Handmade Carpet Industry in India: Some Major Issues

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ABSTRACT

This paper aims to examine some of the major issues related to Indian Carpet industry and tries to analysis the trends of Carpet Exports from 2010 onwards using the 4 digit HS Codes. The Carpet industry in the past has faced certain problems in the international market due to the issue of Child labour. However, to some extent the beginning of social labeling has helped Indian Carpet Industry to emerge out of this crisis. Initially Indian Carpet exports faced opposition in International market due to problem of Child Labour but the inspection of social labeling helped the Industry to overcome this. After getting GI tag for Handmade Carpet, the value of export showed increasing trends, which is good for our country’s future foreign exchange earnings. After the detailed analysis of the sub division based on HS code it was concluded that the Hand knotted and tufted varieties of Carpets are more important from an export point of view as compared to felt and no tuft categories. If Carpet exports have to be promoted then government as well as Industry bodies like AICMA and CEPC have to play an important role in generating awareness, providing technical support and penetrating new market.

Keywords: Handmade Carpet Exports, Geographical Indication (GI), Harmonized System (HS) Code, Social Labeling, Child labour.

Introduction

Indian Carpet industry is one of the oldest and famous industries in the world. In India the art of carpet weaving was brought by Mughals. Carpets are made up of woven, knotted, tufted, knitted, braided or non woven materials. The production of Indian Handmade Carpets is very labour intensive and time consuming.

Today India is treated as a hub in South Asia for producing different varieties of Handmade Carpets. There are various famous carpet centres in India such as- Uttar Pradesh, Jammu & Kashmir, Rajasthan, Punjab, Haryana, Madhya Pradesh, Bihar, Himachal Pradesh, West Bengal, Andhra Pradesh, Karnataka, Pondicherry, etc. Each centre is surrounded by clusters of weavers/ manufacturers/ processors related to the carpets. In Uttar Pradesh, Bhadohi belt is famous for

Carpets weaving and because of that Bhadohi is also known as "Carpet City". Due to change in the preferences and trends the consumers are showing interest for different Handmade products like Hand Tufted Carpets, Wall Hangings, Darries, Welcome pads, Pure silk carpets, Persian carpets, Indo- Nepal carpets, Shaggy carpet, Iranian carpets, Kilims etc. This region produces different varieties of carpets, with different designs, colours and techniques of knotting.

Overview of Indian Carpet Industry

Many studies from time to time have focused on the importance, technical aspects, problems and future prospects of Carpet Industry.

Bowonder et al. (2005) have pin pointed the presences of small and medium sized exporters with tremendous export potential and talented weavers who are able to make intricate and exclusive design of floor coverings as the major strength of Indian Carpet Industry.

Babel & Choudhary (2009, 2010)'s study was conducted on 16 carpet manufacturer of Jaipur which was divided into four zones and from each zone four units were selected randomly. Tools and steps involved for hand knotted carpet were same in all areas. The study concluded that carpet manufacturing industry meets the economy's needs of foreign exchange as well as provides employment. The study highlights that this industry requires professionally trained, well equipped and well informed designer clippers, finishers as well as production managers.

Bano & Fatima (2014)'s study states that Carpet industry not only gives employment opportunity to the literate and skilled women but also to the semi skilled women. It not only provides employment for the women but also empowers the women.

Sinha (1982) states that Carpet weaving was considered to be one of the major cottage industries in India, as this industry will employs thousands of village artisans. Concluded that the impacts of Carpet Industry on the Indian economy are on one hand it makes a substantial contribution towards the balance of payments and on the other hand this industry provides employment to a large number of village artisans, etc. Celik & Topalbekiroglu (2010) mainly emphasis on the uses of Carpets, they can be used either for floor coverings or decorative purpose. The study concluded that the Handmade Carpets provide more healthy usage as compared to the machine made Carpets.

Venkateswarlu et al. (2006) state that the demand for Handmade carpets in the international market has been declined due to changes in tastes of the consumers in favor of cheaper, less durable and modern design carpets, rather than more costly, longer lasting and traditional design carpets.

