

## CHAPTER – I

### INTRODUCTION

#### 1.1 Background of the Study

Handicrafts are those objects, which require skill with hands, or in other words, they are man-made. Basically, a product solely made by human hands without using any kind of complicated machinery or equipment is called handicraft. A simple dictionary meaning of handicraft is “activity involving the making of decorative domestic or other objects by hand”. According to Cambridge Dictionary, “handicraft is skilled activity in which something is made in a traditional way with the hands rather than being produced by machines in a factory, or an object made by such an activity”.

According to the definition formulated by UNESCO, Artisanal products are those produced by artisans, either completed by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetics, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.

The statute of Handicraft Association of Nepal (HAN) in its article 1.4 (i) has defined “handicraft industry” as “an industry that manufactures a product reflecting the country’s tradition, art and culture, and/or uses labor intensive specialized skills, and/or uses indigenous raw material and/or resources.

Export is an imperative in contributing to a nation’s economic prosperity. It leads to an increase in domestic production, economic growth, and the fulfillment of foreign currencies to meet the cost of import. Export is a most important strategy in ensuring a firm’s survival or growth, and firms may achieve competitive advantage in global markets. Various firms in recent times have focused further attention and allocated more resources in order to export their products to international markets. Therefore, the

objective of majority of the firms and national governments is to expand export. (Lingden, 2014)

The export of Nepalese handicrafts started from the mid 60's of the last century. However, the systematic export started only from early 70's. Handicrafts have long been a major line of Nepalese exports. Currently, it has been the largest overseas export item of the country next to readymade garments and carpets. More than 20 handicraft products mainly the pashmina products, woolen goods, silver jewellery, Nepalese handmade paper and paper products, metal craft, wood craft, cotton goods etc. are being exported to about 85 countries. USA (which alone absorbs around 25% of the total export of handicraft products), Britain, India, Canada, Germany, Japan, Italy, France, Australia, Netherlands and China are its major foreign buyers. (TEPC, 2018)

The export trade of Nepalese handicraft plays a vital role in overall national economic development. By exporting handicraft goods to foreign countries, it is possible to increase the foreign exchange. The share of handicraft export in total export of Nepal is increasing year by year. Even a small effort from Nepalese handicraft sector will lead to strengthen nation's economy by earning the foreign currency. However, there exists challenge for export, which if addressed properly can lead to major contribution to Nepalese export and Nepalese economy. Thus, the handicraft industry has vast potentiality for development as well as to earn foreign exchange.

## **1.2 Statement of the Problem and Research Question**

Handicrafts of Nepal is connected to different ethnicities of the nation. Due to its uniqueness, the demand of Nepalese handicraft is increasing in the international market. This suggests that the handicraft export can play a vital role for economic development of Nepal. Although Nepalese handicraft are exported overseas and represents the major portion of the export, the handicraft industry is not free from export related challenges. Thus, this research aims to identify various challenges that the Nepalese handicraft exporter faces while exporting the handicraft overseas.

Thus, on the basis of problem statement, the research questions are:

- i. What is the export situation of handicraft in Nepal?
- ii. What are the challenges faced by handicraft exporter?

### **1.3 Objective of the Study**

Based on the research question, the objectives of the study are listed as:

- i. To examine the export situation of handicraft in Nepal.
- ii. To identify the challenges faced by handicraft exporter.

### **1.4 Significance of the Study**

In today's competitive world each country has to be strong enough to compete with other for economic development of the country. Export trade of the country determines the economic development of the country. Nepal exports its limited products to very few countries. Its major export partners are India, U.S.A., Germany, U.K., Turkey, Italy, France, Japan, Bangladesh, and China (Department of Custom). Due to its limited exportable products, it is hard for Nepal to be recognized in the international market. Among the exported products, handicraft item is the major one. However, it is not free from difficulties while exporting. Such difficulties are leading to decrease in the export of several handmade items. Thus, it is essential to identify major challenges that the handicraft exporters are facing which can help them in identifying the measure to solve the problems.

### **1.5 Limitation of the Study**

The limitation of the study are as follows:

- i. Primary data is collected through the questionnaire method and direct talk with the officials of the organizations. The respondents may not give the proper or right information. So, the quality of primary data depends on the thinking of the respondent which might be biased.
- ii. Sample size is very small in comparison to population of the study. This study is based on the handicraft firms within Kathmandu valley only. Organizations situated outside the Kathmandu valley are not covered. So, the study might not show the exact of the problems the exporters are facing.

