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REVIEW ARTICLE

INDIAN CARPET INDUSTRY: A STUDY OF HANDKNOTTED CARPETS

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ABSTRACT

A culturally rich and vibrant country like India is renowned for its artistic impressions. Every little object that touches the magical hands of its master craftsmen becomes an object d'art. The handicrafts produced in the country are of such high quality and craftsmanship that they enjoy immense popularity across the globe. They adorn the living spaces of both the masses and the classes. The purpose of this paper is to give an overview of the Indian handicrafts sector, especially the handmade carpets. The importance of this sector, in terms of contribution to GDP and socio-economic development, cannot be overlooked. However, this sector faces its own set of challenges. This paper focuses on the scope, opportunities and challenges faced by this sector. To give a better understanding about handmade carpets, two case studies-Bhadohi Carpets and Jaipur Rugs-have been taken up in this paper.

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INTRODUCTION

A land as diverse as India is known not only for its vibrant diversity but also for the colorfulness of its heritage – a heritage that boasts of tolerance, humanitarian values, epics, folklore etc. Combining these various elements into one thread is the beautiful craftsmanship of its artisans. Handicrafts give expression to the innate creativity lying dormant in a society. They are also the “heirlooms” of past. They not only have a cultural significance but also social and economic. They help in keeping our rich heritage alive by providing a connection with the bygone times. Globalisation has made it possible for these handicrafts to reach a wider audience. As such, the economic potential of this sector is huge- the export is estimated to reach 47,280 crore INR by 2016-17 (Working Group Report, On Handicrafts for 12th FYP). Not just this, it is also an important source of employment for rural craftsmen. Despite all this, a number of problems ail this sector of our economy. In order to make this sector reach its full potential, it's important to understand its problems and come up with the solutions. The first step in this direction is to reach a consensus in defining the term “handicrafts”. Some define handicrafts on the basis of the raw material used while others on the basis of technique used. The definition of handicrafts put forward by UNESCO is: “Artisanal products or handicrafts are those produced by artisans, completely by hand or with the help of hand tools and even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product.”

Literature review

Syed Khalid Hashmi (2012) states that the sector is important as it requires low capital investment. The importance of this sector is further emphasized by its huge export potential. T.Mohiuddin and Dr.S. Bhushan (2014) consider Handicrafts important for the economic growth due to its potential for employment generation and earnings from export. They make a recommendation for organizing artisans into a cooperative umbrella so that they can themselves market their products. Ruchi Tyagi (2012) presents Jaipur Rugs as an example of a carpet making company that has been instrumental in social development and providing sustainable development to all those people who are part of its carpet making value chain. Priyanka Gite and Chinmoy Kumar Roy (2014) have used BCG to identify as well as classify export market for Indian Carpet Industry. USA, UK and UAE have been identified as Star Markets. Quality and Contemporary designs are the main criteria for these markets. The exports should focus on penetrating markets in cash cow markets like Canada and France as these are the most growing markets. Since Question Mark markets are the most strategy intensive markets, therefore, caution should be exercised in selecting/dropping a market. Among those markets which have been categorised as “dogs” in the BCG matrix, Israel and Switzerland show promising growth. As such, these should be retained. Suresh Kumar Pandey (2015) identifies lack of various factors such as raw materials, finance and technology as the major challenges of Indian carpet industry.

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RESEARCH METHODOLOGY

The study is based on secondary data sources. The main data sources are Ministry of Commerce, Ministry of Textiles, Planning Commission, Export Promotion Council Of Handicrafts, journal, research articles, newspaper reports etc.

Objectives

- To give an overview of Indian handicrafts
- To give an overview of Indian handmade carpets as a subset of handicraft sector

Research Design

The paper is exploratory and descriptive in nature. It describes the prevailing situation of handicrafts. At the same time, it also tries to analyse the impact of handicrafts and carpets on social development.

Indian Handicraft Industry Overview

Handicrafts are a reflection of the cultural development of a society and when a society has its cultural roots as old as the human history then naturally its art and artefacts are the most sought after objects d’art in the world. This explains the huge popularity and demand for Indian handicrafts across the globe. Every handicraft item that traces its origin to India becomes an object of fascination in the global market. The Indian handicraft industry is largely rural, labour intensive, unorganized and decentralized. It is largely a household activity. However, outsiders are also employed as and when need arises. It employed close to about 6.7 million people in 2010-11, and the number is expected to rise to about 12.29 million by 2016-17 (Working Group Report, On Handicrafts for 12th FYP). Some of the major factors that have propelled growth of this sector are –low investment, huge export potential, and substantial foreign earnings.

