CHAPTER 1

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1.1 Conceptual Background

Handicraft Industry plays a significant role in building up of a country in terms of its share in employment, output production and wealth creation. The handicrafts of a society often become the chief means of livelihood. India has a rich handicrafts heritage, which has evolved over centuries. The legacy of Indian culture promises everything which constitutes beauty, dignity, form and style. The magnetic appeal of arts and crafts of India lies in its exclusivity and mystical tone, which leaves people spell bound. The sheer versatility of the various metals and materials used to create handicrafts and handcrafted gift items, such as carpets, wood, stone, metal, grass, bamboo, textiles, and clay makes handcrafted items from India truly unique.

Handicrafts can be defined simply as “Objects made by the skill of the hand and which carry a part of the creator as well as centuries of evolutionary tradition” e.g. wooden handicrafts from India are available as carved, painted or inlaid on teak wood, rose wood, Shisam and Pinea. Metal handicrafts are created using gold, silver, platinum, white metal and iron which is further painted, polished, lacquered, etched and embossed. Paper Mache one of the most popular handicraft items from Kashmir, Rajasthan and Bihar, in great demand abroad, is known for its unique combination of line and color on molded forms of various objects. Bhadohi, Shahjahanpur and Mirzapur are the hubs of Carpet manufacturing in Uttar Pradesh. Carpet weaving is a common work for most people in these areas. They are made in various extraordinary designs of flora and fauna and other different patterns.

India's handicrafts industry might be classified as a cottage industry, but its importance to the country's economy should not be underestimated. It employs more than five million artisans, mostly in the small scale sectors of carpets, wood ware, brass ware, gem and jewellery manufacturing and is a growing source of foreign exchange earnings.

The handicraft industry is labor intensive and decentralized spread over urban and rural areas. Many artisans work in their chosen field on a part time only.

Prime Characteristics of the Indian handicrafts industry are;

- It is an Unorganized sector
Mainly located in rural and semi urban areas throughout the country
Art metal wares, wood wares, carpet wares, hand printed textiles and scarves are the main items of export.
Embroidered and crocheted goods, shawls as art wares, zari and zari goods, imitation etc are famous textiles items for domestic as well as for export.
Major Market for handicraft are USA, Germany, UK, Japan, Italy, France, Australia, China and Singapore.

1.1.1 Status of Handicraft Industries

Handicrafts constitute an important segment of the unorganized sector of Indian economy and provide employment to over six million artisans, roughly 1/5th of the total household industries scattered throughout the country especially in rural and semi-urban areas.

The carpet handicraft industry, wood ware handicraft industry and brass handicraft industry has been selected in the present study because these industries generate good amount of revenue through domestic sale and exports, provide employment opportunities to the large number items and is the worst affected industry by global recession.

1.1.2 Location of Handicraft Industries selected for present study

For Carpet : - Bhadohi – Mirzapur, U.P
For Brass : - Moradabad, U.P
For Wood : - Saharanpur, U.P

1.1.3 Exports of Handicrafts

According to Desai V (1999), the Indian handicraft industry, which comes under small and cottage sector, represents India’s rich cultural heritage. The sector has spread in various parts of India in small pockets is credited with production of a wide range of handicrafts, which are not found anywhere in the world. Because of their artistic and fine craftsmanship, the Indian handicrafts have carved out an important niche in the highly competitive international market. This sector also plays a substantial role in earning the much needed foreign exchange for the country.
The growth of exports indicated in the following chart reflects the impact of the governmental initiatives.

Figure 1.1: Yearly Export of Handicraft

Source: EPCH (www.epch.com)

The exports of handicrafts is expected to reach US$ 4468.0 million in an average growth of 15 percent per annum is maintained during the 12th Five Year Plan period. The Compounded Annual Growth Rate (CAGR) during the period 2012-13 till 2016-17 is 15 percent. Exports of handicrafts including hand knitted carpets was found as US$1858.44 million during 2000-2001 were as it was US$1654.71 MM during 1999-2000. Out of which, handicrafts was (excluding handmade carpets) were around US$669.39 million. Handicrafts’ share in India's exports has gone down from 1.91 percent in the year 1995-96 to 1.51 percent in 2000-01. If we look the position of handicraft export between 2007-2012, the export of handicrafts during 2007-08 was to the tune of US$ 2705 million, the handicraft at the end of the plan period is expected to be US$ 4500 million. The exports have shown a drastic dip during the global economic slowdown and were reduced by around 50 percent during the year 2008-09. The Compounded Annual Growth Rate (CAGR) during the period 2007-08 till 2011-12 is 3.00 percent (in Rs terms). In 2008, the exports of handicrafts had to face a severe slowdown due to economic breakdown of the developed economies but as a result of stimulus measures taken by government of India, the export of
handicrafts has registered an upward trend in 2009-10 onwards. A growth of 20 percent on year to year basis was registered in 2010-11.

### 1.1.4 Major Importer’s countries (buyers) of Handicraft

- **Art Metal ware**: U.S, Germany, U.K. and Italy
- **Wood ware**: U.S, Germany, U.K. and France
- **Canada Shawls**: U.S, Saudi Arabia, Japan and U.K.
- **Imitation Jewelry**: U.S, U.K., Saudi Arabia, Germany
- **Miscellaneous Handicrafts**: U.S., Germany, U.K. and France
- **Carpet**: U.S., Germany and U.K

### 1.1.5 Major production places of handicraft production in Uttar Pradesh, India

- **Art Metal ware**
  - Moradabad,
  - Sambhal
  - Aligarh
- **Wooden Art ware**
  - Saharanpur
  - Nagina
- **Carpets**
  - Mirzapur
  - Varanasi
  - Shahajhanpur

### 1.2 Introduction

A recession would be indicated as a “*Slowing of a nation's production, rising unemployment and falling interest rates, usually following a decline in the demand for money*”. A popular distinction between recession and depression is: ‘Recession is when your neighbors lose his job; depression is when you lose yours’. An economy which grows over a period of time tends to slow down the growth as a part of the normal economic cycle. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased
demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less as they fear stocks values will fall and in result stock markets falls.

**The International Monetary Fund (IMF)** considers a global recession as a period where **gross domestic product (GDP) growth is at 3 percent or less**. In addition to that, the IMF looks at declines in real per-capita world GDP along with several global macroeconomic factors before confirming a global recession.

**Global recession** is defined slightly differently than national recession. A nation would be considered in a recession when GDP declines for two consecutive periods. A global recession has to take into account developing nations as well as developed nations, therefore requiring a benchmark for growth comparison which is set at around 3 percent. In early 2009, the IMF and the World Bank predicted the global GDP growth rate to decrease to approximately 0.5 percent, meaning they expect a global recession to persist through 2009.

According to Fontela Matais (2003), the effects by which capital inflows on the financial system in the context of a demand deposit in banking model. In this environment, an adverse-selection problem arises where short-term capital has the incentive to enter the domestic banking system while long-term capital chooses to stay out in recession. Short-term capital flows limit the risk-sharing function of banks. As short-term inflows increase, a threshold is reached beyond which it becomes optimal to restrict capital inflows. In addition, Volkan (2008) stated that if the quantity of inflows is unknown, then banking crises occur as short-term inflows become large. In this case, the bank’s insurance function is lost and assets have to be sub-optimally liquidated.

**1.2.1 History of Global Recession**

The US saw a recession during 1982-83 due to a tight monetary policy to control inflation and sharp correction to overproduction of the previous decade. This was followed by Black Monday in October 1987, when a stock market collapse saw the Dow Jones Industrial Average plunge by 22.6 percent affecting the lives of millions of Americans. The early 1990s saw a collapse of junk bonds and a financial crisis. The US saw one of its biggest recessions in 2001, ending ten years of growth, the
longest expansion on record. From March to November 2001, employment dropped by almost 1.7 million. During 1990-1991 in recession, the GDP fell 1.5 percent from its peak in the second quarter of 1990. The 2001 recession saw a decline of 0.6 percent from the peak in the fourth quarter of 2000. The dotcom burst hit the US economy and many developing countries. The global economic recession has taken its toll on the Indian economy that has led to multi crores loss in business and export orders, thousands of job losses, especially in key sectors like IT and automobiles industry and export oriented firms. It has also shaken up the investment arena. However, it is a difficult phase for a growing economy like India. Though in August 2008, India recorded inflation at its 16 years high by 12.91 percent. This inflationary situation forced the regulatory bodies of the country to take certain anti-inflationary measures by tightening the monetary policy which in turn made it difficult for institutions and individuals to borrow money from banks. In some ways, this has also contributed to the slowdown in different sectors and can be considered to be the start of slowdown in different sectors in India. According to Goldstein (2005), the parallel economic slowdown in the United States along with other countries decline in global financial conditions linked to a disorderly correction of global payments imbalances and it could put a group of emerging markets on the doorstep of crisis. It causes the weakness of individual to various shocks.

Moreover, the impact of the global recession has been transmitted to the Indian economy through three distinct channels, viz., the financial sector, exports and exchange rates. The financial sector including the banking sector, equity markets, external commercial borrowings and remittances has not remained unscathed though fortunately, the Indian banking sector was not overly exposed to the sub-prime crisis. Only one of the larger banks, ICICI, was partly affected but managed a crisis because of its strong balance sheet and timely action by the government, which virtually guaranteed its deposits. The equity markets have seen a near 60 percent decline in the index and a wiping off of about USD 1.3 trillion in market capitalization since January 2008 when the sensex had peaked at about 21,000. This is primarily due to the withdrawal of about USD 12 billion from the market by foreign portfolio investors between September and December, 2008.
1.2.2 Handicraft Scenario

Handicraft is the second largest source of employment in India, after agriculture. In 2008-09 this sector was in a crisis of global recession. “The handicraft industry is encouraging the statistics of growth at the macro level which often mask a tragic neglect at the micro level”. The handicraft production to national well being is not comprehended in most decision-making circles. There is neglect and ignorance of artisanal production and their livelihood during recession period.

