CHAPTER - I

INTRODUCTION
1.1 INTRODUCTION

Economic development of any country depends upon the integrated development of all sectors of its economy. In spite of our march for the past 60 years towards achieving the impressive records in economic development, we could not admire the desirable harmonious relation between the decentralized traditional sector and the organized modern sector. About 50 years of control regime and a regime of import substitution, the Indian economy was opened up during early nineties with an export promotion strategy. Liberalisation of restrictions on private sector economic activities and progressive integration with the global economy were the two major plans of the economic policy reforms in India since July 1991. The objective was set to upward the Indian economy.

Among all the policies liberalized during this period trade policy occupies a special status. An optimist trade policy is an engine of economic growth. Two major problems galloped our economy as the problem of Balance of payment and Unemployment; both are considered as two sides of a coin. The Balance of payment crisis was the result of the earlier import substitution policy pursued till early nineties. The main reasons attributed for this crisis were export stagnation, instability in export earning, inflammable balance of trade etc.

The Balance Of payment crisis can be temporarily managed by borrowing from foreign countries or institutions or grants or foreign direct investment or through foreign remittances. But, assessment reveals that these are not the solution to the growing crisis, rather they add more to the crisis. This is evident from the situation which happened at Latin American countries, where large scale borrowing from the foreign countries and foreign agencies increased the debt-servicing liability of the countries. It is reported that in 1970, Brazil had to use 66 percent of its export earnings to meet principal and interest component of its foreign debts. The strategic importance of export trade in the economic development of a developing
The other major problem of poverty and unemployment is emerging as biggest ever crisis of India. This problem can not be tackled only by depending on the organized industrial sector and domestic market. Factual evidence to this effect reveal that though the industrial growth rate per annum has been doubled from an average of 4 to 5 per cent during the Seventies to 8 to 9 per cent in eighties, the employment generating potentiality of this sector has been reduced to half i.e. from 3.1% in seventies to 1.3% in the eighties. It can therefore, be asserted that the organized sector has failed miserably in generating needed employment opportunities. This problem is expected to assume new dimension with the persuasion and introduction of modern technology, which emphasizes on replacement of labour intensive technology by capital intensive technology.

But the irony is that the organized industry sector has received the lion’s share of attention under the five year plans, with utter disregard to the endowment pattern of our country. Our country has had a dualistic development in the co-existence of modern and prosperous sector of trade and industry on the one side and traditional and backward rural industries on the other side.

Besides those two, the economic performance and rate of economic growth experienced by India prior to opening up of the economy can be well assessed from the fact that during the four decade fiscal years (1950-51 to 1980-81), the average annual growth rates of gross domestic product (GDP) at factor cost i.e. (at 1993-94 prices) had been stuck around 3.5 per cent per annum. It rose by more than two percentage points per annum to 5.8% p.a. during the decade 1980-81 to 1990-91. The average of the annual growth rate of GDP dipped to 3.8% per annum during the three year period of fiscal contraction 1990-91 to 1992-93. This was followed by a spot in the average aggregate growth rate at 6.6% per annum. During 1993-94 and 1998-99 this was higher than that during the decade of the
1980's. The GDP has been measured during the year 2003-04 is 8.1 percent, which indicates an upward growth.

The overall performance of economic growth when compared with the East and South East Asia (South Korea, Taiwan, Thailand, Indonesia, Malaysia and China) which started around the same level of per capita GDP as India in the 1950s but today they all enjoy much higher living standards than those in India. This is despite the fact that India had a headlong start in industrialization well ahead of those countries in the 1950's. The crucial difference between India and the East and South-East Asian countries was their rapidly growing economies due to earlier liberalization of their trade and markets. The rapidly growing East and South East Asian countries, the neighbours of India irrespective of their geographical size, demography could provide better standard of living by aggressively participating in the global economy. It all required good internal policies, competent governance, incentive structure, technological innovation, quality development in human resources and a responsible macro-economic environment. A statement issued by EXIM Bank is very much relevant here which points out that "international trading opportunities can act as powerful instrument in stepping up the rate of economic growth provided the internal mainsprings of the growth process are maintained and continually strengthened". Thus, there is an indispensable link between progressive globalization of the Indian economy and the rapid economic growth to mitigate the emerging social and economic crisis.

A major segment of trade liberalization is export and import. Historically, over the last three centuries, mutually gainful global opportunities of exchange of merchandise exports have determined the prosperity of the country. Today it boasts for 100 billion dollar foreign exchange resources that give us a status. Economic growth rate is seriously affected when foreign exchange position becomes adverse due to the depressed level of exports and high level of imports.

So, exports have assumed a significant place of importance in the process of economic development. Export is the biggest provider of foreign
exchange necessary to finance our industrialization process. It is required to finance the import of modern and sophisticated machinery and equipment, technical know-how, intermediate goods etc. Exports also generate irresistible surplus, which create capital for industries and thereby acts as a panacea of unemployment.