The Indian handicraft sector is largely export driven mainly because of the high demand abroad for Indian handicrafts. As such, it is highly susceptible to market fluctuations. USA is the largest market for Indian handicrafts with about 26% share in Indian exports of handicrafts (Figure 1). So the recession in American economy had a huge impact on Indian handicraft export-about 18.9% fall in exports in 2008-09 over the previous year (Figure 2). To promote the export of handicrafts, EPCH (Export Promotion Council of Handicrafts) was established in 1986-87. Since its formation, the exports have risen from 386.57crore to 23504.42 crores in 2013-14. Govt has initiated a number of schemes to promote handicrafts but more needs to be done as the industry suffers from some major problems such as lack of infrastructure. Though Indian handicrafts are internationally high in demand yet its share in world handicraft exports is less than 2%. This means that a larger market still remains unexplored internationally.

Handicraft categories

Handicraft production in India is spread over the length and breadth of the country. Almost every state is well-known for its

unique handicraft such as Pashmina shawls of JandK, Kanjeevaram sarees of Tamil Nadu etc. However, the major handicrafts and the handicraft centres in the country are as follows:

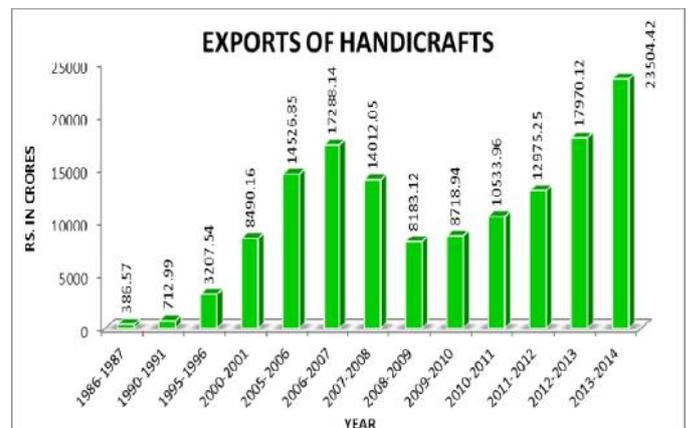


Figure 1. Source-EPCH

CRAFTS	CENTRES
Handknotted carpets	Bhadohi Mirzapur
Art Metal ware	Moradabad
Wood ware	Saharanpur
Iron/Wood crafts	Jodhpur
Textiles	Jaipur
Lace/crocheted goods	Narsapur(AP)

Carpet industry

India is the largest producer and exporter of handmade carpets in terms of value as well as volume having market share of around 35% of total world import of handmade carpets [7].The export of the handmade carpets stood at 388.15 million USD for the year 2013-2014. USA, over the years, has emerged as the market for India handmade carpets with imports to the tune of 129.02 million USD followed by Germany with imports worth 59.55 million USD. The foundation of carpet industry in India was laid by the Mughals. In 1580 A.D., Akbar brought some Persian carpet weavers to his court and from here started a beautiful era of carpet making in India. Later, he established carpet weaving centres in places like Agra, Lahore and Delhi. Just like Akbar, Shahjahan too was a great patron of the art of carpet making. He encouraged use of Indian motifs and style in carpets. India produces a wide array of carpets displaying the sheer talent, creativity and skill of the artisans. There are seven types of handmade carpets produced in India- hand knotted woollen carpets, tufted woollen carpets, Gabbe woollen carpets, handmade silk dhurries, pure silk carpets, staple/synthetic carpets and chain stitch rugs.. Carpet production is carried out in various belts across the country. These include Bhadohi-Mirzapur and Agra in UP, Jaipur-Bikaner in Rajasthan, Panipat in Haryana and Kashmir in JandK.

Importance of carpet industry

Carpet industry has substantial foreign exchange earnings. According to the projection of Ministry of textiles, carpet export is expected to reach 9079 crore by 2016-17(at an

assumed CAGR of 18%). Being a labour-intensive industry, carpet industry is major source of employment. It provides direct employment to 2.5 million artisans and also indirectly to all those who are employed in allied fields such as logistics support. The sheer numbers can be gauged from the fact that a medium sized manufacturing unit in Bhadohi employs about 400-500 artisans and there are close to about 2500 carpet manufacturing centres in the country. The artisans are largely confined to rural areas. As such, growth in carpet industry can accelerate the growth of rural economy. Carpet making industry is a major source of employment for the weaker sections of the society. Of the total number of people employed in handicraft industry, 24.16% belong to SCs, 4.18% are STs and 47.4% are women and 22.99% belong to minority groups (Report of Steering Committee, on Handlooms & Handicrafts for 12th FYP).

