

Role of Micro-finance Institutions in Poverty Alleviation in India

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Abstract

Micro-finance is the provision of financial and non-financial services to the poor who are excluded from financial/credit markets because they are considered unbankable. Micro-finance institutions have evolved primarily as a consequence of the efforts individuals and assistance agencies have committed to the idea of ensuring that the poor people have access to some form of credit. It is the tininess of the loan advances in absence of asset based collateral or saving collected and simplicity of operations. It promotes exploration of the entire range of financial requirements of the needy. The major focus of the present study not be on the growth of Micro-finance institutions but on the financial health of institutions. There are various challenges and problems faced by loan seekers in approaching banks and at the same time, the terms and conditions are not very friendly that can be welcomed by them but there are opportunities and benefits which really attracts the loan seekers to approach Micro-finance institutions for getting various services.

Keywords: Micro-finance, Banks, credit, Markets, Poverty.

Introduction:

Micro-finance is an emerging discipline in the financial world today. It is gaining importance by leaps and bounds not only in India but also in international arena. It was started in 1974 in Gujarat as Shri Mahila Self Employed Women's Association (SEWA) Sahakari Bank registered as urban cooperative bank. They provided banking services to poor women employed in the organized sector. Micro-finance was later evolved in the early 1980s as Self Help Group that provide financial services to the deprived people and it was started in order to fill the gap between poor and rural fund seekers and the availability of funds to them. Most of the Micro-finance institutions came into existence in the legal form of trusts and societies and later on many institutions got registered as NBFC- MFIs under a category created by Reserve Bank of India on Malegam Committee recommendations.

Despite the positive trend in this sector, there are multiple financing to poor and rural people which are leading indebtedness amongst institutions because all are competing with each other and providing over finance to people to secure and retain their respective clients or borrowers. The recent literature on Micro-finance is encompassed by the direct link between Micro-finance and achievement of Millennium Development Goals. According to the Micro Credit Summit Campaign's report, the campaign offers much desirable hope for attaining the Millennium Development Goals with respect to the poverty reduction. International Fund for Agricultural Development along with Food and Agriculture Organization (FAO) and World Food Programme focused that the campaign would achieve the eight MDGs by the deadline of 2025 provided the emerging and industrialized countries take actions with immediate effect.

Micro-finance institutions are into existence in more than 110 countries, serving more than 92 million clients. The idea of Micro-finance emerged in Asia as a reaction to the dismal rural poverty existing in countries such as India and Bangladesh. The Micro-finance sector has been growing in India at a steady pace. Surprisingly, none of the MFIs of India has till date reached near the scale of the popular Bangladeshi MFIs. In India, Micro-finance is characterized by a wide diversity of methodologies and legal forms. Micro-finance loans are ranging in size from \$100 to \$500 per loan with interest rates typically between 25% and 35%

annually. These models are designed to help the low income population to overcome the challenges like illiteracy, lack of financial knowledge and deficiency of assets that can be collateralized. At the same time, the model receives benefits of the existing community support systems and networks to promote financial discipline and guarantees high repayment rates.

It has been observed that in India the Micro-finance is predominantly operates in rural areas. However, the recent research had shown that the MFIs are expanding its operations in semi-urban and urban areas at fast rate. More than one-third of the MFIs had significant urban orientation with more than 50% urban clients. Nearly 30% of the MFIs in the sample have more than 75% of their total clients who lives in urban areas. With increasing migration from rural to urban areas, many MFIs are today increasing their focus on urban areas. The total MFI client outreach as of march 2020 was 3.17 crores while the total microcredit outstanding was Rs. 2500 crores which have been scrutinized to bank. During 2019-20, the Micro-finance through MFI channel has grown at the rate of 18.75 percent in term of client outreach and 13.15 percent in terms of credit portfolio.” MFIs in India started their journey as a single credit product programme has shifted to different level. They have become commercialized and trying to understand their client’s financial needs in more meaningful way and customized the products in a way that suits to their needs and requirements within the scope of regulatory restrictions. In the initial phase of MFIs, they get one year joint liability loan. During the course of time, many institutions broadened the service range with innovative products, offered directly or through their sister organizations. Micro-finance was supposed to move the product paradigm from single products to a basket of customized products based on client needs. The journey on this front has however not been without bumps. The period 2005–10 witnessed intense growth at the cost of innovation as it was easier to increase outreach with a standard product. Further, the regulatory framework did not permit broadening the range to savings and other services like remittances.

