

Indian Handicrafts Industry

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INTRODUCTION

This paper seeks to develop a comprehensive understanding of the domestic potential of the industry and potential of policy initiatives.

Handicrafts are products that are completely produced by hands or with the help of mechanical tools, as long as manual labor remains a substantial component of the finished product. They must have some artistic value, not imperative to have a functional value. India opened up its economy in the 90's.

Handicrafts are characterized by weak linkages – both backward and forward. The point of linkages was first highlighted by Albert Hirschman. Hirschman Hypothesis targets the “myth of integrated investment planning” and professes unbalanced growth, so rather than the cobweb model of stable equilibrium as proposed by Marshall, it considers that underdeveloped countries are marked by not lack of resources but paucity in administration. Despite the higher marginal product of k here, capital moves in favor of the developed nations rather than the underdeveloped – Lucas paradox. So, a deliberate imbalance is maintained, which seeks to lead to higher development through linkages. Singer hypothesis too reimposes the fact that at a given point in time some sectors grow at a faster pace than others.

Generally, The handicrafts industry is said to be a secluded one as it is neglected by administration, investors and most importantly by the market but sometimes the problem is of much less degree as in it is overlooked by all the concerned parties because of the hype and pomp of the industrial goods and its well networked market-creating and maintaining strategy.

UNDERSTANDING OF THE MARKET

Few points to note that will make the clear understanding about this industry:

- The asymmetries of the market are profound. The producers are scattered which implies not only spatially spread, but also in their information, access to materials and middlemen, expectation of returns and most importantly weak consumption signals.
- Handmade products represents the properties of Veblen goods (these are the

goods which are considered exclusive as long as their price remains high) therefore only to a certain extent a backward bending representation curve is possible. Moreover customers associate, generally, quality with durability of products which is an inherent disadvantage of handicrafts goods over machine made goods.

- Logistics – The supply chain is filled with the multiplicity of the middlemen, but they offer crucial links. The actual producers (means craftsmen) do not have networks in the urban market, are not mobile as mostly are tied to the natural resources and they belong to communities (and opportunity cost of leaving a community is quite high). So the exploitation of the craftsmen either it is in terms of price paid for their art or even in terms of marketing their goods in the particular market, too, should not go unnoticed.
- Understanding “return seeking behavior” of middlemen :
 - *Asymmetric information* – Middlemen knows better about the price of the final good sold. So he gets an upper hand- the discretion in payment to the craftsmen. And Laffont and Martimont clearly stated in their paper that higher level of discretion leads to higher level of corruption. Thus the scope of contracting between agents and intermediary to the loss of the principal – here the actual craftsman.
 - *Grim strategy*- Informal sector has greater scope of grim strategy which means a repeated trigger strategy wherein if one non cooperates, the other do not cooperate in all repeated games, due to lack of observable and verifiable contracts and such a kind of behavior is prevalent in one of the most informal sectors of India i.e., Handicrafts Industry.
- The incentive problem: consider r be the intermediary’s share in the supply chain. Present value of the cooperation for a craftsman = future benefit in aggregate / $(1+r)^t$. Schelling point is a maximum beyond which the present value of benefit in future falls significantly low. Any producer never wants to go beyond Schelling point to maximize his so-called profits.

But years of low return to actual craftsman imply a disincentive for him to react to consumption signals (which may be positive for his production), if any, or enhance creativity- a logjam because of middlemen clout. The case of kanjeevaram sarees is relevant here.

Handicrafts industry has backward linkages in form of the yarn producers and processors for textiles, fabric suppliers and other materials providers. And tourism provides forward linkages. Backward linkages more or less are tied to natural resources which form the prime of the supply chain. As for forward linkages, it is directly related to forming a loyal patronage for art products. During the CWG and Trade fair held annually in India, Indian handicrafts industry formed a central point of the campaign.

POLICY INITIATIVES

1. **CLUSTERS AND COOPERATIVES:** In a crafts **cluster**, the common attribute that binds craftsmen together is their particular art. A general artisan group forms a community. Communities in their very nature are personal; so the community members know each other personally. This leads to a better division of the work among cluster members. Clusters provide a basis for product differentiation to create patronage for a particular art form. Supervision of clusters comes with a transaction cost, as a supervisor needs to be appointed. So the middleman is indifferent between paying the salary to supervisor or incremental income to the cluster. **Cooperatives** are independent units but these are set up to achieve more concrete goals- in form of having direct links in final market. They are based on principle of mutuality and not charity.
2. **FAIR TRADE MODEL:** Under the recommendation of fair trade practices applied in crafts trade, products are purchased by recognized intermediaries, primarily cooperatives and given a fair trade certificate. The certification is a boon to every stakeholder. With two “Karigar” shops-promoted by ASHA, at Pune and Mumbai coming under FAIR TRADE INDIA brand, the total number of branded shops has reached at 20.

But initiative is too small to be called a trend. One very important practice that needs to be developed is use of the bar coding.

CONCLUSION

Today, all producers of Handicrafts are exempted from obtaining any license for trade. The intention of this paper is not to formalize but more so organize the Indian Handicraft market. In the days of Mc Donald’s, Pepsi Cola, where free flow of goods and services and also of people and culture have been rampant, the variety – seeking consumers not only demand the new and modern but also revamps the old and the traditional. It is here the case for traditional arts and crafts comes to the force. The skilled hand of the Indian craftsmen is our most important and yet most invisible resource.