Issues of the carpet industry

- Increase in the prices of raw materials-Prices of the raw materials like wool, woollen yarn, cotton yarn etc. have risen by about 50% in the past few years. However, increased competition has made it difficult to pass on the prices to the consumers. As such, the brunt is born by the industry.
- Shortage of skilled manpower- Since the artisans aren't paid well, the new generation is not very keen in engaging in carpet making. On an average, a carpet weaver earns a meagre 100-150 INR/day. Also many of the weavers are primarily agriculturists, who work as artisans only during the lean agricultural months.
- Competition - Indian carpets face stiff competition from countries like Iran, China and Nepal. Iran accounts for 20-25% of exports, China about 20% and Nepal about 10% Scope For Increase Exports Of Indian Handmade Carpets. The lack of quality infrastructure further aggravates the problem.
- Lack of infrastructure- this can be attributed to political apathy and to the minimal investment in R and D. Although RandD scheme was started in 1956-57 for promotion of various craft, it faces constraints like lack of monitoring mechanism to assess the progress of projects (Working Group Report On Handicrafts for 12th FYP).
- Weak marketing- There has been dissent regarding the role of CEPC in promoting Indian carpets in international fairs and exhibitions.

Schemes and measures

- Council For Export Promotion Of Carpets(CEPC)- it was established in 1982 by GOI for promotion of the exports of hand-knotted carpets and floor coverings. Its activities include identification of potential markets, organizing fairs and exhibition of Indian carpets in India and across the globe. It also provides financial aid to new exporters so as to enable them to participate in fairs outside India
- Baba Sahib Ambedkar HastshilpVikasYojana-this scheme aims at organizing artisan clusters into such community enterprises which are professionally managed and self-reliant. It also seeks to provide artisans with a larger market access.

- Research and Development Scheme- it was introduced as a central scheme; the idea was to generate various aspects of crafts and artisans in the sector. The scope of this scheme includes surveys/studies for those crafts which lack sufficient information, providing financial assistance to those organizations which are engaged in devising mechanisms for protection of crafts and so on.
- Other Schemes- these include Marketing Support and Services, Design and Technology Upgradation Scheme, HRD Scheme and Bima Yojana for artisans.

Case study 1:Bhadohi

Bhadohi, part of district SantRavidas Nagar, lies in the state of Uttar Pradesh. It's renowned for its beautiful hand-knotted carpets earning it the name of "Carpet City". The hand-knotted carpets are called so because they are made using knot-by-knot technique. The beauty of the design comes from the way the knots are made intricately using the fingers; the higher is the number of knots present, the better the carpet is. The patterns are diverse ranging from traditional intricate to contemporary minimalist. In 2010, Bhadohi carpets earned GI tag. Carpets produced in the nine districts of Bhadohi-Mirzapur belt would be tagged with "handmade carpets of Bhadohi". These nine districts are- Bhadohi, Mirzapur, Varanasi, Sonbhadra, Ghazipur, Kaushambi, Allahabad, Jaunpur, and Chandauli. GI i.e., Geographical Indications are place names (in some countries also associated with a place) which are used to identify products that come from these places and have these characteristics).

History

Carpet making started in the region in the medieval times during the reign of Mughal emperor Akbar. History reveals that a group of Iranian weavers, led by Sheikh Madarullah, were attacked by a band of robbers. They, however, rescued by the villagers of Mirzapur. As an act of gratitude, Sheikh Madarullah decided to teach his skills to his rescuers and he along with his men stayed in the region. Of more than 2.5 million artisans employed in the sector, Bhadohi alone employs close to about 22 lakh rural artisans. In 2010-11, Bhadohi contributed close to about 75% of the total exports of the country (Khan and Mishra, 2012). In 2010, carpets of the region received GI tag and the region got the status of SEZ. Also 546 acres of land were acquired in 2006 for the proposed SEZ. A region which is declared SEZ receives many concessions such as exemption from sales tax, 100% FDI etc. All this can go a long way in creating rural prosperity in the region.

Problems

- High cost of raw materials- UP Govt has imposed 4% VAT on raw materials used in carpet manufacturing. Also, depreciation of rupee has increased the cost of importing raw materials.
- Child labour- The stigma of child labour has added to the woes of the industry. The issue of intense exploitation of child labour in the industry brought widespread criticism internationally especially during the 1980s and the 90s. In

1985, out of the total of 230000 workers in the carpet industry of Bhadohi-Mirzapur, about 75000 were child workers^[10]. In 1997, Nobel laureate Kailash Satyarthi sat on a 71-hour dharna at the district headquarters to bring attention of the authorities towards the issue of child labour in the industry. He, later, started Rugmark- a label that is given to carpet manufacturers only when they guarantee that their product is child labour free.