RBI as regulatory body had also brought in the condition of qualifying assets by which the MFIs are supposed to create loan assets that would meet certain conditions like maximum loan amount of Rs. 50000, no less than 75 percent of loan has to be given for income generation purpose etc. for availing loan under priority sector credit schemes from the banks. The data provides evidence to reasonably conclude that Indian MFIs in general possess Qualifying Assets. The cost structure of MFIs revealed that the operating costs of MFIs in general are higher than what the Malegam Committee had estimated in 2010. MFIs in all likelihood, would find it difficult to contain the margin Cap (Yield over Borrowing Cost) of 12 percent set by RBI. The MFIs in general are merely self sustainable in meeting expenses of their income and leaving thereby marginal surplus to meet their growth needs.

Even though the terms micro credit and Micro-finance are interchangeably used, the term Micro-finance connotes broader activity. Now, there is a shift from micro credit (small loans) to Micro-finance, in which in addition to credit, mobilization of savings, insurance, training and support services like assistance in marketing of client’s products are provided which are otherwise known as ‘credit plus’.

Micro-finance programme has been introduced in many countries since it has been considered as an important tool to combat poverty. Grameen Bank in Bangladesh, Banco Sol in Bolivia and Bank Rakyat in Indonesia are some of the examples and Grameen model has been replicated in many developing countries.⁴

Micro-finance is considered as a development tool to alleviate poverty in Asian, African and South American countries. Micro-finance gives quick and tangible results to the poor people especially women. Micro-finance is required by the poor people to invest in income generating activities which will break their vicious cycle of poverty.

Empowerment of women through Micro-finance benefits individual women, their families and the community as a whole through collective action for development. Pollution of

water, deforestation, inadequate public health and sanitation, ground water scarcity, falling ground water table, overexploitation of water resources are some of the problems related to environment which may be addressed through sustainable rural development which in turn is possible through SHG and Micro-finance. Group formation, provision of collateral free credit, participatory efforts for income generating self employment, knowledge and awareness and skill development have improved the socio-economic conditions of rural poor. Self Help Groups and Micro-finance are found to be successful in promoting empowerment of women leading to development.

India is the homeland of Self Help Group movement. Later the movement spread to South East Asian and African countries. The NABARD conducted a series of research studies during the early eighties and found that existing systems and procedures of the banks were not well suited to meet the most immediate credit needs of the poor. It was felt that a new delivery mechanism was required to fulfil the requirements of the poorest, especially the women. During mid 1980s, formation of groups for savings and credit was initiated by MYRADA, an eminent NGO in south India. Around the same time NABARD had some exposure to similar experiences in South Asian countries; they positively responded to the suggestion of MYRADA that SHGs could bring financial services to the poor. This led to the beginning of the linkage of SHGs with the banks by the NABARD and SHGs became intermediaries in linking borrowers with the banks. The combined efforts of the governments at various levels, banks and NGOs have made SHG- Bank linkage programme in India as the largest Micro-finance programme in the world.

The strategic intent is to provide effective credit delivery system to the poor in order to promote entrepreneurial impulses in them to the effect that their value chain contributes to sustainable rural development. Poverty can be reduced by providing credit along with the inputs such as skill development, training and other support facilities to the poor. This will lead to entrepreneurial activities thus paving the way for self-employment. This is likely to generate income base, which in turn would empower the people. The surplus income generated from the self sustaining activities would facilitate the holistic development of the rural poor.

The income generating activity or self employment should not affect the environment; the activity should be a sustainable one even after the slow withdrawal of the facilitative support extended by the intermediaries such as voluntary agencies or financial institutions. The logic is that the guidelines and assistance provided by them in the initial phase empower the beneficiaries with the capacity to run/continue their income generating project/activity frame. Poverty eradication is the major task of the Government. The Government of India, through the Ministry of Rural development, has implemented a number of poverty reduction programmes to bring rapid growth to the economy. These programmes have reduced poverty to a considerable extent.