India is one of the most important suppliers of handicrafts within the world market. The Indian handicrafts industry is highly labor intensive, cottage based industry and decentralized, being spread all over the country in rural and urban areas. Numerous artisans are engaged in crafts work on part-time basis. The industry provides employment to over six million artisans who include a large number of women and people belonging to the weaker sections of the society.

Mechanical tools may be used as long as the direct manual contribution by the artisan which remains the most substantial component of the finished product. Handicrafts are usually made from raw materials and can be produced in unlimited numbers. Such products can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic. India’s textile products, including handlooms and handicrafts, are exported to over a hundred countries. However, the USA and EU together account for about two-thirds of India’s textile exports. The major export destinations are Canada, UAE, Japan, Saudi Arabia, Korea, Bangladesh and Turkey etc.

In 2008-09, the economic conditions prevailing worldwide have not at all been conducive for textiles exports. The world is currently passing through a recessionary phase and the major markets like those of the US, EU and Japan were facing severe financial crisis. In this environment, the handicrafts sector is one of the worst hit sectors, particularly as the products offered by this sector are considered to flourish only in good times. The US, which is the single largest importer of textiles and clothing items, observed a negative growth of 3.34 percent and 0.55 percent in its imports of textiles and clothing from the world and India, respectively, during the calendar year 2008. The overall US markets of textiles and clothing have also shown
a decline by 14.19 percent during the first two months of 2009, while India has also recorded a decline by 13.77 percent during the same period.

1.2.3 Impact of Global Recession on Handicraft Industries

The Indian handicraft was highly affected during the economic slowdown or recession due to which, there was a decrease of 22 percent handicraft trade with the US alone while the overall Indian handicraft trade contracted by 10 percent with rest of the world. The negative impact was felt by almost every exporter but the highest impact was observed by the small and emerging exporters, leading to the verge of closure of several small sized industries and diversification in areas like real estate, equity trading and other new sources of investment. As the recession affected each and every exporting nation, the performance of Indian handicraft competitors like China was not at all highly affected as the Chinese handicraft exporters were supported by the government to continue their exports. The Chinese government assistance in the areas of subsidy, incentives and the raw material rates propelled the exporters and ultimately motivating buyers and the ultimate customers. As the similar recession is once again knocking the door in the western economies, this time encompassing the European Union also, while the Indian government should devise schemes in order to support the Indian handicraft exporters. A large segment of India’s handicraft sector is oriented towards export. This sector is among the worst hit by the recent global financial and economic slowdown. Handicrafts export fell by 54.62 percent to $13.53 billion between April 2008 and February 2009 as compared to the same period during the previous financial year.

According to the Export Promotion Council, “The decrease in exports of handicrafts is due to the slump in demand in major markets of US and Europe” As the companies in the private sector and government sector are uncertain to take-up new projects and they are working on existing projects only which becomes the cause of recession of handicraft industry. India is still a relatively small yet growing player in the global apparel market.
Table 1.1: Export of Total Handicraft from 1999-00 to 2010-2011

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Handicraft Export (Rs. in Crore)</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>8105.63</td>
<td>+1.00</td>
</tr>
<tr>
<td>2000-01</td>
<td>9270.5</td>
<td>+12.57</td>
</tr>
<tr>
<td>2001-02</td>
<td>9205.63</td>
<td>-0.70</td>
</tr>
<tr>
<td>2002-03</td>
<td>10933.67</td>
<td>+15.80</td>
</tr>
<tr>
<td>2003-04</td>
<td>16335.27</td>
<td>+33.07</td>
</tr>
<tr>
<td>2004-05</td>
<td>18567.76</td>
<td>+12.02</td>
</tr>
<tr>
<td>2005-06</td>
<td>19267.65</td>
<td>+3.63</td>
</tr>
<tr>
<td>2006-07</td>
<td>20963.00</td>
<td>+8.09</td>
</tr>
<tr>
<td>2007-08</td>
<td>17536.78</td>
<td>-19.54</td>
</tr>
<tr>
<td>2008-09</td>
<td>10891.85</td>
<td>-61.01</td>
</tr>
<tr>
<td>2009-10</td>
<td>11224.27</td>
<td>+2.96</td>
</tr>
<tr>
<td>2010-11</td>
<td>11575.75</td>
<td>+3.13</td>
</tr>
</tbody>
</table>

*Source: Ministry of Textile various annual reports*

The handicraft industry witnessed a constant growth till 1994-95. After 1994-95, the export declined due to competition with the other countries like China, but during the year 1999-2000 the exports again grew up. The export figures have increased steadily in the years 2000-2001 to 2003-2004 successively as there was slightly declined in the year 2004-2005 due to export policy reform by the government of India and increased competition with China. However, after the formation of new policies, the growth in handicraft industry is steadily high by achieving the highest level of export in the year 2005-2006 and 2006-2007 respectively. The above table depict that the economic slowdowns’ of handicraft business export started during the year 2007-2008 but severe negative effect was seen during the year 2008 to 2010.

1.3 Background of the study

The handicrafts sector plays a major and vital role in the Indian economy. It provides employment to an immense sector of craft persons in rural and semi urban areas and generates substantial foreign exchange for the country, while preserving its artistic heritage. Handicrafts have great potential, as they hold the key for sustaining not only the existing set of millions of artisans spread over length and breadth of the country, but also for large number of new entrants in the crafts industry. Presently, handicrafts
contribute to a large extent to the employment generation and exports. The handicraft sector has, however, suffered due to being unorganized strategy; the other constraints are is global recession or slum in the handicraft market. The other problems are lack of education; low capital and poor exposure to new technologies are also the causes, absence of market intelligence and poor institutional framework. In spite of all these constraints, handicraft sector has witnessed a significant growth of 3 percent annually and exports of handicrafts appear to be sizeable. According to Sujata Verma (2000), the intrinsic properties of reputation make it a very valuable asset to hold. It can provide insurance against adverse shocks and provides an explanation of why sovereigns would prefer to repay debts. On the other hand, the ability to penalize a truant debtor is important to the lenders and this is observable in the credit ceiling which is set by government.

It is a sector that is still not completely explored from the point of view of hidden potential opportunities. India, a country with 29 states and 18 languages and more than 1500 dialects offers an enormous range of handicrafts from each of the states. Major centres in Uttar Pradesh are Moradabad also known as the "Peetal nagri" (City of Brass), Saharanpur for its wooden articles, Firozabad for Glass and Bhadohi for carpet. The North Western state of Rajasthan has to offer the famous Jaipuri quilts, Bagru and Sanganer printed textiles and wooden and wrought iron furniture from Jodhpur. The coastal state of Gujarat comes with embroidered articles from Kutch. Narsapur in Andhra Pradesh is famous for its Lace and Lace goods. But this is only a small part of the total product range.

1.3.1 Recession; Definition, Causes and Impact

Handicrafts can be defined as “Products which are produced either completely by hand or with the help of tools”. It is the art of creating products using raw and indigenous materials developing skills and creative interests among students towards a particular craft or trade.

According to chief controller on Import and Export as “Articles which are not classified elsewhere in this policy shall be deemed to be Handicraft if such articles besides being hand-made are of some artistic value of the articles need not necessarily come out of any art work, engraving or decoration done on the article
but the very form, shape or design of the article could be artistic or traditional or suggestion of the fact that the article is a item of handicraft”.

According to Development Commissioner of Handicraft “items made by hand, often with the use of simple tools, and are generally artistic and for traditional in nature. They are also object of utility and object of decoration”.

Meaning of the word “Recession” represents a temporary period of economic fall down during which, trade and individual activity are reduced. A Recession can be a contraction phase of business cycle or a general slowdown in economic activity over a period of time. A global recession is a period of global economic slowdown in prosperity. It is the economy shrinking for two consecutive quarters (six months) with a decrease in GDP.

GDP = Value of the all the reported goods and services produced by the people operating in the country.

GDP = Money value of \{C+I+G+(X-M)\},

C = Consumables, I = Gross Investment, G = Govt. Spending, X = Exports, M = Imports

**Figure 1.2: Recession Model**

A significant decline in economic activity spread across the economy which normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. Recession somewhat refers to a general decline in the national income (GDP), which includes wages, salaries, interest, profits and rental income shrink. It is always accompanied by a rise in unemployment that is an indicator, not the sum and
substance of all the pain in the economy. There will be more lost jobs it will be hard to find new ones, especially jobs that pay the same as the ones lost.

Global economic meltdown has affected almost all the countries of the world. Strongest of American, European and Japanese companies are facing severe crisis of liquidity and credit. This global financial and economic crisis keeps on getting worse. There has been constant fluctuation in the exchange rate of US Dollar versus the Indian Rupee (INR) in the last few months. From the year high of Rs. 51.88/$ in April ‘2009 it has declined to Rs. 46.99/$ in the first week of November 2009.

A large amount is being debated about the impact of this fluctuates on the Indian economy. We shall take an overview of forex Inflow and Outflow, mainly in conjunction with the Dollar Trade and the effect of USD – INR Exchange rates. The forex rates are determined by market forces and are based on demand and supply of these currencies. If supply exceeds the demand, the value of the currency depreciates, as is the case with US Dollar against the Indian Rupee (INR), since there is a huge inflow of foreign capital into India in USD. Viswanathan, (2010) the problems that were first noticed in the US sub-prime mortgage market, quickly spilled over into the real estate and banking sector. From the financial sector, it moved on to the real sector in the US market and then into the international markets. The present global financial crisis, which started in 2008, has been adversely affecting all the world economies and the importance of its impact is exceeded only by that of the Great Depression of 1930s. Lidan (2008), there is an increase interest rate policy which is efficient in shielding a country's currency during investigative attack and the effects of financial policies either monetary or fiscal on output growth during an on-going rapid stop financial calamity. In response to this crisis, a range of national monetary authorities and international financial organizations have implemented fiscal and monetary policy initiatives to improve the problems and soften the impact on the affected sectors. While all economies were adversely affected by the crisis, the impacts were not uniform across countries.