The economists are of the opinion that for a set of low income countries including India, volume growth of their exports was strongly associated with their rate of economic growth. Export promotion strategy besides acting as a propellant to economic growth, entails various benefits in the form of greater utilization of plant capacity, specialization in commodities of special advantage, increase in efficiency, widening of market, innovation in technology, training of higher quality labour and competitive management. Export promotion has become an integral part of development process. Till date, the Union Government initiated many measures to promote exports. Up to 1973 only adhoc measures in the form of export controls were introduced. Since 1973, different measures like duty exemption scheme, foreign trade zones, 100 per cent export oriented units, subsidies on domestic raw-materials, fiscal concessions for exports, export credit and assistance to export promotion councils and blanket exchange permit scheme etc. were introduced. In 1984, the Union Government has adopted export oriented import policy. Further during 1991 substantial liberalization were introduced wherein in the first stage the Government devalued the rupee by 18 per cent against the basket of five currencies. During 1993-94 the budget introduced full convertibility of rupee on trade account. The Govt. announced comprehensive modifications and liberalizations to import – export policy in different years.

An interesting revelation was made by Sri S. Gurumurthy in the Indian Express a daily English news paper during 1993 that of our total exports 35 per cent is contributed by small scale sector and a major portion of that also was contributed by un-organised sector. It also accounted for half of the industrial production and employs over fifteen million people. This sector has a definite potential for providing increasingly larger
employment opportunities with relatively a smaller capital. The share of un-organised sector in the total exports of the country and the exports of Very Small industries (VSI) sector (un-organised) during the plan periods is more than half of the total exports of the country. The size of the exports of this sector is quite large and it is learnt that it has got good potential in future. The share of traditional products in the total VSI exports is equally significant. Despite problem of decentralization, lack of encouragement from the Govt. and State of economy, the traditional and un-organised sector registered a higher share in the total VSI exports. The share of handicrafts exports in VSI is also very significant. The product groups accounting for major share of exports are carpets, embroidered goods, hand printed textiles, art metal ware etc. the share of handicrafts in India’s total exports has increased from negligible percentage in 1961-62 to 16 per cent in 1982-83. It includes gems and jewellery (77% of handicraft exports in 1984-85), hand knotted woolen carpets (9.3% of exports), metal wares (4.9%) cotton rugs (1.9%), hand printed textile (1.4%) and wood wares (0.7%). Other minor exports are shawls among products, ceramics, stonework, cane and bamboo, incense, paintings and so on.

In a span of five years since 1994-95 exports of handicrafts grew by 89% in rupee terms and 41 per cent in dollar terms, from a level of Rs.3738 crores in 1994-95, they touched Rs.7072 crores in 1998-99. Findings like the above are definitely encouraging for the developing countries like India which are seeking to productively employ large number of skilled and semi-skilled craftsmen. A major chunk of these labour force works on the export sector, as many of the products are "rich man’s goods" (Hirsch 1997).

Government of India recognizes the export potential of Indian handicrafts from the point of view of employment generation and foreign exchange earnings. The Union Govt. implemented a number of promotional schemes for the upliftment of craftsmen as well as the sector. The schemes include training, designing, marketing, product exhibitions, export incentives, planning and research. The Export Promotion Council (handicrafts and carpets) organizes market promotional activities like
arranging seminars, fairs, exhibitions at international as well as national level. Participation in such activities abroad and in India has brought good results to individual enterprises.

Though export friendly government policies and positive efforts by the exporting community, the total exports from this country has increased substantially during the period from 1998-2003 but the contribution of un-organised sector or better say the source of procurement of the merchandise remained unattended. It is a fact that the trans-national companies products are available at all places throughout the world may it be USA or Europe or Latin America or Africa. Now the question is what all these giant companies are exporting. Sometime back an effort was made by some NGOs to find out the truth and it provided with startling revolution. That all the multinational and big companies are exporting agricultural, forest and handicraft products basically which are un-organised sectors. India has a rich heritage in the manufacture of handicrafts and handlooms which are superb and second to none in the world market. The export growth rate came down by 2.68 per cent during April-96 to February-97 against a projected growth rate of 5 per cent for the year (Indian Express – April 3, 1998). At a time when exports in general were registering a decline in growth by 4 to 5 per cent, the handicraft and the un-organised sector maintained a healthy growth of 15 per cent in rupee terms and 9 per cent in dollar terms. It earned Rs.3568 crores worth of foreign exchange during 1997-98 and projected to fetch Rs.5000 crores during 1998 (Indian Express, March 10, 1998). Indian council for Research in International Economic Relations (ICRIER) in 1993 estimated the world market for 74 items of handicrafts to be of US D 66.5 billion in value terms, excluding gems and jewelers the value of exports was $ 44.3 billion in 1991. Assuring the growth rate of these items at 10 per cent per annum as believed by market observers, world trade in 1999 might have reached US D 75 billion, to US S 100 billion as was projected by the Export Promotion Council of India (EPCH).
However, it is observed that the handloom industry of Orissa in the country in general is passing through a very difficult time. The introduction of new economic policy (NEP) and adoption of SAP (structural adjustment programme) measures by the Government of India since 1990 have resulted in downfall and decelerating growth of the handloom sector. The primacy of the market economy and globalisation without adequate innovative measures and support for the handloom fabrics have slowly started affecting the growth of the industry and livelihood of the weavers all over the country. Economic liberalisation measures during their last ten years of implementation have generated many negative and unintended effects on the traditional craft industries of the state, particularly the handloom and handicrafts. In the absence of the state patronization and innovative measures to popularise the consumption of craft goods among the affluent and well-to-do sections of the community, the traditional craft industries of the state, particularly the handloom industry has been a major victim of market led growth deceleration and fall. According to 1987-88 Handloom Census, the weaver population of Orissa was 4.15 lakh which constituted 1.31 per cent of the state population as per 1991 population census. The census reveals that in 1987-88 the state had all total 1.19 lakh looms including factory-based handlooms. However, out of that only 92 thousand or 0.92 lakh handlooms were reported to be active looms and the rest was non-functional. Among the weaver population of the state the SC and ST weaver population respectively constituted 29.75 per cent and 1.58 per cent of the total. When we look out at their work participation rate, it is found that 0.88 lakh or precisely 88,405 (21.29%) were engaged in fulltime weaving works and 28,429 (6.85%) in part time weaving activity. Besides that 76,534 persons (18.43%) were engaged in preparatory works on full-time basis and 50,360 (12.13%) on part-time basis. This means among the weaver population of Orissa 39.72 per cent were fulltime workers and 30.56 per cent were part-time workers. Precisely, the industry as a whole was providing direct employment to as high as 2.44 lakh persons at the time of 1987-88. The latest Handloom Census conducted by the NCAER (National Council for Applied Economic Research) during 1995-96, however, shows that the number of commercial looms in Orissa was
76,645. In these looms 81,440 persons were working as full-time weavers and 23,236 were part-time weavers. Added to this, 45,210 persons were engaged in full-time preparatory works and 58,172 persons were employed on part-time basis. Thus, during 1995-96, the handloom industry of the state was providing direct employment to 2.08 lakh persons as against 2.44 lakh persons during 1987-88. This shows that the handloom sector in Orissa has registered a marked decline in the post liberalisation years.

