpets

Rastgari-pour F and Homaei-far M\textsuperscript{51} paid due attention to “effective politico-economic factors on Iranian non-oil exports”, considered the effect of some politico-economic elements variable on data analysis and concluded that the population and income of importing countries will lead to increase of export to those countries. Nevertheless, the transaction rate and political instability of the mentioned countries indicate a reversed link with Iran’s exports.
Gharbali-moghaddam Y and Eqhdami P\textsuperscript{52} in their article entitled “A survey on competitive process in hand-woven carpet export during 1997 and 2001”, concluded that the obtained results indicate capability in competitive atmosphere in carpet export relies heavily on three factors viz., price, foreign exchange rate and dominant model in carpet export and production.

Harati-khalil-abadi J\textsuperscript{53} in his paper under the title “A survey on the hand-woven carpet status in domestic economic development”, concluded that his obtained results on carpet export decline reveal two dimensions of both market demand and market supply.

a. Market demand: the most remarkable issue in hand-woven consuming market limitation is European societies especially Germany.


Zare M\textsuperscript{54} in his research entitled “Utilizing modern electronic methods in hand-woven carpet industry”, states that modern electronic methods are not adopted while exporting the carpets. He argued that there is a need to modernize the carpet making companies.

Sajjadi S\textsuperscript{55} in her article “The effect of multinational companies on Iran’s carpet export”, felt that multi-national companies are copying Iranian designs and argues for protecting the production rights of Iranian hand-woven carpets.
Hoseini M and Parmeh Z\textsuperscript{56} in their article entitled “The structure of international hand-woven carpet market and target market of Iran”, shows that the trading system of the hand-woven Iranian carpet is limited to a few countries and demonstrate fluctuation during 1975-2000. The evaluation of the international trading system indicates that the oligopolistic trading system has changed to a declining trend for exporting countries. The comparison of import and export of hand-woven carpet is confined to the importers and not exporters and that is one of the main factors for decreasing export rate.

Sanayeie A and Alavi-shad A\textsuperscript{57} in his research entitled “A survey on the impacts of electronic trade on hand-woven carpet export development”, stated that electronic trade will be more influential in carpet export compared to traditional methods. The analysis the data revealed that absolute electronic trade supremacy is clear, besides the advertisement by electronic method is effective in drawing the attention of buyers.

Zahedi H\textsuperscript{58} in his research entitled “An analysis on the rate of international marketing environmental influences on the target market imposed by Isfahan province hand-woven carpet exports” noted that the international environmental variables are rather effective on selecting target market by carpet exporters. In the end, he concludes that international environmental variables are of great importance in selecting the target markets for exports.

Zare-nejad M and Zare R\textsuperscript{59} in a research entitled “The correlation of exports with Iranian economic growth”, noted that there is a mutual relationship between non-oil
exports and Iranian economic development. In other words, economic growth leads to export raise and export can consequently increase economic growth.

Arman A and Mohammadi M\textsuperscript{60} in their research entitled “A survey and estimation on the effective factors in Iranian hand-woven carpet exports” felt that the demand for Iranian carpets in different countries should be estimated through proper marketing research before venturing into exports.

Doaie H and Yaqhouti M.R\textsuperscript{61} in their research entitled “The effects of joining the world trade organization on domestic hand-woven carpets”, analyzed and concluded that Iran will gain a huge share in global markets if it joins the world trade organization.

Kiyani-abri M and Khaqhani H\textsuperscript{62} in their co-research entitled “The effect of comparing the added value on Iranian hand-woven carpet”, analyzed the employment status and referred to recent downward trend in carpet exports. They also noted that the downfall is a serious threat leading to a large amount of unemployment. To sum up, they mentioned that one of the main reasons of carpet industry collapse is devaluation of carpet added value.

Hosseini Sh\textsuperscript{63} in her article entitled “Hand-woven carpet export analysis”, states that fixed the rigid pricing policy and poor quality of carpets have affected the carpet exports.

Azizi F and Mirzaei O\textsuperscript{64} in a research entitled “The foreign exchange impacts on hand-woven carpet exports during the two last decades”, concluded that foreign exchange treaty during 1981-2001 caused unfavorable effect on hand-woven carpet export delivery. They feel the decrease in the Iran’s share in the international market can be attributed to the above treaty.
Arabi A\textsuperscript{65} in his paper entitled \textit{“Hand-woven carpet export promotion, marketing, support and the services”}, concluded that marketing planning for export and the hand-woven carpets promotion include:

a. Recognition the urban and rural carpet spots.

b. Recognizing the target markets for hand-woven carpet exports.

c. Sending an artistic agent to the art and designing exhibition in internal decoration.

d. Holding the exhibition.

e. Propagation at the international level.

f. Attending the international fair.

g. Expanding the electronic trade.

Faraji M\textsuperscript{66} in his article entitled \textit{“Carpet and advertisement in the modern markets”}, noted that the proportion of the demands on carpet in the global market is insignificant compared to virtual potentials. That’s why, Iranian carpet should be known to the global customers more than before. The researcher underlined that the focus on carpet advertisement is fundamental factor to make the buyers more familiar with luxury market.

From the literature survey carried out so far, the following inferences can be drawn:

a) Hand woven carpet industry in Iran is a rural based labour intensive industry.

b) Lot of similarities being draw between Indian handloom industry and Iranian hand-woven carpet industry.

c) Factors like competition, government policies, quality pricing have affected the production and exports.
d) Most of the works are highly journalistic in nature and lack research temper.

e) No study seems to have carried out to analyze the perceptions of exporters and sellers towards marketing and exporting of hand-woven carpets. Our study aims to bridge these research gaps.