Singh (1979) in his study focused on the organizational structure and the process involved in the Carpet Industry of Bhadohi. Conclusion of the study is that the immigrant manufacturers are found to be more successful than the native manufacturers. Those manufacturers proved to be more successful who were less authoritarian towards workers especially weavers and more friendly with bank officials and commission agents who supply raw materials. In short, the success of entrepreneurship depends on how skillfully an entrepreneur operates his business undertaking itself and in turn it would add for economic development.

Tyagi (2011) Concluded that Hand knotted Carpet industry is passing through its tough time. On one hand, carpet industry is reviving from the recession blow and on the other hand, industry is facing a huge depreciation in skilled weavers. At present, buyers demand Indian carpet at old price even though the cost of production has increased. To overcome this situation, government agencies and financial institution should take some steps to revive and boost the carpet industry.

Basuk (2011) was of the opinion that there are some basic management tools required like 4P's (Product, Place, Price, Promotion) & 4C's (Customer solution, Customer's Cost, Convenience, Communication) for Indian Carpet Industry, which plays an important role in creating the future strategy and also to improve the sustainability in the market. He concluded that traditional markets were saturated while the new markets were offering opportunities for growth as Low- end carpets manufactured in modern designs like hand-tufted carpets, fancy shaggy rugs are highly demanded by new customer base. The biggest threat to Indian Carpet Industry either in terms of pricing or volumes is the Chinese industry. With the vision of next ten years, the innovative products range with lower volume could be a successful for Indian Carpet Industry. For this, proper training to the artisans is required so that they can enhance their skills. Institutes & Research bodies like IICT Bhadohi; IIT Delhi will play the major role by providing the technologies & functional requirements of carpet. Even, the government support through schemes, workshop and training programme will be also helpful for Indian Handmade Carpet sector.

Role of Geographical Indication (GI) tag in Carpet Industry

Geographical Indication (GI) is an indication which is given to any goods which are produced or manufactured or prepared in a particular territory of a country or region, where a given quality, reputation or characteristics of such goods is essentially attributable to its geographical origin (Report by Human Welfare Association, Varanasi, 2011). Basically, Geographical Indication (GI) tag is given according to certain qualities as well as the characteristics associates with the particular products attributable to some geographical locations and treated as produce of certain area or location (Bagade and Metha, 2014).

Khan & Misra (2012) state that the main causes of economic slowdown in carpets are lack of order during slowdown period, unfavorable condition of exporters, migration, MGNREGA Scheme, Growth downturn, Child labour, etc. They concluded that the carpet industry has undergone through major changes like, traditional markets were saturated or closed ended while new market is having new opportunities for growth through the adaptation of the changes. But in 2010, Bhadohi carpet was conferred Geographical Indication tag under sub- section (1) of Section 13 of Geographical Indication of Goods (Registration and Protection) Act, 1999. Now no other region has a right to sell their carpet under the tag of Handmade in Bhadohi other than nine districts, namely Bhadohi, Mirzapur, Varanasi, Ghazipur, Sonebhadra, Kaushambi, Allahabad, Jaunpur and Chandauli (Khan & Misra, 2012).

Social labeling and Child labour in Carpet Industry

Though the carpet industry has grown extremely fast over the past two decades, in recent years it has shown a tendency to slow down even as one of its major competitors, such as Iran, has progressively withdrawn from the market. The Indian industry too has been outcompeted by China and Pakistan.

Chowdhry & Beema (2001) stated that child labor in the Carpet industry was initially challenged by social activists in India. Kailash Satyarthi and Swami Agnivesh were the two prominent social activists involved with the Bonded Labor Liberation Front (BLLF). BLLF is the campaign to free bonded labor from the Indian Carpet Industry. In 1991 UN Human Right Commission (UNHRC) passed a resolution supporting the creation of a special mark i.e., RUGMARK. This mark was use to avoid the child labor involved in the production of Carpets. According to the study, the child labor (whether local or migrated) usually comes from the poor family as well as from the lower caste facing poverty, uncertainty, insecurity, etc.