As discussed earlier the skill level of the weavers of Orissa widely varies across different weaving sub-castes, so also the types and quality of the fabrics woven by them. Handloom weavers of Orissa produce a wide variety of fabrics such as sarees (which constitute the major component), dress materials, scarf, dhotis, towels, other fabrics of day to day use as well as the highly artistic calligraphy on fabrics (wall hangings), etc. So far as designing and techniques are concerned, it varies from double ikat (tie and dye) involving highly intricate designs woven by the Bhulia weavers of undivided Sambalpur, Bolangir, Kalahandi and Phulbani districts (such as Pasapalli, Bichitrapuri, etc) to single ikat woven in Maniabandha, Nuapatna area of Cuttack district (Khandua designs) to extra warp and weft designs like Bomkai, silk of Berhampur, cotton of Khurda district, vegetable dyed fabrics of Kotpad (Koraput district), fine count sarees of Jagatsinghpur and Tassar fabrics of Gopalpur, Fakirpur in Kendujhar district. The list is long and represents the richness and wide diversity of Orissa handloom, which is yet to be exploited to its full potential.

Although Orissa is a traditionally non-cotton growing state, it has a substantial and numerically larger size of weaving population depending on handloom industry for their livelihood. It is a traditionally castes based occupation and during monarchical rules the handloom industry and the different weaving sub-castes with their specialties in specific designs and fabrics flourished in different parts of Orissa with the local royal patronage. Since medieval days, it has gained the status of largest craft industry in Orissa and also its importance in the economic life of Orissa. However, it is alarming to note that the industry is now in its declining stage due to lack of state support in the post liberalisation years. The various types of subsidies
provided to the weavers through the co-operative societies in terms of inputs and marketing support is now no longer available from the state sector. The production of 'Janata' cloth such as plain sarees, dhotis, towels, napkins, etc. woven mostly by the lowly skilled scheduled caste weavers of Orissa in the co-operative sector was stopped all of a sudden, when the Government of India launched its NEP and SAP in early 1990s. This has resulted in occupational displacement of many lowly skilled weavers. This becomes evidently clearer when we compare and look at the figures of Handloom Census conducted by the Government of India in 1987-88 and by the NCAER in 1995-96. It is, further, observed that, of late, the demand for tie and dye fabrics have also been substantially falling down. This is not only causing the problem of underemployment and sub-minimal level of earning among the highly skilled weavers, but also many among the low and medium level skilled weavers are found to be giving up their traditional family occupation due to slump in demand of fabrics woven by them. Even in 1987-88, the total quantity of handloom cloth produced in the state by the organised co-operative sector was 753.02 lakh sq. meters and its total production value was Rs.567.0 million at current prices. However, this was reduced to 413.74 lakh sq. meters and Rs.860.42 million in 1995-96 and further to 121.78 sq. lakh meters and Rs.537.0 million at current prices during 1999-2000.

Further, Orissa is well endowed with natural mineral, marine, agricultural and forest resources but has a high level of poverty at 55 percent of the population, compared with the national average of 39 percent (NCAER, 1999). The main forest types are northern tropical semi-evergreen and moist deciduous and the main commercial timber species are *sal* (Shorea robusta), *pia-sal* (Pterocarpus marsupium) and *asan* (Terminalia tomentosa) and among the main non-timber species are bamboo, *kendu* (Diospyrus melanoxylon), *mahua* (Madhuca indica) and tamarind (Tamarindus indica). The state has also wide potentiality on the forest and forest related products.
Industrial Policy Resolution: 1996

The Industrial policy 1996 Orissa records high prior to export promotion, which may be elucidated as follows.