Millennium Development Goals aim at reducing poverty, improving health and education, empowerment of women, protecting environment and enhancing other aspects of human welfare. In India, the goals of millennium declaration were followed even before the adoption by the United Nations General Assembly, in the form of policy framework and number of schemes for rural development. The movement towards sustainable rural development will lead to the achievement of MDG. Such achievement is possible through the modern tool to combat poverty and ensure rural development, commonly known as Micro-finance through SHGs. Apart from savings and credit; SHGs were also able to address social issues like health, education, sanitation, drinking water, alcoholism etc.

Extension of Micro-finance to people, especially women, coupled with supporting activities like training, raw materials supply and marketing of products leads to the establishment of micro enterprises in rural areas. These micro enterprises generate income to the family resulting in poverty reduction and set the path for development. Women gain self-

confidence to venture on enterprising activities leading to social, economic and political empowerment. With their increased knowledge and awareness, they become partners for developmental activities. When people join together as a group and receive required financial assistance, a mass development takes place with considerable reduction in poverty. The resulting empowerment leads to socio- economic development in a holistic and sustainable manner. Rural development is possible with active participation of people in group activity. The groups should collectively mobilize internal and external resources and invest in entrepreneurial activities which will generate surplus to break the vicious cycle of poverty leading to sustainable rural development.

India being a developing country, Micro-finance institutions plays a major role in providing funds to the businesses and others and have accounted for the bulk of the financial intermediation process. MFIs also contributes to the process of economic development by credit source to various government agencies, households, and businesses and to other weaker sections of the society including villages, small scale industries and agriculture as well. There is a gross inadequacy in the density of financial services access in our country. However, it is possible that the cost and viability considerations may make it unviable to significantly expand the presence of its branches in all states.

One of the important sectors where these Micro-finance institutions generally provide funds is priority sector business as well as it plays an important role in under- developed and developing economy like India where they provide funds to needy people and therefore it keeps on changing policies regarding funding. Financing priority sector is also one of the advantageous parts from financier side as risks involved are very less.

Conclusion

It has been accepted that Micro-finance plays a vital role in reducing poverty since it paves way for employment and empowerment which leads to economic development. Poverty can be eradicated only by employment opportunities and the employment seeker and worker should become a job provider. This is possible through Micro-finance coupled with micro enterprises. But still Micro-finance plays a modest role in India. At all India level, less than five percent of rural poor households have access to Micro-finance as compared to 65 percent in Bangladesh. But significant variation exists across Indian states and 75 percent of Micro-finance flows to the four southern states.

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Handicraft Marketing Strategies and Its Implications : A Study of Rural Development

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Abstract

At present the rural producers/suppliers are struggling to market their products and services due to various reasons. The performance of the manufacturer and artisans both for financing and marketing of handicrafts is far from satisfaction. Artisans are depending on the middlemen for raw materials, finance and market for the finished products because of their illiteracy, ignorance and poverty. The success of handicrafts depends on how well the artisans can produce the articles and introduced in the market in keeping with the tastes and preferences of consumers. Industrialization in any kind of arts and crafts must be recognized by the market of consumers, through the exchange of commodities in order to make the artistic and ethnic value with a touch of innovation. This research paper is based on marketing concepts of four P's i.e. Product, Price, Place and Promotion. Keywords: Handicraft, marketing, artisans, rural marketing, rural retail marketing, marketing innovations