- iii. The study has only considered small and medium sized handicraft enterprises.

## **1.6 Chapter Organization**

The study is organized into five chapters. The chapters are as follows:

**Chapter I - Introduction:** The first chapter deals about introduction that include background of the study, importance of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study, and organization of the study.

**Chapter II - Literature Review:** This chapter deals with the review of different literature which is closely related to this study. Review from published books, journals, magazines and websites are also done.

**Chapter III - Methodology:** This chapter deals with the research methodology adopted to carry out the present research. It contains research design, population and sample of source of the data, datacollection technique, and data analysis tools.

**Chapter IV - Results:** This chapter deals with the presentation, tabulation, interpretation and analysis of the data through different statistical tools and techniques.

**Chapter V – Conclusion:** In this chapter, the major findings are summarized, valuable recommendation and conclusion are drawn.

The bibliography, questionnaire have been presented at the end of this study

## **CHAPTER – II**

### **LITERATURE REVIEW**

This chapter contains a comprehensive review of recent and relevant literature related to the topic. Literature review is basically a process of searching the available literature in field of research to review and analyze them. The literature survey provides the researcher with the knowledge to the status of their field of research. That helps the researcher to find out what research studies have been conducted in own chosen field of survey and what remains to be done. It provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing. Attempts have been made to review reports, journals, articles published in different newspapers, magazines etc. related to handicraft. The literature has been collected, compiled and reviewed.

#### **2.1 Nepalese Handicraft**

##### **2.1.1 Historical background**

The historical development of Nepalese craft and cottage industry, though very old, is full of ups and down. A reference is found in Kautilya's Economics about various production and export from Nepal. During the time of Chandra Gupta Mouriya in fourth century there was considerable trade in blanket of wool, Nepal was mentioned as a source of good blankets. It was rainproof blanket made of eight pieces joined together of black color known as "bhiringisi" as well as "apasaraka". In the same way it was mentioned in the epics of Jain religion "BrihatakalpasutraVhashya" that good quality of woolen blanket was available in Nepal. Various famous Chinese travellers (Wangunshe and Huansang 648 A.D.) had highly appreciated many skills of Nepalese craftsmen and artisans in travelogues. Right from the very beginning up to the mid nineteenth century the rulers of the country to promote national industries and trade did adopt various

measures of production, promotion and encouragement. To save national industries, only those commodities were imported which were not produced locally.

Towards the end of the nineteenth century Nepalese arts and crafts in particular the entire home-based industries in general suffered a lot due to the general liberal import policy of the government. Before British could establish their regime over India and entered in to place treaty with Tibet in 1904 A.D. Nepal was interpret and the main route for Tibet, external trade with other countries. But the treaty on 1904 A.D. facilitated the Britishers to open a new route between India and Tibet through Chumbic Valley plus the trade route treaty of 1923 A.D. between Nepal and British India, which was not in favour of Nepal and had very unfavorable effects both on industries and on flourishing trade of the country.

But the unusual demand for all consumer goods prior to and during the World War II provided a respite to the dying Nepalese industries. Moreover, the government of the day realized the necessity of some and, earns to promote industries in Nepal. As a result of the realization, “Industrial Council” was set up in 1935 A.D. Later on, “Nepalese Cloth and Cottage Industries Publicity Office” was established in 1939 A.D. As it is clear from its name, the office was the only government effort for promoting cottage industries.

Besides the government efforts there were some individual “Gandhin Social Workers” who regarded spinning & weaving as potential weapon to fight against dehumanizing poverty of the masses and Rana’s dictatorship. Tulsi Meher tops the list of such people. He is the man who also got the “Nehru Purushkar” of the year i.e. 1978 A.D. For the first time, it was advocated to executive spinning and weaving as composite work and not separates.

Kautilya spoke in praise of all Nepalese home-made goods including handloom products. Weaving is practiced by all most all communities of the hills and valleys e.g. newars, gurungs, magar, bhote, Sherpa, rai, limbu and tharu of Terai.