- Greater support extended to export oriented industries
- Export promotion industrial park was established at Bhubaneswar with assistance from Ministry of Commerce, Govt. of India.
- The Government invited private participation for the establishment of export processing zones.
- Instead of export of raw-materials, thrust was given to mineral based industries for value addition.
- Priority was accorded to export oriented units.
- Up gradation and assistance was due to be given to Export Promotion councils in the state.
- Organisation of export exhibition and trade fairs were to be arranged at regular intervals and at various places inside the country.
- Establishment of a Sophisticated Trade cum- Exhibition Centre at the capital city of Bhubaneswar.
- 100% export oriented industries with on project outlay of more than a crore of rupees shall be treated as priority industries. Maximum limit of exemption of sales tax (200%) was declared on the fixed capital investment and the period of exemption was extended by two additional years. This was allowed if the project cost was beyond Rs200 crores.

Industrial Policy Resolution: 2001

Transforming Orissa into a vibrant industrial state remains an important goal in the beginning of the new millennium. The economic reforms and the liberalization process initiated in 1991 provide an important opportunity to the State to leverage the natural resources to attract investment, both domestic and international. The super cyclone in October 1999 caused widespread damage to all sectors of the State's economy, including industry. Reconstruction of the shattered industrial economy poses a major challenge to the Government as well as the civic society. At the same time, the combined forces of economic globalization and governance-
decentralization, pose new challenges to the policy-makers and call for a profound redefinition of the way. Against this backdrop, it has become necessary to win the trust of the industry by demonstrating the commitment of the government to attract investors and by creating a positive perception of the state as a desired destination for industrial investment. Further, by taking a fresh look at the existing policy to build upon existing strengths and eliminate weaknesses as well as redefining the objectives and priorities and by establishing mechanism to ensure effective and timely implementation of the policy.

Mission of IPR-2001:

The mission of this IPR-2001 was to create a business climate conducive to accelerate investment in industry and infrastructure projects, to raise income and employment along with economic growth in the state by reducing regional disparities in economic development. Government will encourage private initiative and restrict its intervention to such areas where it enjoys a distinct comparative advantage by inviting private investment for the development and operation of quality infrastructure and by promoting the image of Orissa as an attractive destination for investment and tourism along with a proactive role in selected sectors such as: Mineral-based industries, Craft-based products, Agro and marine-based industries, industries based on medicinal herbs and minor forest produce, Tourism, Electronics, Information Technology and Bio-technology, encourage the creation of SSI clusters in similar lines of business. Further, by leveraging the potential in Special Economic Zones to build the concentration of technologically advanced manufacturing industries.


This resolution aims at reinforcing and further expanding this process of IPR-2001. Further, in response to the strategic initiative taken by the State to leverage its abundant mineral and other natural resources to promote maximum value addition within the state, a large number of investment proposals have been received for setting up of mineral based industries such as steel, power, alumina and aluminium. Government also
has taken steps for the promotion of Special Economic Zones (SEZs) at
different locations of the state. During this period, the state government
have executed Memoranda of Understanding (MoU) with several leading
private investors, including foreign companies for setting up of steel,
alumina / aluminium, power, cement and other projects in the state
involving a total investment of about Rs.400, 000 crores.

Comprehensive policy support shall continue to be extended
to Micro and Small Scale Enterprises (MSE) sector in the areas of credit,
marketing, technology development, quality control, infrastructure and
rehabilitation. With a view to maximizing the outcome and impact of the
current industrialization process, special efforts shall be made to promote
maximum possible forward and backward linkages between Large, Small
and Medium Enterprises (SMEs) through development of ancillary and
downstream industries. While accelerating the ongoing efforts, the IPR
2007 shall provide a new direction to the industrialization process by
encouraging further value addition specially focusing on sectors on
handicrafts, handlooms, Khadi and village industries, coir industries and
salt sector, which also offer huge employment opportunities. Special effort
shall be made to provide them with support in areas such as design
development, technology, credit and marketing. The Export Promotion and
Coordination Cell (EPCC) which has been constituted in the Industries
department shall formulate an export policy and action plan for export
promotion for the State and coordinate with other departments /
organisations / agencies to promote exports from the state. Further, VAT
shall be exempted on finished products of Khadi, Village, Cottage and
Handicraft industrial units and traditional coir products excluding artistic
footwear, cosmetic jewellery, embroidery works, zari works, gemstone,
silver filigree, woolen carpet sold at sales outlets of authorised
cooperatives/ government agencies and agencies recognised by Khadi and
Village Industries Board/ Commission, Coir Board, Coir Corporation,
Handicraft Corporation and District Industries Centre. For export
promotion an Export Resource Centre shall be established in the
Directorate of Export Promotion and Marketing.
Ironically, the programme announced by the state government is not so encouraging to boost the export of the products of handloom, handicraft and other products of un-organised sector. A comparison of statistics of export value both in terms of rupee terms and percentage terms reveals the fact that the Industrial policy brought out in 1996 to boost the export from the state has failed miserably in its objective. The export of agriculture and forest products was exported to the tune of Rs.1728.06 lakhs (0.91%) during 1998-99 was reduced to Rs.968.68 lakhs (0.44%). The export of handloom and textile products during 1998-99 was placed at Rs.1478.38 lakhs (0.78%) which was drastically comedown to Rs1034.88 lakhs (0.47%). Incase of handicraft products though there was a slight increase in export in rupee terms firms Rs.65.45 lakhs (0.04%) to Rs78.16 lakhs, but in percentage terms it remained stacked during the same period of time. The above figures does not give an encouraging picture which can be summed up that the state has offered very little to boast to export the products of un-organised sector which has a real potentiality. A private survey undertaken to assess the potentiality of export of certain items of un-organised sector disclosed that the items are being exported but not by the Govt. of Orissa or any agency of the Govt. but by the private firms of other states. The products are connected by middlemen from the rural hinterland. The two meal solution to this acute problem of poverty and unemployment lies in revitalizing the un-organised sector in which employment and income generation potentiality is much brighter than that of organized sector. Restructuring and revamping of un-organised sector, therefore, assume importance along with an encouraging and conducive export policy as well as assistance from the Govt.