These days the most talked news is the current global recession that has engulfed the world economy. Every day, the main headline of all newspapers are falling our share markets, decreasing industrial growth and the overall negative mood of the economy. For many people an economic recession has already arrived whereas for some it is
just round the corner. In our opinion, the recession has already arrived and it has started showing its effect on Indian economy. In India, the impact of the recession has been deeper than what was estimated by our policy maker’s although it is less severe than in other emerging economics. Despite these, the impact of the global recession has been transmitted to the Indian economy through three distinct channels, viz., capital flows, sectoral growth and financial sector.

Impacts on poor Indians have reportedly fallen as oil producing economies in the Gulf and West Asia begin to suffer turn down in oil prices. The second transmission of the global downturn to the Indian economy has been through the steep decline in demand for India’s exports in world’s major markets. The first sector to be hit was the gems and jewelry which felt the impact in November 2008 itself and where more than 300,000 workers have lost their jobs. The negative impact has since covered other export-oriented sectors garments and textiles, leather, handicrafts, and auto components. However, 21 percent decline in exports during February 2009 was the steepest fall in exports for the last two decades. It is unlikely that exports will recover within this year. While exports of both goods and services, still account for only about 22 percent of the Indian GDP, their multiplier effect for economic activity is quite large as the import content is not as high. According to a rough estimate by the entrepreneurs, 70 percent of the hand printed products are made in units and 30 percent through home-based workers. In the case of hand-made paper, limited modernization and opening up of the international market gradually led to the emergence of a few really big export houses, while there are plenty of small paper-making and paper product units. Later, within a couple of decades, most of the small paper units closed down. The recent market contraction has led to a fall in employment, which has not a significant impact on highly skilled artisans, but which has severely hit semi-skilled workers, women and migrants. “Wages have not reduced much but the number of days of work has fallen drastically”, reports a worker in a printing unit. Roughly 60 percent of the workers engaged in this sector in UP are migrants. The lack of work and loss in earnings has led to reverse migration, as reported by several entrepreneurs. Some retrenched workers have been absorbed in screen printing units. Several others, unskilled and semi-skilled, have moved to other sectors in search of work.
1.3.2 Causes of global recession

- Consumers lose confidence in the growth of the economy and spend less.
- Decline in demand for goods and services, in-turn decline in production.
- Lay-offs, downsizing the work force and rise in unemployment.
- Investors spend less as they fear fall in stock values.
- Economy typically tends to go into a recession for 6 months to 2 years.

1.3.3 Impacts of Recession on Handicraft Industry

- **Unemployment:**
  
  Main impact of a recession is on employment which leads to low employment for several quarters. Majorly low-skilled, low-educated, inexperienced workers and newcomers are most vulnerable to unemployment in a downturn of economy.

- **Business:**
  
  Productivity of business tends to descend in the early stages of a recession, and then rises again as weaker firms close shop due to high losses. The deviation of income and losses among companies rises sharply.

- **Social effects:**
  
  Fall of living standards of people dependent on wages and salaries which are more affected by recession as it rely on fixed income or welfare benefits. This is due to reduce in per capita income. The growth of unemployment is known to have a negative impact on the stability of families, and individual’s health and well-being.

1.3.4 Recession on Indian Economy; Cause and Impact

India is facing the position of recession as globalization showing its negative scenario. It was started in US and now it's touching the boundary of India. Recession is a phase in which rupee depreciate, cash crunches, money market slowdown, inflation comes. All in all, it's become difficult to bring money from the pocket of an individual.
As an example, suppose we know price of the steel, iron goes up, we would like to postpone our purchasing but if we won't spend, how producer could makes his bread. If the producer starts reducing the price of the commodity with such belief that customer buy the product in all case. This will bring only when he starts cutting its cost of production which means reduction in variable cost.

During recession, the global financial crisis spread quickly in India and other emerging market economies through various channels. Indian economy could withstand the adverse effects of the financial crisis and thereby avoid the long term consequences with the help of the strength it already achieved. However, it’s wrong to say that it is free of adverse impacts. The reasons behind it were India’s increasing dependence on bilateral trade with other countries and its financial relationship with the advanced economies somehow transferred the economic shocks to the national economy. The impact of financial crisis is already felt in terms of reduced export earning, reduction in foreign exchange reserves, drastic decline in industrial growth and employment, down turn in stock markets, depreciation of rupee, and many other indicators. The stock of foreign exchange declined from $330 billion to $245 billion by the first week of December 2008 and the BSE index declined from over 20,000 during the early months of 2008 to 9,000 during the last week of November 2008. In the present global scenario, India has been considered as the most promising and fast growing economy in the world. Due to the liberalized rules for Foreign Direct Investment (FDI) in India, the real estate, telecommunication, services, construction activities, power etc. have become very attractive investment avenues for both the domestic as well as foreign investors.

The effect of the crisis on the Indian economy was not significant in the beginning. According to Nirupam Bajpai (2010), the initial effect of the subprime crisis was, in fact, positive, as the country received accelerated Foreign Institutional Investment (FII) flows during September 2007 to January 2008. There was a general belief at this time that the emerging economies could remain largely insulated from the crisis and provide an alternative engine of growth to the world economy. The argument soon proved unfounded as the global crisis intensified and spread to the emerging economies through capital and current account of the balance of payments. The net portfolio flows to India soon turned negative as FII rushed to sell equity stakes in a bid to replenish overseas cash balances. This had a knock-on effect on the stock
market and the exchange rates through creating the supply demand imbalance in the foreign exchange market. The current account was affected mainly after September 2008 through slowdown in exports.

The overall foreign investment in India met serious setback during the crisis. The foreign investment in India has been growing at a faster rate since 2003-04. However, during 2008-09, the very year hit by the crisis as the foreign investment declined significantly showing a negative growth rate of 31.82 percent. It was seen that the net portfolio flows to India soon turned negative during the financial crisis as FII rushed to sell equity stakes in a bid to replenish overseas cash balances. During 2008-09 and 2009-10, similar trend of negative growth is found in case of income flow to India which includes investment income and compensation of employees.

In India, our companies have most outsourcing deals from the US though; our exports to US have increased over the years. Exports for January, 2009 have declined by 22 percent. There is a decline in the employment market due to the recession in the west region. There has been a significant drop in the new hiring which is a cause of great concern for us. Some companies have sack their employees and there have been cut in promotions, compensation and perks of the employees. Companies in the government sector and private sector are hesitant to take up new projects as they wish to work on existing projects only which results in the downfall of textile, garment and handicraft industry. According to the Federation of Indian Export Organizations (FIEO) survey, they are losing four million jobs by April 2009. There has also been a decline in the tourist inflow also. The real estate has also a problem of tight liquidity situations, where the developers are finding it hard to raise finances. Further, the manufacturing sector has equally been hit hard by the economic slowdown. According to CII, one third of the manufacturing sub sectors out of the 96 monitored, have reported a negative growth in production during April to December 2008 as compared to the same period last year.

1.3.5 Impacts of economic slowdown on various sectors of India

- Impact of global recession on stock market

  The instant impact of the US financial crisis has been felt when India’s stock market started falling. On October 10, Rs. 250,000 crores was wiped out on a
single day bourses of the India’s share market. The sensex lost 1000 points on that day before regaining 200 points, an intraday loss of 200 points. This huge withdrawal from the India’s stock market was mainly due to Foreign Institutional Investors (FIIs), and participatory-notes.

- **Impact of global recession on India’s trade**

  The trade deficit is reaching at alarming proportions because of worker’s remittances, NRI (non residents Indian) deposits, FII (foreign institutional investment) investment and so on. The current deficit is at around $10 billion but if the remittances dry up and FII takes flight, then we may head for another 1991 crisis like situation. Further, the foreign exchange reserves of the country has depleted by around $57 billion to $253 billion for the week ended October 31 (Sivaraman, 2008).

- **Impact of global recession on India’s export**

  With the US and several European countries slipping under the full blown recession, Indian exports have run into difficult times since October. Manufacturing sectors like leather, textile, gems and jewellery have been hit hard because of the slump in the demand in the US and Europe. Further, India enjoys trade surplus with USA and about 15 percent of its total export in 2006-07 was directed toward USA. Indian exports fell by 9.9 percent in November 2008, when the impact of declining consumer demand in the US and other major global market, with negative growth for the second month, running and widening monthly trade deficit over $10 billion. Official statistics released on the first day of the New Year, showed that exports had dropped to $1.5 billion in November this fiscal year, (Sivaraman, 2008).

- **Impact of global recession on India’s handloom sector, jewelry export and tourism**

  Again reduction in demand in the organization of economic development (OECD) countries affected the handloom, handicraft and tourism Industries. Around 50,000 artisans employed in brass sectors have lost their jobs as a result of the global economic meltdown. Further, the crisis had affected the Rs. 3000 crores handloom industry and volume of handloom exports dropped
by 4.6 percent in 2007-08, creating widespread unemployment in this sector (Chandran, 2008). With the global economy still experiencing the meltdown, Indian tourism sector is also badly affected as the number of tourist flowing from Europe and USA has decreased sharply.

- **Impact of global recession on Exchange rate depreciation**

  With the outflow of foreign Institutional Investors (FIIs), India’s rupee depreciated approximately by 20 percent against US dollar and stood at Rs. 49 per dollar at some point, creating panic among the importers.