Pankaj (1995)'s conclusion was that in Bhadohi-Mirzapur carpet belt 40 percentages of children below 14 years were found to be involved in the Carpet industry as weavers, this will adversely affect their health condition. Even India found herself in an embarrassing situation when Germany refused to attend an international conference of Carpet manufacturers which was organized by India on the grounds that the Indian carpets were made by the children. To abolish child labor, the European Community has passed the some social clause to apply selective import restrictions on the countries who are denying minimum labour standard to their workers.

Soni (2014) concludes that Child Labor is a socio-economic problem; it has to be removed within a reasonable timeframe from this industry, in order to increase the share of Carpets export this in turns leads to earn foreign exchange. Chakrabarty & Grote (2009)'s study found that there is a positive correlation between child employment and family debt and also education of family members played a significant role in reducing child labour in weaving activities. Regression analysis support the luxury hypothesis as there is a positive relationship between adult income and child labour in Indian carpet industry. Pande (1996) concluded that Child labour cannot be fully reduced overnight. This can be abolished only in the long run. It was suggested that government should concentrate on enforcement of law so as to eliminate child labour and also to support NGO's, big business houses, etc under organized sectors to have programmes relating to education, health, welfare and employment for these unprivileged children in order to improve their condition.

Gani & Shah (1998)'s study was conducted to examine the incidence, causes and consequences of child labour in carpet industry of Kashmir and also suggested some measures for improving their life conditions. The study reveals that the carpet industry of Kashmir involves a larger number of child labours and even the life conditions of these child labours in terms of health, hygiene, diet, working environment, education and levels of living are worse. Most of them were suffering from acute and chronic diseases. Lastly, the study concluded that despite the efforts of government and non-government organisations (NGOs), this child were robbed of their child-hood, future, education, mental and physical growth and overall development. They are being exploited to the maximum extent and in a different manner.

There are various kinds of social labeling programmes which are prevalent and active so as to remove child labour from Carpet manufacturing industry such as Rugmark, Kaleen, STEP and Care & Fair (Soni, 2014; Sharma, 2003).

Seidman (2010)'s study states that Social Labelling seems to be designed just to protect the image of carpet industry, rather than to help or protect the industry's workers. Meanwhile, the International consumers played an important role in raising awareness about Rugmark both within India and internationally (i.e., about the problem of child labour which was hidden). Sharma (2003)'s study was conducted on 35 villages spread over nine districts covering the core carpet belt (Bhadohi, Mirzapur, Varanasi) ; the extension areas(Allahabad and Koshambi); the new areas(Agra ,Jaipur) and areas other than the core carpet belt(Garhwa and Samastipur) in three states in India. This study was conducted so to analyze the effectiveness of four social labeling programme such as of RUGMARK, STEP, Kaleen and Care & Fair. The result revealed that nearly 78 % of children have shifted from carpet industry to some other occupation (like in saree, beedi, hotel, etc); 15% have joined their family labour as their occupation and approximately less than 7% children migrate to other areas. This study concluded that since all social labeling programmes have a common objective but still there is a lack of coordination found among them. Thus, it can be concluded that Social labeling programmes have played a limited role to eradicate child labour from carpet industry and had only a marginal impact.

Trends in Exports of Indian Carpet industry

The present research work studies the trends in Handmade Carpet Exports from 2010 onwards i.e., post GI status. Secondary data have been collected through various sources such as Ministry of Commerce and Industry, Circulars and Industry Journals.

Harmonized System (HS) codes for Carpets and Other textile floor coverings have been taken for analyzing the Carpet export share in India's total export. These codes help exporters all over world to know their product classification code named differently in each country. For the purpose of this study five HS code (4 digits) for Carpets have been taken, namely- HS Code 5701 (Carpets and Other textile floor coverings, knotted), HS Code 5702 (Carpets and Other textile floor coverings, woven, no tuft), HS Code 5703 (Carpets and Other textile floor coverings, tufted), HS Code 5704 (Carpets and Other textile floor coverings, felt, no tuft) and HS Code 5705 (Carpets and Other textile floor coverings, whether or not made-up).