Against this backdrop this doctoral research makes an humble attempt to make recommendations to policy makers in the areas of export promotion and development of un-organised industrial sector.

Recently, government of orissa has taken initiation in implementing certain strategic schemes and policies to boost the un-organised sector in orissa. The followings are as:
(a) Aam Admi Bima Yojana:

It aims to provide insurance to the head of the family or an earning member of the family of a rural landless household who is aged between 18 and 59 years against natural as well as accidental death and against partial/permanent disability. The family is entitled to Rs 75,000 as insurance in case of accidental death or permanent disability of the head or earning member of the household.

(b) Health Insurance Scheme for un-organised sector workers:

The Health Insurance Scheme for Workers in the unorganised Sector would be launched in a phased manner for BPL workers/families in step by step. All the beneficiaries will be issued smart cards for identification.

(c) Mission Shakti:

Mission Shakti was launched by Hon'ble Chief Minister of Orissa. The Mission aims at empowering women through formation and promotion of one lakh women's Self Help Groups over a period of 4 years i.e. from 2001-2005 and strengthening the already existing ones. Tie up has been made with Orissa Khadi and Village Industries Board and Orissa Khadi and Village Industries Board and Orissa Khadi and Village Industries Commission for involvement of Women's Self Help Groups in their REGP (Rural Employment Guarantee Programme). Tie up has also been made with Directorate of Fisheries for providing technical support to the SHGs. In collaboration with UNDP, it has been decided to impart computer literacy to Women's Self Help Groups in 38 IT Kiosks in the State. This step aims at skill up gradation of women and their consequent empowerment.

Exhibitions of Self Help Group goods are being organised with the help of ORMAS in different districts of the State. Project "Shakti Gaon" has been introduced in the State for engaging Self Help Groups as retailers of LPG cylinders for rural households. "Women Welfare Fund" has been created in Ganjam district which shall be replicated in other districts too. Again, women Self Help Groups are taking up varieties of income-generation activities such as piggery, goatery, pisciculture; dairy, setting up of Public Distribution System outlets, kerosene dealership, execution of labour
intensive works, vegetable cultivation, floriculture, horticulture, carpet making, khali stitching, bee-keeping, rope making, making painting arts, making of appliqués, and jewellery etc.

**Poverty reduction mission:**

Government of Orissa has initiated a project on rural livelihood promotion with support from World Bank to help people come out of the vicious cycle of poverty. The project goal is to work towards social and economic empowerment of the rural poor, workers in un-organised sector and women. This project would be implemented through Orissa Poverty reduction Mission (OPRM). It will be implemented in 10 districts out of the total 30 districts in Orissa. The objective of the project is to develop economic organization of the rural poor and producers as well as workers of un-organised sectors and to enable them to access and negotiate better services and assets from public and private sector agencies and institutions. The project would also invest in building capacity of public and private service providers. It also aims to focus on stimulating productivity growth in key livelihood sectors and thus increase the employment generation options in project areas. It aims to position project investments to be catalytic in nature to spur public and private investment that benefit the poor. The proposed project components are formation and strengthening of Self Help Groups, producers groups and federations, provision of community investment funds for these organizations and project management.

1.2 **OBJECTIVES:**

This research has been formulated primarily to ascertain the export potential of un-organised production units by the artisans in Orissa. More specifically the study intends to pursue the following objectives.

(a) To make a genesis of industrialization programme (of the state and the country) related to un-organised sector.
(b) To make a study of interface between policy option and institutional measures.
(c) To identify export potentialities of this sector
(d) To find out the road blocks to the accomplishment of the desired target and
(e) To recommend the policy suggestions on the basis of the findings.

1.3. HYPOTHESES:
In the course of analysis, we propose to test the following hypotheses. However, the testing of the hypotheses is applied only to the sample of the study. Proper significance tests are not possible due to inadequate considerations and clarity, limited period and small size of the sample. The hypotheses are:

(a) Effective market information regarding the demand, choice, quality of the products in the markets abroad by government or non government agencies will definitely help our artisans and entrepreneurs in giving a boost to our export.

(b) Along with the market information, training about appropriate design and technology will help them to sustain in the competition from other developing countries.

(c) Special incentives and assistance from the government agencies specially for exporting the products of un-organised sector will directly help the un-organised sector.

1.4 RELEVANCE OF STUDY
Most of the studies have been undertaken in the past, dealt with the export potential, but no in depth study was undertaken for artisans engaged in producing handicrafts in Orissa and its export potentiality. Further, a study has been carried out to measure the efficiency of un-organised sector regarding this product. This present study signifies a
detailed examination of factors related to export potentiality of handicrafts. The study makes sincere efforts to keep a close link between the psychological factors of the artisans, efficiency and productivity and export potentiality.