- **Impact of global recession on IT-BPO sector**

  The overall Indian ion and technology and business process outsourcing (IT-BPO) revenue aggregate is expected to grow by over 33 percent and reach $64 billion by the end of current fiscal year (FY200). Over the same period, direct employment to reach nearly 2 million, an increase of about 375000 professionals over the previous year. IT sectors derives about 75 percent of their revenues from US and IT-ITES (Information Technology Enabled Services) contributes about 5.5 percent towards India’s total export. So the meltdown in the US will definitely impact IT sector. Further, if Fortune 500 hundred companies slash their IT budgets, Indian firms could adversely be affected.

- **Impact of global recession on FII and FDI**

  The contagious financial meltdown eroded a large chunk of money from the Indian stock market, which will definitely impact the Indian corporate sector. However, the money eroded will hardly influence the performance real sector in India. Due to global recession, FIIs made withdrawal of $5.5 billion, whereas the inflow of foreign direct investment (FDI) doubled from $7.5billion in 2007-08 to $19.3 billion in 2008 (April-September).

- **Impact of recession on Unemployment**

  The full impact of recession on employment may not be felt for several quarters. Research in Britain shows that low skilled and low educated workers and the young and most vulnerable to unemployment in a downturn. Based on
this, the unemployment rate rose in US from 0.5 percent to 0.6 percent and this year the US unemployment rate is about 1.15 percent. Economists have not yet been officially marked a down turn in US as an economic recession. Amid falling home equity, the rising cost of food, health, housing to an alarming number of unemployment that economists still argue that, there is a still a developing economy though small.

In August 2008, India recorded inflation at its 16 year high of 12.91 percent. Mohan (2008) stated that the ongoing global financial crisis can be largely attributed to extended periods of excessively loose monetary policy in the US over the period 2002-04. Very low interest rates during this period encouraged an aggressive search for yield and a substantial compression of risk globally. Abundant liquidity in the advanced economies generated by the loose monetary policy found its way in the form of large capital flows to the emerging market economies. All these factors boosted asset and commodity prices, including oil, across the spectrum providing a boost to consumption and investment.

The inflationary situation forced the regulatory bodies of the country to take certain anti-inflationary measures by tightening the monetary policy which in turn made it complex for institutions and individuals to borrow money from banks. Before this economic crisis, there were more than 3000 units in Mirzapur, Saharanpur and Moradabad in Uttar Pradesh, India. Although this sector has been adversely affected by the global crisis as for the handicraft industry in Uttar Pradesh, central and state government had initiated projects in 2007-08 but due to recession only 20 percent to 25 percent growth rate for the year 2008.

The most worrying aspect of a recession is the sustained drop in demand leading to reduction that is often caused by a drop in the supply of money or credit. It is also caused by a contraction in spending, by government or people. Deflation tends to raise unemployment, causing a vicious spiral. Just to avoid the deflation, trap nations is pumping money into their economies disregarding the deficit they are accumulating. This is to stimulate spending and to keep the inflation from falling below a certain level as to become a disincentive to produce.
1.3.6 History of Handicraft in Uttar Pradesh

Uttar Pradesh is one of the most ancient cradles of Indian culture. It is a state where the skills of art and craft are worshiped as gods and passed on from one generation to another. It is the land of art and artisans. The handicrafts of Uttar Pradesh have earned a reputation for themselves over the centuries. The traditional handicrafts are of a vast variety such as textiles, metal ware, woodwork, ceramics, stonework, dolls, leather products, ivory articles, articles made of horns, bone, cane and bamboo, perfume, and musical instrument. The state has patronized art forms since the days of Moguls (Nawabs of Awadh) and other nobles later carried the tradition forward. This is the primary reason why from Varanasi to Agra, every small or big town is famous for some or other craft in Uttar Pradesh.

It is true that Harappa and Mohan Jodaro have been discovered in the state as their antiquities found in Banda (Bundelkhand), Mirzapur and Meerut link. Chalk drawings or dark red drawings by primitive men are extensively found in the Vindhyan ranges of Mirzapur districts. Utensils of that age have also been discovered in Atranji-Khera, Kaushambi, Rajghat and Sonkh. Copper articles have been found in Kanpur, Unnao, Mirzapur, Mathura and advent of the Aryans in this State. It is most probable that snapped links between the Indus Valley and Vedic civilizations lie buried under the ruins of ancient sites found in this State. The population mostly comprises of an Indo-Dravidian ethnic group. Only a small population, in the Himalayan region, displays Asiatic origins. Hindus constitute more than 80 percent of the population, Muslims more than 15 percent, and other religious communities include Sikhs, Christians, Jains and Buddhists.

The cottage crafts are spread all over the state but the more important centers are located at Varanasi, Aamgarh, Maunath, Bhanjan, Ghazipur, Meerut, Muradabad, and Agra. Carpets from Bhadohi and Mirzapur are prized worldwide. Silks and brocades of Varanasi, ornamental brassware from Muradabad, chickan (a type of embroidery) work from Lucknow, ebony work from Nagina, glassware from Firozabad, and carved woodwork from Saharanpur also are important. The traditional pottery centers are located at Khurja, Chunar, Lucknow, Rampur, Bulandshahr, Aligarh, and Azamgarh. Khurja’s dishes, pitchers, and flower bowls in blazed ceramic in blue, green, brown and orange colors are the most attractive. Moradabad produces exquisite brass utility
articles. Mirzapur produce carpet and Saharanpur produce wood handicraft items on large scale.

The arts and crafts of Uttar Pradesh are not famous only in India but all over the world. Right from the silken saris to the earthen pottery, carpets weaving to chikankari embroidery, the hands of the legendary artisans and the master craftsmen have the magic to turn the ravage into gold. The silken touch with the masterly style produces the best sketches, designs, patterns and structure that are unique in their own nature captivating the hearts of everyone who looks at them. Each region of U.P. deals with some specific art or craft. Jute handicrafts of India have created a niche the world over. A wide range of skills have been honed to perfection by craftsmen who have learned to transform this natural fiber into products of daily use, with an aesthetic appeal. For e.g. West Bengal is the largest jute producing state in the country accounting for 71 percent of the production. The states of Bihar and Assam rank second and third respectively as a natural fiber, it has many advantages over synthetics. India is one of the important suppliers of handicrafts to the world market.

In addition to the high potential for employment, this sector is economically important from the point of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country. The export earnings from Indian handicrafts industry for the period 1998-99 amounted to US$ 1.2 billion.
1.4 An overview of Indian Handicraft Industry of Uttar Pradesh and Impact of Recession on Major Handicraft Industries

1.4.1 Carpet Industry

1.4.1.1 History

Carpet weaving is one of the oldest carpet industries in India. The history of carpet weaving in India dates back to the 16th century (1580 AD), when Mughal Emperor Akbar brought some Persian carpet weavers to his palace in Agra. Subsequently Agra, Delhi, Lahore (now in Pakistan) became the prime production and training centers of Persian carpets. The Mughals established the art of carpet weaving in the town of Akbarabad or Agra. During the Mutiny of 1857, the carpet weavers fled from Agra to a village called Madho singh between Bhadohi and Mirzapur and started carpet weaving on a very small scale there.

A handicraft is a hand-made product that is made using simple tools. Carpets and floor coverings are also categorized as a handicraft product. Carpet manufacturing is a long process right from the stage the carpet’s design is conceived till the time the carpet finds its place at the buyer’s. The carpet weaving industry in India is highly labour intensive. It is an almost 100 percent export oriented industry. The industry provides livelihood to approximately 2.5 million artisans and earns significant foreign exchange for the country. Export earnings from carpet industry have been increasing over the years especially from 1996 onwards and over USD 621 million were earned by the industry during 2005-06.

The handmade carpet industry is a labour intensive which involves millions of artisans/crafts persons. Indian handmade carpet industry occupies a significant position in the world handmade carpet industry in particular and the international floor covering trade in general. The country with a population backed by skill and inclination towards such craft activity has a strong potential for growth. Engaging in such activity produces gainful employment resulting socio-economic growth. The handmade carpet industry is thus a potential socio economic growth for any such country and the world at a large.
Later with the support from Maharaja of Banaras, the art of carpet weaving flourished in this part of India. It is difficult to determine why the industry is carried on in these particular places as its distribution often appears to be capricious.

**Figure 1.3: Photograph showing the design of handmade carpet**

The handmade carpet industry in India has about a 1 percent share of the total Global demand of carpets. In recent years the handmade carpet sector has shown great improvement in relevant areas such as: competitiveness, capacities, delivery time and standardization.

### 1.4.1.2 Overview of Carpet Industry

The carpet manufacturing industry provides livelihood to more than 3 million artisans belonging to the rural areas of the country. It contributes to the national economy in several ways and provides employment to the rural poor and the economically backward sections of the society. A major portion of the weavers is belonging to the backward classes or other minority communities and almost all are living below the poverty line.

The carpet industry is a *de-centralized industry* and is a generational craft where skills are passed on from one generation to another, capital investment in this industry is meager but the returns are immense in terms of foreign exchange.

The carpet industry in India has made significant strides in the recent past and exports of carpets from India touched a level of Rs.3675 crores in 2006-07. The Indian handmade carpet industry is a significant contributor to the country's rural economy, which is an export-oriented industry and helps in providing employment.
Table 1.2: Export of carpets during 1999-00 to 2010-2011

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Carpet Export (Rs. In Crores)</th>
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</tr>
<tr>
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<td>2583.62</td>
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</tr>
<tr>
<td>2009-10</td>
<td>2505.33</td>
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<tr>
<td>2010-11</td>
<td>2808.25</td>
<td>+12.23</td>
</tr>
</tbody>
</table>

Source: Ministry of Textile various annual reports

On the basis of above table we analyze that that there is consistent growth in carpet export during the year 1992 to 2000 with a decline of 57 percent, slightly declined during the year 2004-05 and there is exponential growth during the time of 2005-2006. As per the graphical representation of carpet export, the economic slowdown impact on carpet business export started during the year 2007-2008 but severe negative effect was seen during the year 2008 to 2010. After 2010, the data up till December represents that the recovery phase for carpets. During the slowdown period India faces the economic problem. All those involved in the carpet business were badly affected. Artisans lost their job. They forced to shift in some other trade in order to get their livelihood. The carpet industry witnessed a constant growth till 1994-95 and after 1994-95 the export declined due to competition with the other countries like China but during the year 1999-2000 the exports again grew to Rs. 2136 crores which is an increase of 6 7 over the previous year of 2005-2006. The export figures have increased steadily from Rs.2315 to Rs.2590 crores in the years 2000-01 to 2003-2004 successively, it is slightly declined in the year 200Y-2005 due to export policy reform.
by the government of India and increased competition with China, after the formation of new policies the growth in carpet industry is steadily high by achieving the level of Rs.3052 crores; Rs.3675 crores (increased + 197 per year) export in the year 2005-2006 and 2006-2007 respectively.