From the table- 1, it is clear that percentage share of total Handmade Carpet exports in total exports is less than 1%. Even within these HS Code 5701, 5702 and 5703 make up the lion's share. The share of felt, no tuft carpets is negligible. In others, we can say that the share of knotted Carpets is more in the international markets as compared to other carpets.

From the table 2, it can be seen that although India's total export growth rate has slowed down significantly from 2012-13 onwards. In fact in two years 2012-13 and 2014-15 the growth rate has been become negative. However, if we look at the growth rates of five classifications given above in the case of Carpets these trends is not seen. It cannot be denied that there are fluctuation in all sub- division of carpet exports but the decrease has been mitigated to a large extend by the Geographical Indication (GI) status accorded to it. In other words, we can say that if the Geographical Indication (GI) status have been not conferred than the situation of Carpet exports would have been far worse.

Conclusion

In this paper, an overview of major issues related to Carpet Industry has been given. It is clear that Indian Carpet Industry plays an important role in India's total exports. But there are various challenges which are being faced by this industry. Lack of innovation, outdated technology, low profitability, unskilled and uneducated workers, labour law issues and lack of infrastructural facilities in the carpet belt are major barriers that make this industry less competent as compared to carpet industry in other exporting countries. In order to improve the status of this industry it is very important to removes the obstacles. After getting GI tag for Handmade Carpet, the value of export showed increasing trends, which is good for our country's future foreign exchange earnings. The detail analysis of the sub division based on HS code shows that the Hand knotted and tufted varieties of Carpets are more important from an Export point of view as compared to felt and no tuft categories.

The Carpet industry in the past has faced certain problems in the international market due to the issue of Child labour. However, to some extent the beginning of social labeling has helped Indian Carpet Industry to emerge out of this crisis. If the Carpet Industry has to emerge once again as India's Chief export then there is a need to take active policy measures so that exporters and manufactures of this industry may face the challenges ahead and improve their share in total export. The Government as well as Industry bodies like AICMA, CEPC have to play a pro-active role in this by generating awareness, giving technical support and helping in penetration of new markets.

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Table 1: Carpet share in India's Total Exports (US $ Millions)

HS Code	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5701	317.13 (0.18)	451.18 (0.18)	339.66 (0.11)	378.91 (0.13)	388.15 (0.12)	411.09 (0.13)
5702	266.48 (0.15)	284.72 (0.11)	311.29 (0.10)	341.91 (0.11)	392.27 (0.12)	493.96 (0.16)
5703	187.05 (0.10)	329.27 (0.13)	314.20 (0.10)	402.39 (0.13)	425.91 (0.14)	449.35 (0.14)
5704	3.57 (0.00)	21.93 (0.01)	3.51 (0.00)	6.84 (0.00)	10.31 (0.00)	68.00 (0.02)
5705	280.18 (0.16)	311.32 (0.12)	267.05 (0.09)	294.20 (0.10)	362.45 (0.12)	397.28 (0.13)
Total Carpets export	1054.41 (0.59)	1398.42 (0.56)	1235.71 (0.40)	1424.25 (0.47)	1579.09 (0.50)	1819.68 (0.59)
India's Total export	178,751.43	249,815.55	305,963.92	300,400.58	314,405.30	310,338.48

Source: Ministry of Commerce and Industry, Government of India
Note: The figures in parenthesis indicate percentage share in total exports.

Table 2: Growth Rate (In percentages)

Year	HS Code 5701	HS Code 5702	HS Code 5703	HS Code 5704	HS Code 5705	India's Total Export
2009-10	-	-	-	-	-	-
2010-11	42.27	6.84	76.03	513.87	11.11	39.76
2011-12	-24.72	9.33	-4.58	-83.99	-14.22	22.48
2012-13	11.55	9.84	28.07	94.74	10.17	-1.82
2013-14	2.44	14.73	5.84	50.77	23.2	4.66
2014-15	5.91	25.92	5.5	559.49	9.61	-1.29

Source: Ministry of Commerce and Industry, Government of India