1.5. RESEARCH DESIGN AND METHODOLOGY

This research will be pursued with the help of both primary and secondary data. It intends to determine the composition and pattern of unorganised sector, small scale units and artisan units' development and to identify their problems and prospects. In order to pursue the objectives mentioned above, the research methodology will comprise of the following.

(a) A thorough survey of all available literature in the areas of unorganised sector development and their role in export promotion.

(b) Collection of secondary data from various published sources.

(c) Collection of primary data through circulation of questionnaires to selected respondents. The sample size has been fixed to 318 artisans covering from all the handicrafts segments. Mostly the samples were selected from the artisans of Balakati, Balipatna, Pipli, Raghurajpur, Konark villages of Puri district and from Cuttack town, those are involved in the trade of making applique, stone carving, paintings, Pattachitra, Bell metal and jewellery. The samples were selected at random from the different production centres of these places of Puri district and Cuttack town and included with both male and female. Most of the handicraft production centres are running in these areas of Orissa. So samples has been selected from these areas covering from the different age groups, income groups, educational background etc.

(d) Classification and tabulation of collected data are according to their specific characteristics relevant to this research.
(e) Preparations of graphs, diagrams and charts to reveal the growth patterns and future trends.

(f) Processing of data with the help of analytical tools through computer packages.

ITEMS OF EXPORT CONSIDERED FOR THIS STUDY:

Products of utility, decoration, for ornamentation, collection for acquiring as possession, marine products and agri-forest products.

<table>
<thead>
<tr>
<th>PRODUCTS</th>
<th>SKILLS</th>
<th>RAW MATERIAL</th>
<th>END USE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Statues; Decorative, kitchenware’s.</td>
<td>Carring, Shopping etc.</td>
<td>Stone</td>
<td>Collections, Articles of utilities.</td>
</tr>
<tr>
<td>2. Brass and Copper, Art ware, Decorative, Kitchen and Tableware’s (Filigree) etc.</td>
<td>Casting, Engraving, Enameling.</td>
<td>Metal</td>
<td>Interior decoration, Collection, Fashion Accessories.</td>
</tr>
<tr>
<td>4. Terracotta and Ceramic.</td>
<td>Moulding, shaping, painting, Gazing etc.</td>
<td>Clay and Ceramic</td>
<td>Interior Decoration</td>
</tr>
<tr>
<td>5. Statues, Furniture, Toys, Decorative etc.</td>
<td>Carving, Engraving etc.</td>
<td>Wood, Cane and Bamboo</td>
<td>Interior Decoration, Collection, House Accessories Utilities etc.</td>
</tr>
<tr>
<td>6. Mats, Bags, Baskets etc.</td>
<td>Wearing, coiling Tying</td>
<td>Straw, Fibre and Grass</td>
<td>Utilities, Decorative.</td>
</tr>
</tbody>
</table>

In order to study the export performance of un-organised sector of Orissa, export data were obtained from the exporters of handicrafts, and the firms exporting agricultural and forest products.
exporters of marine products, exporters dealing in handloom products, firms dealing in textile and sector in gems and jewellery.

Besides, the artisans, small time entrepreneurs were interviewed; to sustains the problems and prospects of their units. They were also asked about the export potential and the market of their product outside the country.

Some government officials were also interviewed to their plan of work and asked for their suggestion to give a lift to the export of the products of un-organised sector, which in fact are now done by the private agencies belonging to other states.

1.5.1. Nature Of The Data Required

The data required for the purpose of the study are of the following nature:
(a) Information relating to factors related to control considerations in export potential in different industries in India after entry in the market.
(b) Information relating to un-organised sectors in India distributed in different regions. Information relating to the nature of trade, Type and region of sample artisans and their efficiency and potentialities has been collected.
(c) Some articles also been collected from different journals, newspapers, web sites etc.

1.5.2. Source Of Data

This study is mainly depends on primary data. The data collected from the 318 respondents covering all the areas as Balakati, Kantilo, Raghurajpur, Pipili and Puri in different trade like Stone statue making, Appliqué making, Bell metal, Jewellery, Painting and Knitting etc. The data collected here were from personal interviews conducted by the scholar. The questionnaires set was mainly based on the basing of market potentiality and socio economic status of the artisans.
1.5.3. Selection of Samples

Keeping in view the scope of the study, it was decided to choose artisans on the basis of purposive sampling rather than taking the whole thing. The sample coverage here is taken from the angel of type and nature of the trade. Total of 318 samples have been taken in this study. The samples were taken from different handicraft trades. As in these areas, most of the artisans of that respective trade live on and maximum cooperatives and different agencies are also exist in the capital city of Orissa, the samples were selected from these places.

Table -1.1

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Nature of craft</th>
<th>Block/Village</th>
<th>Dist</th>
<th>Sample No.s (318)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bell Metal</td>
<td>Balakati</td>
<td>Puri</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>Applique</td>
<td>Piplili</td>
<td>Puri</td>
<td>09</td>
</tr>
<tr>
<td>3</td>
<td>Painting &amp; Pattachitra</td>
<td>Raghurajpur, Puri town</td>
<td>Puri</td>
<td>98</td>
</tr>
<tr>
<td>4</td>
<td>Jewellery</td>
<td>Cuttack town</td>
<td>Cuttack</td>
<td>41</td>
</tr>
<tr>
<td>5</td>
<td>Carpentry</td>
<td>Daspalla &amp; Puri town</td>
<td>Puri</td>
<td>69</td>
</tr>
<tr>
<td>6</td>
<td>Knitting</td>
<td>Piplii, Puri</td>
<td>Puri</td>
<td>80</td>
</tr>
</tbody>
</table>

(Source: according to the sample respondents)

Incomplete data:

To maintain uniformity of the samples, different trades have been included. On a further screening of these artisans, the number of sample had to be shortened because of the searching for a new type of artisans in the study. The performance and trend of handicraft units and cooperatives could not be availed either from their official directory or directly from artisans.