If we look at the U.P Carpet Industry there are three significant periods when growth rates moved drastically.

- **Opportunity Phase:**
  
The market for Indian carpet industries moved upward after 1991-92 to 2006-2008 when export policies became liberal and global economy was growing. During this period there was overall increase in the market size.

- **Decline Phase:**
  
U.P Carpet Industry encountered the decline phase during the year of 1999 to 1998, 2004-2005 and tremendously declined during the 2009-2010. This industry is highly quality sensitive. The designs were saturating and the productivity was declining. Hence other competitive clusters captured the export market and sales of the U.P carpet industry declined.

- **Market Recapturing Phase:**
  
During late 1998, U.P carpet industry realized the need for using modern computerized tools for widening the number of designs and for enhancing the skill sets of the weavers so as to enhance productivity. These initiatives helped the industry to recapture its share in exports. The main factor that contributed to the renewal of the carpet industry has been the use of information communication technology. The adoption of computer aided design helped in a high degree of flexibility. It facilitated rapid changes in design and enhanced customer acceptance. It also increased the productivity of the weavers.
1.4.2 Wood Industry

1.4.2.1 History

India Wooden Handicrafts industry is the second biggest employment generating industry and has registered significant growth in the last few years. The industry of wooden handicrafts in India reflects the correct shades of rural traditional style and beauty. In India, it reflects the spirit of the rural craftsmanship of the country.

Wooden handicrafts in India are items that are made out of wood and which carry an artistic and functional value they are made by hand or with the help of simple tools. This is the reason that the industry of wooden handicrafts in India requires low investment of capital and various other resources. It is mainly based in rural areas and small towns and falls in the group of traditional rural small-scale industry.

Figure 1.4: Photograph showing a handmade wooden statue made by the artisan

In India, wooden handicraft industry provides huge employment opportunities to the people of the rural areas as it is highly labor intensive. The industry provides employment to more than six million artisans which comprises of mainly village people who specially comprises of women and the weaker sections of the society. Thus, this industry helps these people of the villages by making them financially independent.
The various products of wooden handicraft industry in India are furniture, boxes, photo frame, table, chess sets, penholders, wooden cupboards, flower cases and napkin rings. The Indian states where wooden handicraft items are manufactured are Kashmir, Himachal Pradesh, Uttar Pradesh, and South India. These industries are based in these states for the raw material to manufacture wooden handicraft is easily available in these states. The industry of wooden handicrafts in India has grown very rapidly in the last few years which may be due to increase in the export of Indian wooden handicrafts to foreign countries. This has given a major boost to the industry and has also helped to improve the condition of the rural people. The main countries where Indian wooden handicrafts are exported are USA, UK, Sweden, Singapore, Canada, Greece, and Portugal.

**Figure 1.5: Photograph showing a handmade wood carving made by artisan**

These wooden products were uplift the condition of the rural people of the country. The government of India thus must take steps in order to ensure that the industry of wooden handicrafts in the country continues to grow and prosper. This in turn will help the rural people of India to become financially more secure.

In Uttar Pradesh, there are many wood craft centers engaged in making items with lavish engravings out of wood, like vine leaf patterns on shesham wood and toras from teakwood. In north woodcraft still monopolizes the plethora of the exquisite choices of prospective buyers based on their devout ambition to achieve the flawless perfection and maintain the same. The rising appreciation for Indian handicrafts by consumers in developed countries, widespread novelty seeking, cheap and skilled
labour and large supply of timber species which makes the Indian wood industry one of the important suppliers of handicrafts to the world market. This industry provides employment to over five million artisans supports and provides major opportunity of employment to rural sections. In addition to the high potential for employment, this sector is economically important from the point of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country.

Figure 1.6: Photograph showing the workers engaged in wood carving

The export revenue share of the wooden based handicraft is close to 40 percent of the total handicraft industry (US$2 billion) in India as this is the second largest employment provider after agriculture which constitutes of small gifts and decorative, toys, statues, ornately carved suave and simple masterpieces, furniture and household products. Some of the prominent centers of wooden handicrafts in India are based at Saharanpur and Nagina in Uttar Pradesh. Saharanpur (in Uttar Pradesh State), is India’s major woodcraft cluster and is known for its export excellence. This former princely state has emerged as a hub of wooden artistic furniture and handicrafts inspired by centuries old traditions and legacy. The wooden handicrafts industry forms a 75 percent share of the total handicraft industry. The three decades old business has shown an exponential growth as this industry is largely controlled by young entrepreneurs. Europe and USA are the major export markets of the wood
products manufactured in Jodhpur which is the biggest woodcraft industry of the country providing employment to more than one lakh people, and generating exports of more than 400 crores. The majority of the people (almost one lakh) are artisans working either at their homes or in the big manufacturing units. The other categories of the people include handicraft manufacturers (medium and large firms), timber traders and other raw material suppliers, exporters and other office staff at these units. There are more than 500 handicraft manufacturing units in Jodhpur itself, and among those around 250 are handicraft export units.

**Figure 1.7: Photograph showing a handmade wood carving work**

1.4.2.2 Wood Procurement

Around 32.96 percent handicrafts exporters and manufacturers are using reclaimed wood. Mostly handicraft export houses use railway’s sleepers wood, which is mainly used to support railway tracks. It is cheaper to procure and is usually purchased from Auction. Drift wood is much more expensive in Rajasthan and hence not widely used. Study shows that 61.54 percent exporters are procuring wood from agent or merchant, 32.96 percent are using reclaimed wood and 5.49 percent are purchasing from local depot.

The three most commonly used woods in handicraft industry are Sheesham (*Delbergia sissoo*), Mango (*Mangifera indica*) and Babool (*Acacia spp.*). The other
minor woods include Oak (*Quercus* spp.) and Teak (*Tectona* spp.) used in 1.98 percent and 8.60 percent of the total wood consumption which relatively very low.

**Figure 1.8: Photograph showing handmade products**

- **Sheesham (*Delbergiasisso*)**

  The heartwood is golden to dark brown, and sapwood white to pale brownish white. The heartwood is extremely durable (the specific gravity is 0.7 – 0.8) and is very resistant to dry wood termites; but the sapwood is readily attacked by fungi and borers. It is used for plywood, agricultural and musical instruments, as well as skis, carvings, boats, floorings, etc.

  It is the most widely used wood in the handicraft industry also known as Indian Rosewood. Sheesham is best known internationally as a premier timber species of the rosewood genus, but is also utilized as an important fuel wood and for shade and shelter around 34.43 percent manufacturers are using Sheesham wood. Craftsman use Sheesham for making household furniture, office furniture, big articles and for remaking the old furniture because it is hard and tough wood to carve. It comes from Shrinagar in Rajasthan, UP, Punjab and Bihar.

  Purchasing Sheesham from Bihar is costly than other places because the one found in Bihar is the best quality. Due to decrease in its plantation in Bihar and speedy deforestation, its sourcing from Bihar to other states has been banned. The price of the Sheesham wood is 400-750 Rs per CFT (Cubic Fit), depending on the quality and distance to source.
• **Mango (Mangifera indica)**

It is soft and durable to carve small articles like gifts, decorative and other small articles. It is the second most widely used wood after Sheesham in the wood based handicraft industry in Jodhpur. Over 33.78 percent mango wood is being used in Jodhpur handicraft industry. Gujarat, UP and MP are famous for mango tree plantation. It costs around 300 to 500 Rs per CFT (cubic Fit).

![Figure 1.9: Photograph showing a wood carving tools](image)

• **Babool (Acacia spp.)**

*Acacia* (Babool) is found in Rajasthan and Gujarat. It is well known in western Rajasthan. It does not need much water and care to grow, and is thus very popular in the western regions of Rajasthan. Around 21.19 percent wood used in Jodhpur handicraft industry is Babool. It is cheaper than Sheesham and can be easily found in western Rajasthan, so it is also used for furniture and big articles.

• **Imported Woods**

Imported Teak, Oak, Pine and MDF (Medium Density Fiber Board) are also used to make furniture, accessories, gifts and decorative items. These woods are imported by few handicraft manufacturers. Only big manufacturers are importing woods from other countries. Teak and Oak wood are being imported in India from
Malaysia, Indonesia, New Zealand and Germany. There are a few who are importing these woods directly. Most of the handicraft unit owners are purchasing it through agents in Delhi.

**Figure 1.10: Photograph showing an artisan engaged in wood carving work**

1.4.2.3 Types of wood handicraft products

Among the most intricate and painstaking crafts work is ivory carving. Under regal patronage, the most delicate art of ivory carving flourished, in the princely capitals of Rajasthan; Bharatpur, Udaipur, Jaipur and Jodhpur. The art is still alive in the delicate ivory figurines of gods and goddesses, minutely carved and perfectly proportioned. Jali-work of lace like intricacy is testimony to the ivory carvers, fine eye and unerring hand. Animal figures, birds, fish trays and paper knives and a host of other decorative objects are carved with utmost artistry and craftsmanship.