The present study is an attempt to identity to diagnose the entire gamut of problems and to suggest suitable measures for the development of Iranian hand-woven carpet industry.

**OBJECTIVES OF THE STUDY**

The study addressed itself with the following objectives:

1. To historically trace the growth of hand woven carpet industry in Iran;
2. To analyze the perceptions of exporters and sellers towards various aspects of export marketing of hand woven carpets;
3. To identify the causes for the fall in the exports of hand-woven carpets; and
4. To suggest suitable remedial measures to overcome the deficiencies in export marketing of hand-woven carpets.

**HYPOTHESES**

In this study the following hypotheses were put to test:

1. Weakness in export marketing management has reduced the carpet market share of Iran in the world market.
2. Lack of precise systematic research on the target market has reduced the carpet market share of Iran in the world market.
3. Lack of attention to marketing mix (product price place-promotion) has reduced carpet market share of Iran in the world market.

4. Governmental and non governmental factors have reduced the share of Iran in the world carpet market.

SCOPE OF THE STUDY

The carpet marketing industry is spread all one Iran but the major market center are located at six big cities such as: Tehran, Mashhad, Isfahan, Tabriz, Yazd and Kerman. Hence the present study confines its analysis from the data gathered from the respondents (both exporters and sellers) situated in these six cities. These cities handled 90% of the production of hand-woven carpet and mainly focus on exports. The data gathered was for the period 2006-2007.

RESEARCH DESIGN AND METHODOLOGY

Basically research design is a plan for collection, measurement and analysis of data. The design includes development of a strategy for collecting primary data through a structured questionnaire and subsequent interviews through personal visits, observations, data collection and analysis of the same. It also includes interpretations of analyzed information and drawing inference of the same. The research study is a formal one, the goal being to test the hypothesis.

DATA SOURCES

The relevant data for the study was collected both from primary and secondary sources. The method selected for gathering primary data was through questionnaire,
interviews and observations. Primary data was collected by conducting surveys and structured interviews.

Secondary data represents studies made by others for their own purpose such as relevant reports of prior research studies, published documents by other authors, article on internet, periodicals, books and newspaper reports. Data from secondary sources assists in understanding what needs to be done and will help in building of hypothesis.

The data was also gathered from various institutional records such as:

1. Professional journals, published books, electronic business newspapers and Magazines, etc,


**SETTING**

This study was administrated at six of the big cities in Iran (Tehran, Mashhad, Isfahan, Tabriz, Yazd and Kerman).
SAMPLING

The sample for this study was chosen by using random sampling method. The main exporters and sellers of the six cities were identified with the help of trade directories. The total number of respondents were 130 of which 45 were exclusive exporters and 85 were domestic sellers as well as exporters.

METHODOLOGY

A list of sellers and exporters in the six cities (Tehran, Mashhad, Isfahan, Tabriz, Yazd and Kerman) were identified with the help of Trade Directories of Iran. A sample of 130 consisting of 45 exporters and 85 sellers were selected on random basis.

A structural questionnaire (Ref: Annexure) was prepared and administered to the selected respondent. This is followed by several visits and interviews with this concerned. The data of the survey were analyzed with appropriate statistical tools. SPSS package was used for the analysis of the data.

STATISTICAL UNIVERSE

This statistical universe includes a group of individuals having one or more common characteristics that are the subject of the researcher. The Statistical society of this research includes all the carpet sellers and exporters of Tehran, Mashhad, Isfahan, Tabriz, Yazd and Kerman.

The sample of this study was chosen by using random sampling method. Having the list of exporters and carpet sellers in setting of the study, 130 were selected, out of 130, 45 were exporter and 85 were carpet sellers.
TOOLS USED IN THE STUDY

To collect the data required for the study, a questionnaire was developed based on the objectives of study by the researcher. To describe and analyze the collected data through the questionnaires, SPSS software has been used. This questionnaire included 78 questions in likert scale (can not say, very little, little, much, very much).

THE STATISTICAL METHODS

The analysis of the data of this research was performed at two levels: descriptive and inferential statistics. At the descriptive level, the frequency, percent, mean and deviation of standard and in inferential level t-test was used.

LIMITATION OF THE STUDY

The study is based on the information furnished by the respondents. All the information planned for study and analysis has been collected through several personal visits, discussions and interviews. Some of the respondents were reluctant to reveal certain facts. Some of them agreed to give information on the assurance of maintaining confidentiality. Further the data was gathered from a group of sampled respondents which were in the form of opinions. There was no occasion to verify the veracity of the information. However, the researcher is confident that the data gathered is highly reliable.

CHAPTER SCHEME

The treatise has been organized in six chapters in a logical sequences.

I. Introduction

II. Profile of Iranian Economy
III. Carpet industry in Iran

IV. Analysis and interpretation of survey data-I

V. Analysis and interpretation of survey data-II

VI. Summary of findings, suggestions and conclusion

The introductory chapter gives a background picture of the study. The technical aspects of the study such as statement of the problem, objective and scope of the study, research design, and statistical tools used are all discussed. A comprehensive literature surely on the topic has been made in this chapter.

In the second chapter a profile of Iranian economy has been presented. Brief details about the composition of exports has also been included.

In the third chapter a detailed account of carpet industry in Iran is presented. The discussion focuses on hand woven exports. The problems of the industry are also discussed.

In the fourth and fifth chapters the perceptions of Exporters and Sellers towards different aspects of hand woven carpet industry including export marketing are analyzed. Hypothesis testing has been done in this chapter.

In the sixth chapter, the findings of the study are summarized, this also includes conclusions and recommendations.
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