1.5.4. Scope of the Study

The present study i.e. "export potentiality of un-organised sector" has been divided in to two parts. The first part is confined to the analysis of the un-organised sectors and various factors of export potential along with
the policy of the government. It further discusses the literature relating to various aspects of un-organised sectors. On the other hand Part-II analyses the variables associated with export potentiality and the related mechanism in both artisan and cooperatives. Further, the responses from the respondents of sample artisans are examined and interpreted. To undertake variable-wise analysis, the sample has been classified in terms of type of trade. The second part also discusses the problems on export potentiality.

1.5.5. The Period of Study:

The period of study was concluded on 2006-07, as the artisan sectors taken here are totally declined their interest in the trade performance, which gives impact and was marked a rapid change. The policy decision of the Government introduced certain positive change in the artisan sector strategy. Hence the data collected in the year 2004-05 and 2005-06 and 2006-07, incorporated here for the study after the arrival of the new policies of the state.

The primary survey based on export potentiality from artisans in the process for a uniform presentation throughout the period of study. As a result we started our analysis, on primary data covering up to 2006-07 of sample artisans. However the period of study includes five years to study the impact on the behavioral trend in the process.

1.5.6. Techniques of Analysis

The data collected from the respondents of the sample companies are analysed with the help of different accounting and statistical tools and techniques. The techniques are discussed below. Such as:

1. FACTOR ANALYSIS

Factor analysis attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. Factor analysis can also be used to generate
hypotheses regarding causal mechanisms or to screen variables for subsequent analysis (for example, to identify co linearity prior to performing a linear regression analysis).

The factor analysis procedure offers a high degree of flexibility. Seven methods of factor extraction are available. Five methods of rotation are available, including direct oblimin and promax for no orthogonal rotations. Three methods of computing factor scores are available, and scores can be saved as variables for further analysis.

For each variable, number of valid cases, mean and standard deviation are taken for factor analysis. Further, correlation matrix of variables, including significance levels, determinant and inverse, correlation matrix, including anti-image, initial solution (communalities, eigen values, and percentage of variance explained), including factor loadings, communalities, and eigen values, rotated solution, including rotated pattern matrix and transformation matrix for rotated pattern and structure matrices are measured in this factor analysis.

Eigenvalues:

The third factor analysis output measures can be used to indicate how well each of the identified factors fit the data fro the entire respondent on all of the statements. This output measure consists of figures called eigen values and there is an eigen value associate with each of the factors.

Principal Components Analysis:

A factor extraction method used to form uncorrelated linear combinations of the observed variables. The first component has maximum variance. Successive components explain progressively smaller portions of the variance and are all uncorrelated with each other. Principal components analysis is used to obtain the initial factor solution. It can be used when a correlation matrix is singular.
Communalities:

The second of the three useful output measures from a factor analysis indicates how well the identified factors fit the data obtained from all of the respondent on each statement. The figures of rightmost column are called communalities. And for each statement they indicate the proportion of the variance in the responses to the statement, which is explained by three identified factors. The communalities associates with the other statement are similarly interpreted. Researchers can use these communalities to make a judgment to how well the factors fit the data. Since the three factor account for most of the variance associated.

2. REGRESSION

Although, lexically the term 'regression' means 'going back', or 'stepping down' the regression analysis is a statistical tool for measuring the average relationship between any two, or more closely related (positively, or negatively) variables in terms of the original units of their data.

The technique of regression analysis introduced as above as been defined variances by various authors. According to Taro Yamane, "One of the most frequently used techniques in economics and business research to find a relation between two or more variables that are related causally, is regression analysis".

Uses:

The regression analysis as a statistical tool has number of uses or utilities for which it is widely used in various fields relating to almost all the natural, physical and social sciences. The specific uses or utilities of such a technique may be outlined as under.

It provides a measure of coefficient of correlation between the two variables, which can be calculated by taking the square root of the product of the two regression coefficients i.e.
\[ r = \sqrt{b_{xy} \cdot b_{yx}} \]

It provides a measure of coefficient of the determination, which speaks of the effect of the independent variable (explained or regressed variable) on the dependent variable (explained or regressed variable), which in its turn gives us an idea about the predictive values of the regression analysis. This coefficient of determination is computed by taking the produced of the two regression coefficients.

i.e. \[ r^2 = b_{xy} \cdot b_{yx} \]

The greater the value of the Coefficient of Determination \((r^2)\), the better is the fit, and more useful are the regression equations as the estimation devices. Last but not the least, the regression analysis technique gives us an idea about the relative variation of a series.

