CHAPTER - II

PROBLEMS OF BRASSWARE INDUSTRY IN U.P.
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In spite of the vital role which the brassware industry plays in the national economy, this industry faces a variety of problems. Most of the problems of the industry arise from its being small in size. The industry seems to be caught in a vicious circle. Small size of establishment prevents from taking advantages which accrue only to large units, lack of these advantages prevent them from moving up the ladder. With this note, we discuss in the following pages various problems being faced by the Brassware industry in the State.

1. Production

Following are the various production problems being faced by the industry.

(a) Raw Material Problem

Brassware industry faces a major problem of non-availability of quality raw material at reasonable rates. In the existing set up, availability of quality raw material at reasonable rates continues to be a problem for small manufacturors. Small Karkhanedars with limited financial resources have to resort to open market purchase at very high prices. The wealthy traders, who invest
their funds in purchasing and storing the raw material for retail selling, afterwards try to exploit the small karkhanedars by charging exorbitant prices of material against the credit sale. If these small entrepreneurs try to import raw material, they fail to do so because their orders for small quantities are not accepted by exporters.

Copper and Zinc are the main items of raw material which are imported. The prices of these raw materials have considerably gone up in the international market. In order to enable the small scale producers to procure the raw materials at reasonable rates it is desirable that the state government should import it in bulk and make it available to the small units at fair rates.

(b) Traditional Production Methods

The technique of production in traditional, involving use of simple tools which have failed to improve the quality of productions and raise labour productivity. Most of the artisans and workers undertake manufacturing work by hand. There are only a few units which have installed machines for scraping and polishing work. The processes of casting, soldering, scraping, polishing, electroplating and lacquering can further be modernised to
improve upon the efficiency and output of workers. But due to lack of finance they are not in a position to invest their own capital. Considering the growing market and to meet the need of foreign buyers, there is pressing need to further mechanise and introduce improved technology in process of moulding and casting, soldering and scraping, polishing, electroplating and lacquering to increase output. It is also essential to provide opportunities to the artisans to learn the process of work not yet known to them.

(c) Power Problem

Shortage and interrupted power supply is another problem which adversely affects the production. The producers find it very difficult to adhere to production schedules to execute the foreign orders on time. The state government should allot more power supply to the industry.

So, the uninterrupted supply of power is essential for the smooth functioning of the industry to fulfill the requirements of the customers.

(d) Labour Problems

The whole of the Brassware industry is divided into
many processes and no single unit performs all the processes of manufacturing. Every worker is the master of his job and process and every article has to pass through different hands in different units under different processes before it gets the final shape. So, the problem of availability of labour is multiplied by the number of jobs under the industry, as there is demand for workers in all the jobs. Most of the artisans prefer to work at their living huts rather than to go to work in factories. This is the reason as to why the industry is purely a cottage one and whenever the private entrepreneur make efforts to set up a big unit, they fail for want of availability of trained labour in adequate number because there is no arrangement for any training of brassware workers by the manufacturers.

So, the training arrangement should be made through setting up brassware training centres at important centres of the industry like Moradabad, Varanasi and Mirzapur. This can be easily done by introducing craftsmanship courses in various technical branches of the Brassware industry in the industrial training Institutes located at or near by such centres.

(e) Quality Control Problems

It is inevitable for the producers of brasswares to
keep continuous watch over the quality of the products manufactured, not only for capturing new markets but also for maintaining the existing markets. However, presently there is no quality control in the Brassware industry. The quality marking centre set up by the Government of Uttar Pradesh is not looking after the Brassware industry. They have testing facilities, only for tin plating to check lead content on tin plated articles. Thus, this centre is not playing any developmental role. Keeping in view the suitable export sales and the promising export potential of the Brassware industry in the state, it is necessary on the part of the state government to cover the Brassware industry under the quality marking scheme. The state government should prescribe certain specifications to which the brassware must conform before quality mark seal is affixed. The brasswares may be inspected by the quality marking centre at various stages of production and finally after the completion of the whole article, according to prescribed specifications.

2. Financial Problems

The availability of adequate finance in time is essential for the smooth functioning of an industry. Brassware industry of U.P. requires large amount of
working capital because raw material alone constitutes about 60 percent of the total cost of production. The small Karkhanedar and artisan face this problem due to indifferent bank practices which demand security for loan whereas they do not own such security. Consequently, the small scale entrepreneurs fail to get the bank finance for working capital. The small entrepreneurs continue to face this problem even now as they did earlier. Keeping in view the significance of this export oriented as well as labour intensive industry, it is necessary on the part of the government to extend financial assistance for this industry at liberal terms and conditions without emphasising on security for loan.