**Wooden handicraft has five categories:**

- Furniture
- Antiques
- Gift Items
- Accessories
- Decorative
Many kind of articles, like almirah, bed side cabinet, bon fitted, book rack, candle, lamps, chairs and benches, chest of drawers, coffee table, console tables, dining sets, dressers, kitchen cabs, frames, hi-fi cabinets, library cabinets, side boards, side tables, study and writing tables, TV cabinets, wine racks, goddess statue, etc, are manufactured.

1.4.2.4 Trading and export of wood handicraft

Trading and export is known for its connectivity in every corner of the world. Handicraft business has explored a number of work opportunities for skilled and unskilled labors. It has given work to a huge numbers of craftsmen and carpenter in Jodhpur, Barmer, Jaisalmer and surrounding villages. These craftsmen are known to make exquisite articles in furniture, gift items, accessories, statues and many other useful items which attract local as well as the foreign consumers. US, Europe and France are the major continents where Jodhpur’s handicraft items are being exported in large number. The values of export are 36.17 percent in US, 36.88 percent in Europe and rest of the 26.95 percent is in New Zealand, Australia, Middle East, and Far East. Handicraft industry of Jodhpur has tremendous network all over the world. Buyers’ from Germany, France, Australia, Poland, Holland, New Zealand and Spain have the biggest stake of export. United State and Europe biggest Brand Retail Chain like Wall Mart, Target and Pier One etc, are the valued customers, buying handicraft articles from Jodhpur handicraft industries; however Indonesia and China are the biggest competitor of India in handicraft industry. Bali and Thailand are far ahead in export to India.

1.4.2.5 Status of Wood Industry

The recent global financial meltdown has affected the Indian economy and slow down economic growth. After five consecutive years of strong growth, 2008-2009 imports of wood and wood products in India declined by 3 percent (estimated). Consumption expenditures by both the private and government sectors have declined during this period and have adversely affected the growth of the housing and construction sectors in India. Industry sources anticipate a revival in the real estate sector due to expected growth in the Indian economy over the next few years. The commonwealth Games in 2010 has also supported in growth of the housing and construction sectors in India.
Imports constitute 20 percent of total annual consumption of wood in India, while plantations and forestry contribute 58 percent and 22 percent respectively. The restriction concerning the wood supply from Korrayia led to a decline of the handcrafted wood industry in Varanasi. This restriction was a consequence of the conservation acts to protect the forests in that region.

Figure1.11: Exporting Countries

Source: - EPCH

Nowadays, the wooden toy industry from Varanasi no longer manufactures those quality products which made it so popular. This is the result of the use of eucalyptus wood, of inferior quality instead of the Korraiyia wood. Our products used to have a quality finish, but now they have lost it and their glow. The wood that we currently use is fire wood, and therefore not suitable for this industry.

Wood based Industry was more or less in medium and large scale. In India the first particle board plant was set up in late 1950’s at Sitapur in Uttar Pradesh. There are presently about 12 wood based and agriculture ligneous waste based particle board units in India. The Wood based Industry was under Compulsory Industrial Licensing from 1988 whether a small scale unit or a Large or Medium unit, new undertaking or substantial expansion would require Industrial License.
India is very rich in its forest wealth having a huge land area under forests. Fortunately, all varieties of forest growth are found in India, ranging from tropical hardwood forests to high altitude coniferous forest and from deciduous to evergreen forests and plantation but unfortunately the forest resources in India is depleting due to increase of population and other causes.

Sound principle of forest policy, administration, timber production and conservation were introduced by an act of legislature in 1845, and ever since Indian forests are being managed on scientific and progressive lines. Large area shave abundance of some of the finest plywood timbers both for constructional and decorative plywood, Indian teak, Indian Rosewood and Padauk are world renowned for their beauty of figure, grain and texture.

Wooden Handicrafts industry reflects the correct shades of rural traditional style and beauty and the spirit of the rural craftsmanship of the country carrying an artistic and functional value.

Figure 1.12: Wooden handicraft items

Figure 1.13: Wooden Handicraft Statue
To uplift the condition of the rural people, the government of India take steps in order to ensure that the industry continues to grow and prosperous to makes rural people financially more secure. As per the current Export and Import Policy, the principal raw material, viz., wood logs are freely importable under open general license (OGL). The FAO's (Food and Agriculture Organization) "State of the World's For story 2009" report said "Wood demand is unlikely to reach the peak of 2005-2006 again in the foreseeable future,". It also mentions about the Scaling down of production is widespread in almost all countries and all forest industries, from logging to sawmilling to production of wood panels, pulp, paper and furniture.

Table 1.3: Export of Wooden Handicraft during from 1999-00 to 2009-2010

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<th>Years</th>
<th>Total Wood Export (Rs. Crores)</th>
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Source: Various annual reports of Handicraft/ Ministry of Textile

above data in figure, We find that there is consistent growth in wood export during the year 1999 to 2001 with a decline of 1.1 percent in 2001-2002 and 6.2 percent in 2006-2007, 54.1 percent most declined during the year 2007-2008 and in 2008-2009 after the impact of recession was low then its export of wood handicraft getting high in-comparison with previous year 0.4 percent and after the 2009 the market in slightly capturing market. There is exponential growth during the time of 2010-2011. As per the graphical representation of wood handicraft export, the economic slowdown impact on carpet business export started during the year 2006-2009 but severe negative effect was seen during the year 2006 to 2009. After 2010, the data represents that the recovery phase for wood handicraft. During the slowdown period Indian faces the economic problem with those involved in the wood handicraft business, lost their job, economic identity and were compelled to shift their live hood. The wood industry witnessed a constant growth till 2002-2005 and after 1991-2000 the export declined due to competition with the other countries like China but during the year 1991-2000 the exports again grew to Rs. 511.35 crores which is an increase of 15 percent over the previous year of 1999 to 2000. The export figures have increased steadily from Rs.511 to Rs.853.06 crores in the years 2002-03 to 2003-2005 successively, it is slightly declined in the year 2006-2007 due to export policy reform by the government of India and increased competition with China, after the formation of new policies the growth in wood handicraft industry is steadily high by achieving the level of Rs.853.06crores; Rs.511.35 crores export in the year 2002-2003 and 2003-2005 respectively.

1.4.3 Brass Industry

1.4.3.1 History

Ancient people were our first “geologists” and “miners.” They not only determined which rocks were best to use, but they learned how to make them into tools, hunting spears, arrows, fishhooks and ornaments. Shaping the stone was done by flaking it with sharp Blows on the edges using another stone or deer antler. Flint (Stone) was one of the purist’s native forms of Silica. It was hard and having dense minerals, so it was used for making weapons. Man’s first use of the Earth’s natural resources was in the form of grasses, trees, animals and stone. Tools and weapons were made from wood, bone and stone.
Stone-Age people knew nothing of metal. Colorful minerals were used for decoration or for barter. When emerald-green malachite (a copper ore) or a rusty-red hematite iron ore were found, they would be ground to a powder and used as pigments to decorate the face and body. They also used these and other colorful minerals pigments to paint the walls of caves and protected coves. Today, many minerals are used for paint pigments. Can you imagine how excited these people were when they found native copper? Copper is one of the most useful of the metals, and probably the one first used by man. It is found native and in a variety of combinations with other minerals. It is often a byproduct from silver and other mining. Copper has many colors from yellowish-to-reddish brown, red, pink, blue, green, and black. The colors are determined by the other elements (minerals) combined with the copper. From 4,000 to 6,000 BC was the Chalcolithic period which was when copper came into common use. Transition from the Neolithic to the chalcolithic periods occurred in more than one geographical area, as archaeo metallurgical evidence suggests that copper smelting was discovered independently in many different part of the world. For example, excavation at Rudna Glavia in Yugoslavia revealed that a large underground mine was in operation there before 4000 B.C.

1.4.3.2 Overview

Brass defines as an alloy (mixture) of copper and zinc and with the addition of small amount of other elements which sometimes may be added for special uses. Alloys are mainly used to increase a metal’s strength, making the metal more resistant to corrosion and wear to make it lighter and sometimes even to change its color. For their manufacture, a metal is allowed to melt down and combined with other metal. Usually copper is a metal used in many alloys because it is abundant, lustrous and easy to shape.

India is the largest brass-making country in the world. This art has been practiced in India for over 5 million years. In the field of brass work a variety of styles are seen in different parts of India. The Northern & North Eastern industries of brass include Moradabad, Aligarh, Hathras and Varanasi in Uttar Pradesh. Moradabad in Uttar Pradesh is world famous for its range of brass items. A wide range of household items like pots, trays, bowls and decorative pieces are made here and are decorated with intricate etching. Electroplated brass and copper items and items made of white metal.
are also created in Moradabad. Banaras is known for cast sculptures of deities and household utensils made of brass and copper. Varanasi, in Uttar Pradesh is the first city in India for the multitude of its cast and sculptured mythological images and emblematical in brass and copper as well as household utensils. It is believed that the brassware industry originated from Moradabad and spread to the rest of the country. The brassware industry in Moradabad saw the blooming period in early 19th century and British took the art to foreign markets.

The general turnover of the brassware is approximately Rs. 2500 Crores per year in Moradabad cluster. There are about 850 export units and 25,000 metal craft industrial units in the cluster. Moradabad is known for its metal products mainly brass work and has carved its name in the handicraft industry throughout the world. The modern brass handicrafts, household items, fancy items, statues, brass jewelry, instruments, brass hardware, brass fittings, antique brass ornaments, silver plated jewelry, silverware and trophies made by skilled artisans are the main crafts of Moradabad. The attractive fancy brassware are exported to countries like US (US is the biggest market of Moradabad handicrafts), Britain, Canada, Germany and Middle East. It has also been observed that engagement of artisans is in manufacturing of only one or two items on repetitive, bulk production basis, throughout the year. Various processes involved in the manufacturing of brassware. The task of making a brassware requires a team of skilled artisans having a considerable expertise in various areas. For instance a skilled engraver is needed for the task of engraving, a skilled enameller needed for the task of enameling; similarly many others are required for additional responsibilities. The process of making a brassware includes a master craftsman and other skilled craftsmen. This task comprises a team of skilled artisans having a considerable expertise in various areas required in the making of a brassware.