Introduction

Handicrafts are unique expressions of a particular culture or community through local craftsmanship and materials. It is no longer possible to look at traditional artisan communities and their products in isolation from global market trends and competition. Handicrafts are part of a much larger home accessory market, which includes handcrafted, semi handcrafted, and machine-made goods. The home accessory market is strongly influenced by fashion trends, consumer purchasing patterns, and economic conditions in end markets. In many cases, artisans are out of touch with those end markets, which presents a challenge to those seeking to export their products. The response of consumers to handicrafts is unpredictable. Handicraft production is a major form of employment in many developing countries and often a significant part of the export economy. With increased globalization, however, products are becoming more and more commoditized, with artisan producers facing increased competition from producers all over the world, particularly in China and other Asian countries. The All India Handicrafts Board assisted the state governments in setting up their Design and Technical centers in Uttar Pradesh, Bihar, Kashmir, Rajasthan, Punjab, Andhra Pradesh, Tamil Nadu, Kerala, Himachal Pradesh, Madhya Pradesh, Gujarat, Orissa, Manipur, Tripura, Haryana, West Bengal and Goa. In these centers, craftsmen and the artists jointly work out new designs and items in selected crafts. These artists strive to combine the traditional with modern. The handicraft items are carefully made by artisans so that they retain the ethnic value, while they can be put to modern day use. The designers have to keep in mind the changing needs of the consumers, especially the foreign markets.

- Objectives:** i. To study the importance of marketing in handicraft sector.
ii. To study the marketing concepts based on four P's and try to relate with handicraft.

Research Methodology

This research paper is based on the secondary data by exploring various secondary data resources such as old research papers various journals, books internet, some of the governmental data etc. The study is descriptive in nature and therefore the information presented is based on secondary data. Secondary data has been studied from various documents such as books, newsletters, reports, magazines, journals, newspaper, internet, as well as from existing literature to understand the marketing strategies in handicraft business.

Importance of Handicrafts:

Handicraft sector occupies a prime position in the Indian economy. It is the largest employer, next to agriculture. The sector, while providing livelihood for thousands of artisans, provides avenues for realization of social and cultural potential of millions of people. The mythological, religious, social, historical and artistic expressions in crafts symbolize the strengths of Indian heritage while combining in these crafts both utility and beauty. High employment potential, low per capita investment and high value addition, involvement of women and weaker section, eco friendliness and the potential to stimulate creative talents make the sector one of the most preferred sectors in the process of economic development. India which consists of a variety of ethnic traditions and culture is also a treasure house of Indian handicrafts. Exquisite handicrafts using diverse raw materials are produced in different parts of the country. This include art metal ware, wood ware, hand printed textiles and scarves, leather crafts, hand knotted carpets and embroidered goods, wood design, shawls as art ware, stone carvings, imitation jewellery and miscellaneous other handicrafts. One of the unique feature of the handicrafts is that more often the same item of the handicraft, produced in different regions, are different from each other in terms of the craftsmanship, style, color combination and finish by artesian creativity.

Marketing Practices in Handicraft : Marketing touches everyone's life. Marketing involves a large number of activities, including Marketing research, Product development, Distribution, Pricing, Advertising, and Personal selling, Sales promotion, Packaging and Branding. Marketing combines several activities designed to sense, serve and satisfy consumer needs while meeting the goals of the organization. Handicraft units, which are mostly run by individuals with sole proprietary form of organization can't afford to have separate and well-organized marketing system.

The artisan-cum-proprietor of the unit looks after all the functions with the help of members of his family. Most of his time is spent in the production. In case, he has a little time at his disposal, he uses it for acquiring raw materials. Usually, he has little knowledge and market information relating to his products. Hopefully, the artisans in handicraft industry give little importance to the vital marketing function. The important marketing aspects are discussed under the heads of the following are: i. Product, ii. Price, iii. Place, iv. Promotion.

- I- Product:** A product is a set of tangible and intangible attributes, including packaging, color, price, manufacturer's prestige, retailer's prestige, and manufacturer's and retailer's services, which the buyer may accept as offering wantsatisfaction.
- II- Product-Line:** Handicraft: Firms which market only one product are rare today. Most firms offer a product line. A product line is a group of products related in function or customer purchase needs. The benefits of changing the composition of the product line, by either adding or subtracting products, depend on a number of factors- the preferences of

consumers, the tactics of competitors, the firm's cost structure, and from the product to another name but a few. The handicraft units produce a number of products applying the concept of product line. The size of product line depends on the demand for products and availability of resources like financial and raw material. In the process of assessing the demand for the products and resources availability, the artisans from time to time add new products to its existing product line or drop some of its present products. The products which are not profitable are usually deleted from the product line. The decision whether to discontinue a product is often based on how fast it moves. Deletion of some of the products from product line may also be a practice in handicrafts.