3. Export and Competition Problems

Brassware exports have been facing tough competition in the international market from the countries like Taiwan, South Korea and Pakistan. Incidentally, the competition is not in respect of the handicrafts manufactured in India but in respect of such items which can be manufactured mechanically. Most of the planters and functional items are produced cheaper and at a greater speed by mechanical means in Taiwan and South Korea and some other countries who have flooded the international
market with their products. There has been a tendency to concentrate on the manufacturing and export of such items that are typically the products of individual artistic traditions.

While India is supplying the articles to a number of countries, the largest share being that of Saudi Arabia, U.S.A., U.K., U.S.S.R., Canada, Fiji, Israel and Netherlands, followed by Bahrain, Brazil, Egypt, Kuwait, Yemen, Sweden etc. Our competition is with the markets of Taiwan, South Korea, Pakistan, Japan, Hong Kong etc. Though each of these countries has its own clientele because of different characteristics of products, yet the competition is there due to the problem of close substitutes also. The worst part is that even amongst Indian exporters there is an internal competition. In order to maintain prices, the quality standards are lowered. The nature and extent of competition offered by Taiwan, South Korea and Pakistan is explained below:

TAIWAN

Taiwan offers competition to India specially in respect of plain and heavy items. The extent of advantages in respect of their items are:

(a) Quality of brass - such as the metal used by Taiwan is considered to be better.
(b) Taiwan enjoys distinct price advantage in plain and heavy items.

(c) The country is able to respond well to change required in shapes and forms.

SOUTH KOREA

Competition pattern of South Korea is similar to that of Taiwan.

PAKISTAN

(a) Pakistan enjoys a price advantage of 10 percent to 20 percent in respect of sheet item, plain brass item and a few cast item. The difference in engraving is of the order of 19:20 compared to India.¹

The handicraft items can be divided into three categories based on their use:

(1) Items which are considered purely decorative having prestige value.

(2) Items which have some utility value with substantial decorative features.

(3) Items which are primarily utilitarian.

While the product features play an important role,

¹ Manufacturers/Exporters Association, Moradabad.
the over riding marketing consideration seems to be the retail price range of the items, influencing the buying decision of the consumers.

As per the report of Indian Institute of foreign trade market share by price range is indicated below:

(i) If the retail value of an item is less than 2.50$ it is considered an expensive.
(ii) If the retail price is 2.50$ to 7.50$ or even upto 10$ it is considered acceptable.
(iii) If the retail price is beyond 10$ buying consideration is more exact.

(a) Tele-Communication Problem

Problems arise due to bad communication service between the exporters and foreign buyers. The lack of efficiency of the tele-communication has been causing a serious loss to our export trade. Unfortunately, the tele-communication service available at Moradabad is lacking to render efficient service for dissminating the information which is required by the foreign buyers on regular basis.

It would not be out of place to mention that even the Talex service too is short of the expectations of the export trade. Generally, that talex instruments remain
out of order for long period and the machine goes out of order very frequently.

This problem can be overcome with improved tele-communication and telex communication because our exports are being challenged by other competitive countries in the international market. In order to promote export from the state it is advisable that the communication facilities may be improved.

(b) Visa Problem

It has been observed for the last few years that great difficulties are faced by the exporters in obtaining visa from the countries of Europe like Italy, France, West-Germany and also the Gulf countries. Their conservative attitude towards the exporters is something against the interest of the export promotion.

In case of denying the visa to the exporters, it is impossible to promote the export without contacting the foreign buyer otherwise the international market can be totally captured by the other Asian countries such as Taiwan, South Korea, Hong Kong etc. Thus, it is essential that the visa should be granted to exporters to promote their export.

(c) High Freight Charges Problem

The export of handicrafts produced by the Brassware
industry of Uttar Pradesh has been suffering from the setback caused by the competition from other Asian countries, which have been able to sell their merchandise in the international market on cheaper rates by allowance of availing subsidy on freight from the governments. The foreign buyers continue to complain about the higher rate of freight both by sea and Air in respect of import made by them from India. The shipping lines as well as air lines do charge higher freight rate from Indian ports owing to some of their specific problems like detention of vessels at Indian ports.