Mirzapur is now one of the most important centers of the brass utensils industry in Uttar Pradesh. It supplies the needs of a large part of the State and even exports articles of household use to other Countries.

Lucknow has specialized in articles of use showing distinct Muslim influence, usually profusely ornamented in a shallow repose using animal and flower motifs and pierces designs.
The color of brass varies from dark reddish brown to a light silvery yellow depending on the amount of zinc present which is directly proportional to the color. The zinc content can vary between 10 percent to about 45 percent. Chernykh (2005) state that the Metal tools occurs, although stone, bone and horn tools predominate and the majority of copper finds are small bead-like ornaments made from rolled up copper sheet. Analysis has shown most objects are relatively pure copper, although in one or two cases arsenic is seen up to about 1 percent. Brass is specified because of the unique combination of its properties as it is stronger and harder than copper, so it is easy to mould into various shapes. Not only this, it is also a good conductor of heat and generally resistant to corrosion from salt water. Because of these properties, brass is usually the first-choice material for many of the components. For equipment made in the general, like in electrical and precision engineering industries brass is used to make pipes and tubes, weather stripping and other architectural trim pieces, screws, radiators, musical instruments and cartridge casting for firearms.

This discovery of metal changed led the lives of the people in the ancient world as metal and its alloy made agriculture easier, providing farmers with more efficient tools to work their land. Armies that possessed metal knives, swords, and shields were no match for those that did not. As per the literary evidences, indicates that the mining and metallurgy of copper and zinc commenced in 2nd century B.C. (Maurya Sanga time), evidence for the continuity of the activities during Kshatrapa period of 2nd to 4th century A.D. During the period metallurgy has advanced step by step by fits and starts, condition by the mineral resources of the area and the technological
innovation of the people. There is also evidence of copper metallurgy from Pre-Harappan level in Sindh and Punjab. There is great spurt in copper metallurgy during the Harappan period (2300 – 1750 B.C.) in various parts in India. After demise of Harappans, copper metallurgy undergoes retrogression, as represented by Chalcolithic cultures (2000 – 1100 B.C). There is again greater activity in copper metallurgy as represented by copper Hoard cultures (1100 – 800 B.C) in Bengal, Sonepur and Chirand (Bihar) and Atranjikhera, Hastinapur, Kausambi and Rajghat (U.P.) There is evidence of large scale mining and smelting during this time the major copper sources of the area in Rajasthan, M.P., Mysore, Andhra Pradesh and Bihar. According to the Copper development association (2004) the structure and functions of the mother industry (Brass), of the industry we are concerned with (Brass Part) in the present study. This examination focus on various aspects of the brass industry, such as: basic concepts and definitions, history, nature of basic elements alloys and metals involved, manufacturing processes and others.

Copper is one of the most widely used metals of antiquity. Pure copper is relatively soft metal and as a result, it was never particularly effective as a material for making objects at utility and art. It can, however, be considerably hardened by mixing with other metals, such as tin, lead, zinc etc. When copper is alloyed with tin, it is known as bronze and when copper is alloyed with zinc, it is known as brass.

Usually, copper is called “Tamba” in Hindustani; zinc “Jasta” and tin pewter is “Ranga”. Two or more of these metals are utilized in the manufacture of the alloys used in India. Brass is made from copper and zinc in varying proportions, usually two of the former to one or one and a half of the latter. Bharat, Kaskut or Kansa are the most constant of alloys of India. On account of its bright color and the polish that it takes this metal is in great demand for ornamental purpose.

The use of brass and bronze were mainly used for the production of coins. For coinage, circular punch-marked brass coins of Dhanadeva and Aryavarma of Ayodhya (1st century BC) have been found. Brass coins of kings of several other dynasties living at that time have also been collected. From this archaeological and numismatic evidence it is clear that brass was in common use in ancient India during the first century B.C. A small number of die-struck coins of the Pre-Gupta and Gupta
periods, including a piece attributed to Chandragupta-II, are also considered to be made of brass.

Despite the very early occurrences of accidentally produced brass in India, earlier in India the artists basically showed their inherited talent in various stone carvings in and around temples. But later, when brass became common they began experimenting with this material. The ruins of the Vijaynagar Empire at Hampi are the perfect examples of brass work brought in to focus by the ancestors of Pembarthi craftsmen. Though being one of the finest arts of India, it has somehow managed to survive only in the small village of Pembarthi.

The earlier products made out of bronze include the utility items like utensils, statues of Gods and Goddesses besides various other decorative items. The manufacture of household utensils in gold and silver is restricted to a few centers since the demand is comparatively limited but that in brass and copper forms an extensive industry all over the country. Each of the states has two or three centers noted for their copper and brass ware and accordingly, a corresponding number of widely different art conceptions are practiced in the ornamentation of these metals.

The attractive brass ware is exported to countries like USA, Britain, Canada, Germany and Middle East Asia. There are about 600 export units and 5000 industries in this district of Uttar Pradesh, India. Moradabad is renowned for brass work and has carved a niche for itself in the handicraft industry throughout the world. The modern, attractive, and artistic brass ware, jewelry and trophies made by skilled artisans are the main crafts.

Moradabad exports goods worth Rs. 2200 crores every year. Despite the existence of production base and a large number of craftsmen, India has not been able to in cash existing opportunities. According to Aitha, (2012) it understand the influence of external environment and rural retailer purchase preference on the length of channels in rural areas. Although, the knowledge of business culture, management attitudes and methods are known to the exporters but the gap between the internal environment and the external has started challenging Indian exporters in the international market. With profound goods and services, customers are getting aware of multiple ranges available and are circumvented with mammoth alternatives. The flexibility by majority of exporters does not match with the basic pattern of thinking of buyers. This further is
preventing from reaching satisfactory conclusion to business transaction. Buyer on one hand enjoys freedom of choice, supported by the opportunity of the ease of availability of brass ware items (that was not the case in past); and on the other the stereotype phrases related to orders and price are abrogated. Thus, buyer relishes both, bargain and consideration from marketer; hence adding egoistic pinch to the human dignity of the customers. If the critical factors justify sub optimizing the satisfaction of the buyer in the international market, the sale closes with a reject decision.

In India the brass metal industry are located in five states namely Gujarat, Haryana, Orissa, Assam and Uttar Pradesh. There is a subtle difference between the products manufactured in these five states regional market share at that time. Economic upliftment to the cluster stakeholders had also been taking place during that period. It is learnt that the wealth, whatever is currently possessed by the artisans was accumulated at that time. The cluster faced recession since the eighties. The advent of stainless steel utensils and later on cheap plastic substitutes, especially in urban areas, resulted in the drying up of a potential market. Pitchers have thus been relegated to rural village markets. The brass metal cluster of Bali in Hooghly District in West Bengal has however been using brass metal for making pitchers only. According to Cramb (2002), the short review of metallurgical developments it can be seen that as the early metallurgists became more sophisticated their ability to discover and separate all the metals grew. But the phenomenon that harmed the cluster most was the steep rise in price of raw material and coal. The failure of the cluster to diversify products according to the changing trends and needs of consumers may also be cited as a reason for the decline of business in the cluster.

At present current range of products in the cluster only includes, “Gharas” and “Ghotis” of different sizes which is heavily focused on local rural markets and the consumers are by and large from economically weaker sections of the society. This apart, stiff competition with technologically upgraded products, with modern designs also forced young generation to shift themselves from this trade. People earlier involved with this trade have taken up alternate employment and many have moved to outside states in search of employment for livelihood. There is, therefore, an urgent and imperative need to implement a package of measures with holistic approach to save this age old art and the hundreds of artisans and others dependent on this business.
Recently other products like iron sheet metal wares, aluminum artworks and glassware's have also been included as per need of the foreign buyers. Mentha is also exported in several crores from Moradabad. These products are very popular in foreign market and are being exported in thousand of crores every year. Due to increase of exports and popularity in foreign especially in Europe, America, Italy and other countries, a large no. of exporters are establishing their units and started their export.

Moradabad produces large quantities of art metal ware. It is especially famous for its color enameling and intricate engraving. There are two types of engravings one is called nakshi that is done on the tinned surface while other is known as khudai and is done on lac coated unpolished brass. The pointed steel pencil is used to make design in khudai type. The metal brass ware consists of the traditional vases, Ganeshas, laughing Buddhas, stools, trays and contemporary beautiful bowls. The Natraja is the most beautiful article in the brass ware to be gifted and kept as a decorative item. Other immigrating artisans from Varanasi, Agra, Lucknow and many other places formed the current cluster of brassware. It is called ‘Peetal (Brass) Cities’ and is worldwide famous for its Brass Metal Handicrafts. Today, it is said to house around 29 percent of the metalwork-artisans of India. As copper is the main component, so brass is usually classified as a copper alloy.

Figure 1.15: Photograph showing the handmade work on brass

Presently brassware craft practice and artisans involved in this practice are encountering certain challenges and crisis. Due to increase in prices of brass and coal/coke the brassware industry also suffered a major setback. In a small period of
less than two years, the cost brass has gone up from Rs. 100 per kg to Rs. 280 per kg. The business which was growing at the rate of 15 to 20 percent annually until 2004, 2007 and 2008 is witnessing a decline trend gradually. Also because of the inadequacy of basic infrastructure like electricity, water, health and sanitation and impoverished condition of the artisan the brassware industry is already in crisis. Many artisans don’t want their children and coming generation to pursue and continue this historic tradition and many of the artisans have already left this craft. The artisans who are involved in the process of casting are suffering from serious diseases like tuberculosis, asthma, skin diseases and because of the poisonous gases from coke. Due to frequent electricity cuts none of the artisan can work without generators, they cannot do the work of finishing and polishing without proper supply of electricity. Serious initiatives are necessary to strengthen Moradabad as well as India to face the challenges and competitions in brassware from China and many other countries. The entries of Chinese products in the domestic and global markets, which are much cheaper because of the Chinese exporters and manufactures, are getting subsidies from their government.