III- Handicrafts designs: The Design of a handicraft product should be in accordance with the tastes and preferences of customers. There are three types of designs viz., conventional, modern, combination of conventional and modern which are usually adopted by artisans. Conventional designs are age-old and traditional designs. While modern designs are in keeping with the changes of consumer preferences and tastes. Conventional and modern is a combination of both types.

IV- Product planning and development in Handicraft: Product planning and development can be found even in handicrafts. Handicrafts are the products of creativity and workmanship. Artisans, usually, strive for excellence in their crafts by undertaking product planning and development.

V- Expansion in Handicraft: Expansion is increasing the present scale of operation either by mechanizing the process of production or by enhancing the installed capacity. Expansion is undertaken when there is more demand for the products. It can also be undertaken in anticipation of future demand. However, expansion involves finance, without adequate finance, expansion activity cannot be taken. The expansion of the unit can be done in various ways; that is by mechanization, enhancing the installed capacity and increasing manpower.

II –Pricing: Price is a measure of what one must exchange in order to obtain a desired good or service. Price is the monetary expression value and is the focal point of the entire exchange process. Historically, prices have been set by buyers and sellers negotiating with each other. Sellers would ask for a higher price than they expected to pay. Through bargaining they would arrive at an acceptance price. Setting one price for all buyers is relatively modern idea.

Fixing the price in Handicraft: The craftsmen are unable to estimate the exact cost, of production due to several reasons. Hence, they find it difficult to fix the price basing on cost of production. The craftsmen have said that they fix prices of articles basing on its market acceptance and basing on the price offered by master craftsmen, dealers and co-operative societies. Prices of handicraft articles are fixed by craftsman himself, master craftsman, dealer and co-operative societies, the extent of influence of these people in fixing the prices differ from craft to craft. Dealers and co-operative societies as viewed by a majority of the respondents influence a great deal in fixing the prices of handicrafts.

III-Place: Distribution is concerned with the activities involved in transferring goods from producers to final buyers and users. It includes the physical activities, such as transporting, storing goods and the legal, promotional activities for transferring ownership. The artisans depend mostly upon master craftsmen, dealers and co-operative societies for disposal of their finished products. Some producers sell directly to the consumers, whereas some sell through dealers, master craftsmen and sales emporia. Sometimes, the dealers and master craftsmen sell the handicraft

products through sales emporia, which directly contact the galaxy of consumers through its various outlets located at various important towns in India. There are certain limitations in the present channels of distribution of handicrafts. Co-operative societies are not serving' as a channels or distribution. Handicrafts producers are depending on the dealers and master craftsmen for selling handicrafts to consumers. Sales markets are purchasing handicrafts from dealers and master craftsmen; but not from handicrafts manufacturers. The first channel, handicrafts producers may sell their articles directly to their customers. Second channel, handicraft producers may sell to private dealers, who in turn, sell to galaxy of customers. The third channel, handicraft producers may sell to All India Handicraft Development Corporation, which in turn, sells to customers through its sales emporia and State owned emporia. The fourth channel, handicrafts producers may sell their articles to co-operative society which, in turn, may sell to All India Handicrafts Development Corporation which may sell to State owned emporia which, in turn, may sell to customers.

IV- Promotion: Basically, it is communication information between buyer and seller to change attitudes and behavior of consumers. Promotion-mix includes advertising, sales promotion, personal selling, publicity and packaging.

Advertising of Handicraft: Advertising is not undertaken by and respondent. The small scale operation of the artisans does not permit the craftsmen to undertake advertising of their products individually. For the promotion of handicrafts, the Corporation has been undertaking publicity, exhibitions, printing of brochures, and participation in trade fairs. The Corporation is also putting up hoardings in important places and centers to tourist interest, which would serve as a good medium of publicity. Other forms of publicity include participation in trade fairs, and sponsoring trade / study teams covering particular crafts to other States in the country.

Promotions in Handicraft: Sales promotion covers a wide range of techniques that provide an extra short-term incentive or inducement to patronize a store or buy a product. Techniques include demonstrations and exhibitions, samples, premiums, coupons, games and contests, displays and package inserts. In general, sales promotion is designed to reinforce the other factors of the promotion mix and to improve their short-term effectiveness.