(i) Simple and Multiple Regression Analysis

A simple regression analysis is one which is confined to only two variables say, X and Y. In such cases, the value of one variable is estimated on the basis of the value of another variable. The variable whose values are estimated is allied dependent, regressed or explained variable, and the variable that serves as the basis of determining the value of the other variable is called the independent, regressing, or explanatory variable. The functional relationship between X and y can be expressed as

\[ Y = f(X) \]

A multiple regression analysis, on the other hand, is one which is made among more than two related variables at a time say X, Y, and Z. In such analysis, the value of one variable say, Here, one variable is made dependent and the other variables independent. The functional relationship in such a case is expressed as under:

\[ Y = f(X,Z), \text{ or } X = f(Y,Z), \text{ or } Z = f(X,Y), \]

(ii) Linear and Non-liner Regression Analysis

A linear regression analysis is one which gives rise to a straight line when the data relating to the two variables are plotted on a graph paper. This happens, when the two variables have linear relationship with each other which means that with a change in the value of the independent
variable by one unit there occurs a constant change in the values of the independent variable by one unit there occurs a constant change in the value of the independent variable. The mathematical equation of such straight line (i.e. \( Y = a+bX \)) enables us to study the average change in the value of the dependent variable for any given value of the independent variable. The liner relationship is usually taken into account because of its simplicity and better prediction. Besides, a linear trend can be easily projected in to the future on the basis of such relationship.

A non-linear regression analysis, on the other hand, is one which gives rise to a curved line when the data relating to two variables are plotted on a graph paper. In such case, the regression equation will be a function involving the terms of higher order like, \( Y = X^2 \), \( Y = X^3 \) etc. These equations are not very useful for prediction purposes although, they are used for interpolation and some other mathematical operations.

(iii) Total and Partial Regression Analysis

A total regression analysis is one, which is made to study the effect of all the important variables on one another. In the regression equation the following regression analysis is made.

\[
S = f (A, I, P) \quad \text{and} \quad X = f (Y, Z, P) \quad \text{etc.}
\]

This type of regression analysis is usually made in the field of business and economics where values of a variable are affected by multiplicity of causes. A partial regression analysis, on the other hand, is one, which is made to study the effect of one, or two relevant variables (excluding the irrelevant one) on another variable.

3. CROSS TAB:

The Cross tabs procedure forms two-way and multi way tables and provides a variety of tests and measures of association for two-way tables. The structure of the table and whether categories are ordered to determine the test or measure.
Cross tabs' statistics and measures of association are computed for two-way tables only. If is specified a row, a column, and a layer factor (control variable), the Cross tabs procedure forms one panel of associated statistics and measures for each value of the layer factor (or a combination of values for two or more control variables). Ordinal variables can be either numeric codes that represent categories or string values. However, the alphabetic order of string values is assumed to reflect the true order of the categories. In general, it is more reliable to use numeric codes to represent the ordinal data.

1.6 Limitations of the Study

The study is based on the secondary data collected form the government reports, annual financial statements of the organization and different journals and periodicals of handicraft sectors. So the limitations common to secondary data and will be found in this study. Despite these limitations, all the statements continue to be a major source of data for microanalysis of artisan's behavior. The size of the sample is also restricted. Therefore, the limitations of the small sample apply to the study. The analysis of this study is based on cross tab and factor analysis, which have got their own limitations. The attitudes of the sample may not be same for all sample artisans as a result of which uniform statements could not be obtained. Different trades are having their own problems basing on to their convention and convenience. While preparing the socio economic format, the variables have been grouped and approximated. In the process, we have made the necessary adjustments even with the amounts, while presenting them in the statements. We have used the technique of regression, factor analysis, cross tab etc to interpret the analyzed data. But these techniques have their own limitations. Further, proper significance tests could not be made to generalize the findings of the study for the entire population. So one should carefully and judiciously use the findings of the study taking the various limitations into consideration.
1.7. ORGANISATION OF STUDY

The study has been organized into nine chapters including the present introduction chapter. Second chapter discusses the various studies undertaken by different scholars and authorities and organisations about export strategy and policy. Third chapter highlights on the export marketing services by government as well as other promotional agencies of the state. The problems and perspective measures of handicrafts have been defined in fourth chapter. The fifth chapter shows the export scenario of Orissa and chapter six contains primary survey and its interpretations and results are analysed with the institutional and policy measures. At chapter seven, challenges are to be measured with the potentiality. Institutional performance and interventions are to be highlighted in chapter eight and the last chapter be concluded with summary and conclusion along with strategic suggestions.

1.8. CONCLUSION

This research work aims at in depth study of the various problems associated with export potential to achieve the operational efficiency of un-organised sector. This study is mainly depends on primary data keeping in view the scope of the study. It was decided to select artisans on the basis of purposive sampling from different trades in un-organised sector. The literature here basically is on the various factors relating to export potential but regarding trades of un-organised sector, a few researchers have analyzed hence the objective of the study has been undertaken on export potentiality of un-organised sector. To measure the potentiality of sample artisans of the different trades the cause and effects of export potential has been taken. Besides this, to test the significance some hypothesis has been taken to test the validity. The hypothesis are taken from the primary data collected from 318 artisans. The selection of samples to study the export potential has been taken from the angle of type, nature and performance of the artisans. The study type is of the coverage from different un-organised sectors. Further, the period of study has been limited to the year 2006-07. The data collected from the
respondent are analyzed with the help of statistical tools and technique as factor analysis, principal component analysis, communalities regression and cross tab analysis. At least all these are having their own limitation in time, resource, etc and selecting the samples for the study. This present study has been divided into nine chapters and the 6th chapter deals on factor wise analysis of the artisans.
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