

A Study on Export Challenges of Handicraft Industry in Kathmandu

A Thesis

By

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Submitted in partial fulfillment of the requirements for the degree of

Master of Business Studies (MBS Semester)

in the

Faculty of Management

Tribhuvan University

Kritipur, Kathmandu

February, 2018

RECOMMENDATION LETTER

It is certified that thesis entitled “**Handicraft Industry: Export Challenges**” submitted by Ranjita Shakya is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for the critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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I certify that the work in this thesis entitled “**Handicraft Industry: Export Challenges**” has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me under supervision of Lecturer Santosh Kumar Ghimire. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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ACKNOWLEDEMENT

I would like to express my deep gratitude to Lecturer Santosh Kumar Ghimire, my research supervisor, for his patient guidance, enthusiastic encouragement and useful critiques throughout this research work.

I wish to acknowledge the help provided by all the concerned members of handicraft export enterprises for their cooperation while collecting the needed information through questionnaire. I would also like to offer my special thanks to computer section of Federation of Handicraft Association of Nepal (FHAN) for providing me the relevant information to complete my research work.

I must express my very profound gratitude to my friends Amrit Dhakal, Sami Balami, Roja Maharjan and Rupesh Khadka for providing me with unfailing support and continuous encouragement throughout the process of researching and writing this thesis.

Finally, I wish to thank my parents and my sister for their continuous support and encouragement throughout my study. This accomplishment would not have been possible without them.

Ranjita Shakya

TABLE OF CONTENTS

Title Page	PAGE NO.
<i>Recommendation Letter</i>	<i>ii</i>
<i>Approval Sheet</i>	<i>iii</i>
<i>Certificate of Authorship</i>	<i>iv</i>
<i>Acknowledgement</i>	<i>v</i>
<i>Table of Content</i>	<i>vi</i>
<i>List of Table</i>	<i>ix</i>
<i>List of Figures</i>	<i>x</i>
<i>Abbreviations</i>	<i>xi</i>
<i>Abstract</i>	<i>xii</i>
CHAPTER- I: INTRODUCTION	1-3
1.1 Background of the Study	1
1.2 Statement of the Problem and Research Question	2
1.3 Objective of the Study	3
1.4 Significance of the Study	3
1.5 Limitation of the Study	3
1.6 Chapter Organization	4
CHAPTER- II: LITERATURE REVIEW	5-30
2.1 Nepalese Handicraft	5
2.1.1 Historical background	5
2.1.2 An introduction to Nepalese handicraft	7
2.1.3 Nepalese handicraft products: Brief introduction	8
2.1.4 Major handicraft exportable items of Nepal	12
2.1.5 Banned items to export	14
2.1.6 Export policy	15
2.1.7 Export procedure of handicrafts	16

2.1.8 Organization involved in promotion of handicraft	17
i. Federation of Handicraft Association of Nepal (FHAN)	17
ii. Trade and Export Promotion Center (TEPC)	19
iii. Export Council of Nepal (ECON)	20
iv. Department of Cottage and Small Industries	21
v. Federation of Nepal Cottage & Small Industries (FNCSI)	21
2.2 Review of Previous Literature	22
CHAPTER-III: METHODOLOGY	31-32
3.1 Research Design	31
3.2 Data Source	31
3.3 Population and Sampling	32
3.4 Method of Data Collection	32
3.5 Analysis of Data	32
CHAPTER- IV: RESULTS	33-44
4.1 Presentation and Analysis of Secondary Data	33
4.1.1 Export Trend of Nepalese Handicrafts	33
4.1.2 Contribution of Handicraft in Total Export of Nepal	34
4.1.3 Product Wise Handicraft Export	35
4.1.4 Yearly Comparison of Handicraft Export	37
4.1.5 Country Wise Export of Handicraft	38
4.2 Presentation and Analysis of Primary Data	39
4.2.1 Handicraft Export Product of the Surveyed Enterprise	39
4.2.2 Export Market of Surveyed Nepalese Handicraft Enterprise	40
4.2.3 Sales Method Surveyed Handicraft Enterprise Choose	41
4.2.4 Challenges affecting export of handicraft	42

4.3 Major Findings	43
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CHAPTER- V: CONCLUSION	45-50
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5.1 Summary	45
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5.2 Conclusion	46
----------------	----

5.3 Implication	48
-----------------	----

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1	Total Nepalese handicraft export for five years	33
4.2	Contribution of handicraft in total export of Nepal	34
4.3	Product wise contribution to total handicraft export	35
4.4	Yearly comparison of handicraft export	37
4.5	Country wise export of handicraft	38
4.6	Handicraft export product of the surveyed enterprise	39
4.7	Export market of surveyed Nepalese handicraft enterprise	40
4.8	Sales method surveyed handicraft industry choose	41
4.9	Challenges affecting export of handicraft	42

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Total Nepalese handicraft export for five years	34
4.2	Contribution of handicraft in total export of Nepal	35
4.3	Some major handicraft products and their export trend	36
4.4	Top ten exporting countries of Nepalese handicraft for FY 2074/75	38
4.5	Export market of surveyed Nepalese handicraft enterprise	40
4.6	Sales method surveyed handicraft industry choose	41

ABBREVIATION

DCSI	Department of Cottage and Small Industries
ECON	Export Council of Nepal
FHAN	Federation of Handicraft Association of Nepal
FNCISI	Federation of Nepal Cottage & Small Industries
FY	Fiscal Year
HRD	Human Resource Development
MCSI	Micro, Cottage and Small Industries
MEDEP	Micro-Enterprise Development Programme
MSME	Micro, Small and Medium Enterprise
SD	Standard Deviation
TEPC	Trade and Export Promotion Center
UNCAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
WTO	World Trade Organization

ABSTRACT

This study aims to explain the various challenges faced by the small and medium sized handicraft exporting firms. This study is based on the handicraft exporter around the Kathmandu valley. Handicraft is the major export item of Nepal. The felt product, leather goods, metal crafts, woolen products, cotton goods, etc. are major exported item of Nepal. These handicraft products are exported to around 80 countries around the world. Among them USA is the major buyer of the handicraft products. Although Nepalese handicraft possess the great export potential, it is not being able to contribute major to the total export. It has only contributed around 5-7% in the total export. Thus, this study identifies the major challenges faced by the handicraft exporters. This study is based on the article by Suhail M. Ghouse who conducted a research on an export challenges to MSMEs with the reference of handicraft industry in India. To identify the challenges more precisely, various export related problems such as export documentation, export market-based demand, regulatory policy uncertainty, infrastructure, technology & tools in manufacturing, exchange rates, market awareness & export promotion, export related subsidies, research & development, HRD related, and social capital resources were asked to rate on a 5-point Likert Scale to the concerned member of the handicraft exporter. The result showed that quality management followed by lack of export related subsidy and lack of market awareness and export promotion were the major challenges for the handicraft exporting enterprises. The lack of skilled and professional craftsmen, no or low demand from the importer, limited awareness among exporter about market linkages are also creating the challenges. The other challenges such uncertainty in the regulatory policies, infrastructure related problems, tools and technology, exchange rate, research and development also pose to create barriers in export growth.