1.4.3.3 Types of Brass

Brass has been widely used in the manufacturing of ornaments, objects or utensils and so on. As a consequence of aforesaid discussion on can conclude that brass is an only term which is used for the alloys of copper and zinc.

Following are the major Brass types:-

- Yellow brass
- White brass
- Forging Brass
- Cartridge brass
- High brass Low brass
- Naval brass
- Admiralty brass
• Silicone red brass
• Alpha brasses
• Alpha-beta brass (Muntz metal), also called duplex brass,
• Beta brasses
• Aluminum brass
• Manganese brass
• Common brass, or rivet brass
• Rich low brass
• Free - Machining brasses

1.4.3.4 Production processes

Figure 1.16: Photograph showing the bricks of brass

The brassware industry constitutes a large number of production units that undertake different production processes. These units undertake productive processes up to a certain stage and pass on the intermediate products to other units in the supply chain to undertake further processing and value addition depending upon the buyers’ requirements. There are two methods of making brassware and related products in the industry.
Usually such products use raw materials as-

A) Brass sheet

B) Brass scrap

Production of brassware from sheet is simple and involves operations like hammering and folding to provide the sheet the desired shape and welding, polishing and engraving depending upon the types of products to be made. Production of brassware with the use of brass scrap is elaborate and involves a number of production processes including,

- Ingot making of brass (locally known as silly making).
- Melting and casting.
- Scraping (With the help of chisels on jobs rotated by motors).
- Welding (with the help of gas welding and stove).
- Polishing (by buffing and grinding).
- Electro-plating, engraving and coloring.

Most of the units in Moradabad make brass by mixing virgin metal of copper (60 percent) and Zinc (40 percent). Because of this practice quality of raw material is consistent and good at all points of time. If brass scrap is used quality of raw material cannot be achieved or maintained. So brass ingot instead of scrap should be used as raw material.

Figure 1.17: Photograph showing an artisan engaged die casting work of brass
The cluster of Moradabad has been able to produce different kinds of products with variety of designs. This makes easier to exporters and manufacturers to capture large market share of the art metal ware in India and abroad. Product diversification, as it happens in Moradabad should be followed here and that can give a new lease of life of a potential cluster like Bali.

Interlinking among various specialized production units and extent of subcontracting is the most important learning from Moradabad cluster. The phenomena lead to specialization in production, which ultimately enhances the productivity and competitiveness to a great extent. These advance processes are very much important for export. So installation of such processes in Bali cluster can go a long way towards exporting the product abroad. Occupational hazards may be a fall out of development and this need to be taken care of brass Cluster.

The brassware handicrafts industry is an integral part of the Handicrafts and Cottage Industry of India. It is recognized the world over for its superlative range of brass art ware, brass furniture, brass figures, brass candle stands, brass hardware, brass antiques, brass gift wares, brass decorative and collectibles, brassware bathroom fittings and other brass accessories.

There are a number of small scale brassware manufacturers, brassware suppliers and brass handicrafts manufacturers in India.

**Figure 1.18: the worker engaged in providing air to furnace for melting brass**

Moradabad’s brassware is exported to many countries besides USA, Britain, Canada, Germany and Middle East Asian countries. There are about 850 export units and
25,000 metal craft industrial units in the cluster. During 1999-2000, the total exports of handicrafts (including carpets and excluding gems and jewellery) stood at US$ 1277 MM. The share of exports of handicrafts from India in the world market for handicrafts during 1999-2000 (April-October) was 4 percent (in US$ terms), an increase of 16.5 percent. The recent past has seen a significant increase in the number of brassware exporters and brass handicraft exporters. Even the brassware export from India has reached an all time high and is still increasing. The recognition enjoyed by the Indian brassware industry throughout the world is attributed to the dedication and hard work of numerous artisans and craftsmen, who are engaged in the creation of the most exquisite pieces of brass handicrafts in antique, modern, classical and traditional styles. A major centre for handicrafts today in India’s offers some of the most skill fully created, artistically designed and aesthetically appealing handcrafted items, especially in brass.

Table 1.4: Export of Brass Handicraft from 1999-00 to 2010-2011

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Brass Export (Rs. In Crores)</th>
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<td>1999-00</td>
<td>1497.18</td>
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Source: Various annual reports of Handicraft/ Ministry of Textile

The brassware industry is recognized within the world over for its unmatched range of brass antiques and brass decorative. There are number of small-scale brassware manufacturers, brassware suppliers and brass handicrafts manufacturers in
Moradabad. India consumes about 100,000-150,000 tons of brass, of which about 70 percent is exported. Largely dominated by unorganized sector players, brass is used in handicraft and arts, which have a good export market, mainly from America and European nations.

Exports of brass components from India, particularly from Uttar Pradesh, have substantially been hit. The orders from international players have also dwindled, said Uttar Pradesh Factory Owner “Global slowdown also affects the brass handicraft industry. Uttar Pradesh exports about Rs 300 crore’s brass parts every year but due to last slowdown the export demand has decreased almost to 40 percent in past six months.

The brass handicraft industry faced the problems during recession especially in 2001-2002, 2006-2008, and 2008-2009 during recession after 2009 the growth in exports of brass handicraft is continue to make fruit full for the manufacture and artisans. But in-between the above years the impact of recession was creating the problem for the development of brass handicraft. The brass handicraft sectors lose the export from the market 1.1percent, 8.0 percent, 6.8 percent and in 2008-2009 the export loses around 77.4 percent. In 2008-2009 the market of brass handicraft was in tough situation because the artisans are migrating in other work due lack of orders and wages rate was Rs. 100/-p/d. It difficult for the artisans to manage their livelihood because almost all of depend on manufacturing units and in recession the manufacturing units was unable to provide orders to artisans. In recession the condition of brass market was tough to manage. In recession the government was unable to provide subsidies on orders and also implement the policies due to which directly affect the livelihood of artisans who was not able survive in recession. Due to recession a decline in export orders from the US, Europe and less orders from Middle East has hit the domestic brass manufacturing units of Uttar Pradesh which are now utilizing only 70-75 percent of their capacities.
1.5 Conclusion

India is one of the important suppliers of handicrafts to the world market which is largely due to handicrafts of Uttar Pradesh. The state has 45 percent share in total exports. Handicraft is a labor intensive industry with high potential of employment for poorer section of the society in rural areas. It is economically important because of low capital investment, high value addition and negligible import content and high potential for export earnings, as such, the Govt. Is providing a lot of Institutional support for promotion of sales/export of handicrafts.

Uttar Pradesh is the one of the biggest states in India. It is famous mainly for the Taj Mahal, the epitome of love constructed by Mughal King Shah Jahan for his beloved wife Mumtaz situated in Agra. The Taj Mahal is the most beautiful monument loved by one and all. The taj mahal of Agra is also a live example of Indian handicraft work which can be seen in the walls, tombs and floor of the Taj Mahal. Other places of attraction in Uttar Pradesh include Varanasi, Lucknow, and religious places like Mathura and Vrindavan and so on. Other than places, the handicrafts of Uttar Pradesh are also popular all over the world. Being a huge in size, the state of Uttar Pradesh produces large number of crafts created by the large number of artisans spread across the state. Various handicrafts including earthen pottery, carpets weaving, chikankari embroidery, silk saris etc., are the primary artifacts of Uttar Pradesh. Different parts of the state produce different crafts. For example, Varanasi is popular for silk saris, whereas Mirzapur produces carpets. Agra and Kanpur are famous for its leather crafts and Moradabad manufactures metal ware. Lucknow, on the other hand, produces chikankari embroidery, which is renown all over the world. Other crafts like pottery, glass bangles, zardosi, woodenware, textiles, stonework, jewellery, sculptures, are also popular in the state.

The last three years i.e. 2006-2008 were the worst affected periods for the handicraft industry. Due to recession and financial crisis in USA and other countries, the buying capacity was very low and the business suffered seriously. The impacts recession on handicraft industry were so harsh and the figure of turnover had touched the lowest point. The business has recovered gradually but has still not been able to achieve its prior position. During the recession period the major problem faced by the handicraft industry in recession was labour problem. Due to labour problems, manufacturing
units have been affected and production has been decreased. Mostly laborers are from surrounding villages and districts. Due to scarcity of handicraft work a large number artisans were attach with NAREGA program in which they are assured of getting 100 days guaranteed work which ultimately create serious labour problem in handicraft industry.

The handicraft industry has many issues like non availability of technology, finance, education, health and safety of artisans and proper training centers that appears as the drawback for the handicraft industries. As per the details given above, that the impact of recession on export in 2006 to 2008 on handicraft industries was made a negative image on artisans and manufactures in selected locations specially in Uttar Pradesh. The artisans and manufactures not have proper planning to fight recession and because of this they were badly affected during global recession. The artisans and manufactures required to get the facilities from the government, NGO’s and associations to develop their standard as per the requirement of market and made changes accordingly.

It is evident from the fact that the Indian handicraft industry is the major source of employment, foreign exchange and can contribute in maintaining a stable GDP level of the country. But in recent years Indian handicraft industry could not survive due to global recession since this is the most neglected industry from the point of view of Indian Government. If proper planning and training to fight the recession is provided to these industries, their position was not so bad. If proper subsidies and support is provided to these industries they can be one of the most important sectors which can contribute in the up gradation of Indian economy.
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