The shipping lines are actively considering further rise in shipping rates at Indian ports by 10 percent. It is the miserable position for the Indian export trade. The foreign buyers may not accept to pay higher freight rates on Indian goods when they are in a position to buy similar goods from other countries at lower cost of freight payment.

So, it would be reasonable that in order to boost up export the difference in freight structure should be subsidised by the government either by direct refund to the exporter or in any other way which may be found feasible.
(d) **International Price Problem**

Brassware industry produces artistic, decorative, gift articles inclusive of table wares etc. for performance of added value exports. Since India is not self sufficient in respect of the requirement of non-ferrous metals, the import of the same is permitted under open general licence.

However, the import duty is charged on the basis, leading to serious problems for export trade. Such as the abrupt changes in international price and sudden and frequent hike in rates of import duty up-set the planning in supplying merchandise to foreign buyers because the rate of the duty draw back is not compensated correspondingly.

In view of the above facts, it would be rational to change the pattern of imposing import duty. The import duty should be levied on weight basis and not on value basis. It would solve the imbalance affecting marketing.

4. **Managerial Problem**

The Brassware industry also faces the problem of management. This industry is mostly managed by owner-managers who do not have any formal training. It
is observed that the owner-managers are fine craftsmen but they lack efficiency in the management of business affairs of their undertaking. It is unfortunate that government stresses the need of trained artisans for increasing production but it does not realise the necessity of developing trained management skill. The small industries Service Institute should organise management courses for own-managers of these industries, who already possess practical knowledge and experience of running the industry. Therefore, the training course should be for short duration because the owner-managers of these firms are not in a position to leave their firms for long.

Having examined in the foregoing pages, the various problems faced by the industry, the following conclusion may be drawn:

Now availability of quality raw material at reasonable rates continues to be a problem for the small manufacturers. The healthy traders exploit the small Karkhanedars by charging high price of raw material. There is urgent need to establish a recognised channel for regular supply of raw material to small manufacturers at reasonable price.

The production processes and techniques adopted by the industry are very old and time consuming so there is
pressing need to further mechanise and introduce improved technology in the process of manufacturing.

Shortage of power is also an important problem which creates hurdle in the way of production adversely affecting the export. It is also inevitable for the producers to keep continuous watch over the quality of the products manufactured not only for capturing new markets but also for maintaining the existing markets. It is necessary on the part of the state government to bring the brassware industry under the quality marking scheme.

The small manufacturers face the problem of finance. When they approach to banks or financial institutions for assistance they are asked to give property guarantee. It is necessary for the government to make arrangement to overcome this problem.

In the international market export in brassware has been meeting tough competition from countries like Taiwan, South Korea and Pakistan etc. Most of the planters and functional items are produced cheaper and by fast mechanical means in other countries. The nature and extent of competition offered by Taiwan and South Korea is specially in respect of plain and heavy items, and Pakistan enjoys a price benefit of 10 percent to 20
percent in respect of sheet items, plain brass items and a few cast items.

The tele-communication which is old and obsolete to render even an efficient service within the country itself is not suitable for export purposes. It would not be out of place to mention that the Telex Service too is short of expectations of the export trade. It is necessary to improve tele-communications and telex service to promote the export.

There is also problem before the exporters in obtaining the visa, with this problem it shall not be possible to promote the export without contacting the foreign buyers. It is essential to grant the visa. Higher rate of freight charges both by sea and air to the foreign buyers who import the goods from India is also an important problem. They may not accept to pay higher freight because they are in a position to buy similar goods from other countries at lower cost of freight payment. It is reasonable that the difference in freight structure should be subsidised by the government.

The abrupt changes in international price and sudden hike in rates of import duty upset the planning in supplying merchandise to foreign buyers because the duty
is not compensated correspondingly. So, it would be rational to change the pattern of imposing import duty.

Brassware industry of the state also faces the managerial problem. It is observed that the owner, managers are fine craftsmen but they lack efficiency in the management of business affairs. So, it is necessary that managerial skill is developed in the state. The small industries service institute should organise management course for owner-managers of these industries, who already possess practical knowledge and experience of running the industry.

After having examined the various problems faced by the brassware industry, the next chapter is devoted to the marketing strategies in Brassware industry of U.P.