Marketing problem in Handicraft: Artisans face several problems in marketing. In view of shortage of financial resources and small scale of operation; advertising publicity cannot be undertaken by artisans. Hence, it is suggested that the Corporation may increase advertising and publicity for all the crafts. The Corporation should save the artisans from the exploitative clutches of middlemen by purchasing handicrafts at remunerative prices from artisans by giving payments promptly. Thus, government Uttar Pradesh of Handicrafts required to, play a vital role in solving the marketing problems faced by artisans.

Suggestions: In order to make handicrafts reach the top spot the following suggestions may be implemented.

Organizing marketing network of Handicraft: Absence of systematic marketing network has been a discouraging factor in this region. In my opinion, the artisans must be organized by themselves under the co-operative umbrella for marketing their products by themselves. For this more and more linkages must be developed with outside parties.

Copy right of Handicraft: Design registration should be done. That means whatever designs any artisan has introduced on any item should be registered. Then no one can copy it.

Price Uniformity in Handicraft: It is often complained that prices of handicraft products are very much erratic and not uniform. There is significant difference in prices of the same article if purchase from two shops or from two places. In this situation the customer feels very much exploited and harassed. This might have very bad repercussion on the demand of the products. Categorization of art in each craft should be done according to the skill exhibited and quality of raw materials used and pricing should be made accordingly by a team of experts.

Awareness Creation: The majority of artisans are not aware about various new schemes like loan at concessional rates, free tools, dyes and chemical, work shed-cum-housing facilities. It is the duty of the promotional organizations to make the weavers aware about the various welfare schemes and to implement the same on a war footing.

More research and development in Handicraft: For improving the quality of the products R and D is a must. Many more new items and new designs can be developed with the help of R and D.

Foreign Collaboration with designers and artisans: Foreign master designers may be invited to the design centers to render guidance to the craftsmen.

Value addition in Handicraft: The various specialized organization, like DC (handicrafts), may help the local units to produce various value added items with would not only help to penetrate the local market, but also help in exporting of such items to foreign countries.

Publicity in Handicraft: To attract more and more buyers both within and outside the country, promotional and marketing organizations must give due emphasis on wide publicity of various local products. For this frequent buyers and sellers meets may be organized by promotional organizations.

Exports of Handicraft: If systematic efforts are made, some of the selective products could emerge as a major foreign exchange earner in the near future. However, before exporting of such items care should be taken on product identification, quantum of production, supply arrangements, price, delivery, quality, payment terms etc.

Window display of Handicraft products: In whatever possible manner, all the promotional and marketing organization, must display the local items in various airports, railway stations, bus stands, commercial centers etc. This will help the local artisans to get more orders from foreign tourists, traders, marketing organization etc.

Positioning of handicraft Products: Handicrafts, which are produced with traditional skill, are gradually facing competition from machine made products, which give greater uniformity and better finish. For large number of handicraft items, there have been neither substitutes nor competition from any significant entrant into the field. Thus, suppliers, new entrants and substitute products do not appear to be significant factors in the strategic positioning of Handicrafts. By the process of isolation we come to the buyers and buyer groups. This also includes the middlemen and distribution chain.

Conclusion

Handicraft is such a product that when a buyer likes it, he is prepared to pay a price, which may be far in excess of the standard price of the product. The prime consideration is his liking of the product. Channel agents, such as middlemen, retailer or distributor try to capitalize on such possibilities and earn significant profit almost wholly at the cost of the craftsmen. Handicraft product may be categorized on the basis of price, export on domestic market, ease of maintenance, ease of storage, utility value or decorative value and modernity or traditional orientation. Besides, it is necessary for likeminded institutions to come together to provide the strategic direction and action plans to evolve systems. Procedure and norms related to design, market, technology, innovation and quality of life so that product designs, technology and marketing become integral part of the craft up gradation and repositioning process. Craft is the standard mark of creativity and the essential differentiator for a country in the sweeping wines of globalization. Most importantly, craft has to become a fountainhead for both industrial design and communication design, for deriving the differential advantage of Indian design in the global market place.

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