- Competition from Tufted Carpets- tufting means punching of wool into cloth which is stretched across a frame. These are much cheaper than hand-knotted ones. Tufted carpet manufacturers of the region prefer outside labour especially from Nepal, Moradabad and Bijnor as they work for lower wages. On the other hand, hand-knotted carpets cost more to the manufacturer.
- Lack of skilled labour- Due to the economic downturn of 2007-09(US recession), carpet industry suffered a huge blow. The impact was felt in Bhadohi too. As such, many artisans shifted to other fields like agriculture, garment industry etc. also, the new generation seems disinterested in continuing with the ancestral craft.
- Lack of Infrastructure-Bhadohi receives an average electricity of 6-7 hours a day. So the industry mainly depends on generators. However, this increases the manufacturing cost. Also other public utilities like roads and drinking water are the victims of administrative negligence.

Suggestions

- Land, in hundreds of acres, was acquired for Bhadohi in 2006 but no further development has taken place since then. A time-bound action plan needs to be devised and implemented regarding the same.
- Govt. needs to cooperate on a more effective basis with NGOs to eliminate child labour from the industry. More labels and NGOs, along the lines of Rugmark, need to be established. Kaleen (Govt label for child labour free labour) faces allegations of corruption and unreliability.
- Infrastructure, along with banking facilities, needs to be developed on an urgent basis so that the industry can reach its full potential.

Case study 2: jaipur rugs

Jaipur Rugs is India's largest manufacturer of hand-knotted rugs. The case highlights how a company can make strong socio-economic impact in the heart of rural India by becoming a source of steady income for the rural folk. This case is an excellent example of how a company can follow an inclusive business model and harvest profits without side-lining the interests of its labour/artisans.

History

The company was started by Mr Nand Kishore Chowdhary in 1978. He started the business with just 2 looms which he installed in his home. This small set-up quickly expanded to 10 looms within 3 years. Mr Chowdhary started direct export from 1986. In 1989, the company set up its production base in Gujarat where the company mainly employed SCs/STs and OBCs. This brought him a lot of criticism from many who were

not fond of the so-called lower castes. But his sheer will-power kept him going. Finally in 2006, the company was registered by Mr N.K. Chowdhary under the name of Jaipur Rugs. The year 2008 saw Jaipur Rugs emerging as the largest manufacturer and exporter of hand-knotted rugs in India. The fiscal revenue of the company for the same year touched USD 21.1 million.

Current status

It employs more than 40000 artisans using 7000 looms; a sizable number of these artisans belong to socially depressed classes such as SCs, STs, OBCs and minorities. The turnover for the year 2014 was about Rs122 crores. The company has a base in 6 states- Rajasthan, Gujarat, UP, Bihar and MP. The annual production is approximately 5 million sq. feet. It produces a variety of rugs such as hand-knotted, punja-weaves, flat-weaves, hand-loom and hand-tufted. The company website states that soon operations will be started in Jharkhand and Madhya Pradesh. The company's carpets adorn homes and offices in over 40 countries across the globe.

The company operations

The operations of the company are managed by its 3 different entities-Jaipur Rugs Company, Jaipur Rugs Incorporated, Jaipur Rugs Foundation and Bhoomika Wools Jaipur Rugs Company is responsible for all operations starting with procurement of raw materials to final sale in every market excluding the USA. Jaipur Rugs Incorporated has its headquarters in Atlanta, Georgia. It looks after distribution, Marketing and sales for the US market. Bhoomika Wools is responsible for wool acquisition for Jaipur Rugs. It is headed by Mr Chowdhary's brother-in-law Navratan Saraf. Jaipur Rugs Foundation focuses on carrying out social development. It is a non-profit organisation that looks after the welfare of the company's weavers and their families. The goal is to foster socio-economic development of the rural artisans/weavers.

Factors responsible for the success of the company

Focus on social values

The company looks beyond profits and actually focuses on the development of its weavers. It pays competitive wages which allow the weavers to improve their standard of living. Jaipur Rugs Foundation builds alliances with NGOs so that education and healthcare can be provided to the families of the artisans. It organizes health camps in villages so that free medical check-up/treatment can be availed by the poor villagers. It has been chosen by the Govt. of India under its scheme Swarnajayanti Gram Swarozgar Yojana to train 4000 rural youth (living below poverty line) in carpet making. It has also started Alternative Education Program which provides basic literacy and numerical skills to the illiterate artisans and the poor rural community.

Unique socio-economic business model

The company transforms unskilled rural folk into skilled carpet weaver through skill training thereby converting them into assets for the society. The business model has another facet too

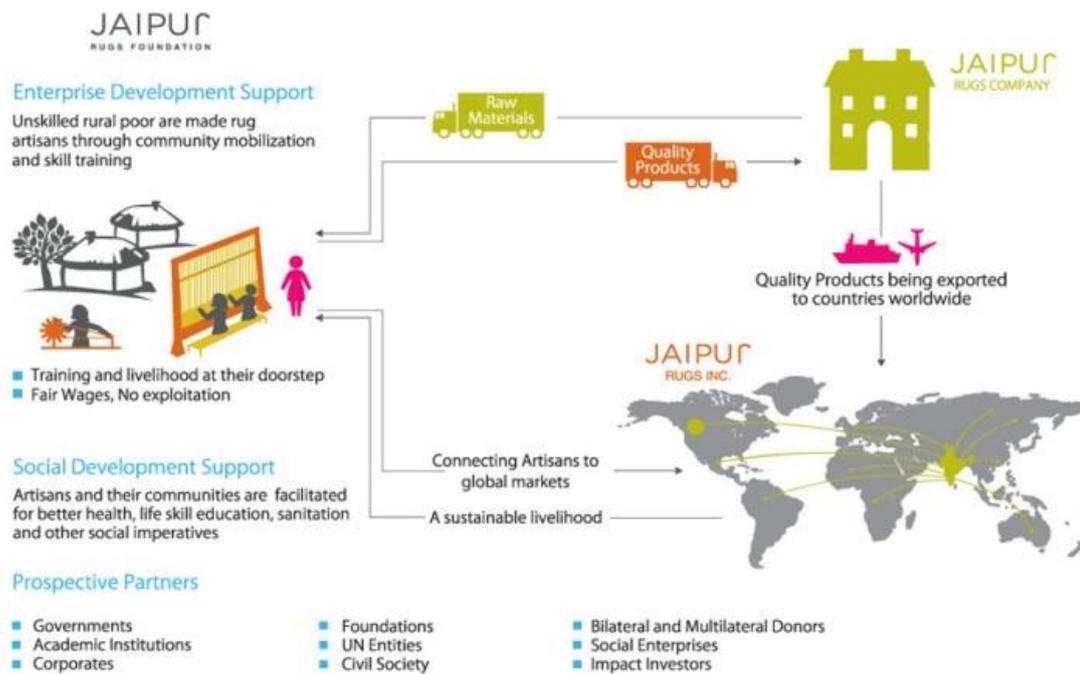


Figure 2. SOCIO-Economic Business Model Of Jaipur Rugs
source-<https://www.jaipurrugsco.com/>

which focuses on conversion of fixed costs into variable costs thereby increasing flexibility. This has been made possible by:

- Decentralisation of work – The company uses “pay for performance model” using quality and quantity as the parameters for performance. As such its largest costs, i.e., labour and raw material, remain variable.
- Decentralized investment – it reduces its capital needs by employing contractors for its manufacturing operations. Most of the manufacturing assets such as dyeing, weaving and other such machines are not owned by the company.

Use of technology

The Company uses well-designed communication networks for various processes such as delivery of raw materials and tracking the progress of work being done by artisans. The company uses Enterprise Resource Planning(ERP) to optimize geographically spread out supply chain and institutionalize quality control. One of the company’s most exciting processes is its build-sheets called “maps”. These sheets provide easy to understand instructions to the largely illiterate weavers on where to put each strand of yarn.

Challenges

The main challenge is to find out ways in which the talent of the artisans can be harnessed and new skills be imparted. This process becomes difficult as most of them are illiterate and any new training plan needs to be devised in a manner which they can fully understand. Also, there is scope for making the whole process of global supply chain more scalable.

Conclusion

The above discussion highlights:

- The future potential of the handicrafts including hand-knotted carpets is immense.
- Better infrastructure can lead to increased productivity.
- The industry has the scope for increased foreign earnings.
- The handicraft industry including the hand-knotted carpets can become a catalyst of growth in rural economy.
- The govt. needs to play a proactive role in further development of the industry.
- An industry as important as handicrafts can be developed fully if it receives the attention of the govt. that it rightfully deserves.
- It is an important source of not just livelihood but also it provides a certain amount of creative satisfaction to the artisans.

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