Kerk Patrick who came to visit Nepal in 1793 A.D. wrote in his book, “An Account of the Kingdom of Nepal”, the newars are expert in cottage industries. As far as cloth is

concerned, they make rough course kind of its partly for use and partly for export. The cotton needed for it is produced in Nuwakot of Madhesh. Thus, even as late as 1816 A.D. Nepal was not only self-sufficient in her requirement of clothes but had surplus for export also. Thus, up to the end of 19th century, Nepalese people were self sufficient to meet the requirement of cloth through the production of handloom which was flourishing and promising cottage and small-scale industry of Nepal at that time. After the treaty of Sugauli in 1816 A.D. with the British, the door for open trade between Nepal and India was thrown wide open. Indian goods mass produced in factories and goods similarly produced in other countries had free occurs into Nepal, which cause a great suffer to the indigenous industries of our country. Thus, cottage and village industry of country went on deterioration day by day. (FHAN,2018)

### **2.1.2An introduction to Nepalese handicraft**

Nepalese handicrafts, which have been a part and parcel of the Nepalese heritage, depict the great tradition and proud culture of this great Himalayan Kingdom. Their origin dates back to the stone age when human beings were devoid of tools of any kind. Nepalese handicraft products have been best known to the world for its rich art, crafts and oriental architecture. The skill and techniques of making handicraft products, which have been handed down from generation to generation, not only represent the talent and skill of craftsmen but also reflect the social, religious and cultural values found in different parts of the country.

Being a labour intensive product, it is difficult for one to produce it in large quantity with uniformity and with equal quality standard. In Nepal, the production of handicrafts is an age-old occupation. Novel handicrafts are also developed in harmony with changing market taste. In the last 27 years, export of handicrafts of the country has considerably grown. Thus, the development of handicraft, on one hand, helps in preserving the national heritage of the country and on other hand, it contributes to eliminating poverty by creating job opportunities. Nepalese handicrafts industries have been providing employment to hundreds of thousands of people of the country. It has also been a prime source of foreign exchange required for the importation of necessities.

Handicrafts are prevalent in almost all parts of the kingdom of Nepal. However, handicraft-related works have been adopted as a traditional occupation by the Newar community of the Kathmandu valley, particularly by the Bajracharya, Shakya and Chitrakar families.

Nepal has been producing different types of handmade goods from ancient times. Nepalese handicrafts are unique and well known for craftsmanship. The Nepalese handicrafts include gold plated items, bronze and brass art icons, filigree articles, household utensils, handmade paper and paper products, paintings and Thankas, wood carving and basketry works, potteries, jewellerys, masks, etc. (TEPC,2018)

In Nepal, the production of handicraft is an age-old practice. Novel handicraft is also developed in harmony with changing market taste. For the last 25–30 years, export of handicrafts has been growing. The development of handicraft helps the conservation of national heritage and culture of country; which in return contributes to appease poverty by creating job opportunities. The handicrafts of Nepal are produced in a traditional way, from generations to generations leading the footpath of ancestors or from forefather to grandfather to father and to son and this continuity has given the survival to Nepalese handicrafts, preserving their heritage, cultural values, aspects and tradition. More recently, these arts and crafts is one of the major exporting industries of Nepal, earning foreign exchange and providing employment to thousands of Nepalese craftsmen, artisans, promoters and businessmen generating revenue to government. (Wikipedia)

Nepal is a landlocked country surrounded by China in north and India in east, west, and south. As a Hindu Nation Nepal has got many similar culture and religion like India that creates a bad conception like 'Nepal is a continent of India' in international arena. So, in order to be distinctive and sustain in the global market, Nepalese exporters should understand its comparative advantage in international market have to be unique in its own way of revealing art, culture and tradition through handicraft products. (Koirala,2011)



### 2.1.3 Nepalese handicraft products: Brief introduction

The handicraft sector as a whole fall under two broad categories: the textile sector and the non-textile sector. In addition to pashmina, the former includes woolen, felt, silk, cotton, dhaka, hemp and allo (nettle fibre) products. The latter consists of silver jewelry, metal craft, handmade paper products, woodcraft, leather goods, incense, paubha (thanka), bone and horn products as well as ceramics, bead items, bamboo products, stone craft and plastic items.

#### **Pashmina**

Pashmina is the finest inner wool that grows as layer at the very bottom of thick and course fibre of Himalayan goat, locally known as chyangra (*Capra Hircus*), living above 2000 meter from the sea level. Each chyangra does produce 90 grams of pashmina once a year. It is extracted from its body either by combing or by cutting during January to February. Pashmina is one of the finest, softest, warmest and lightest wool found in nature. In fact, it is the best wool in the world. Pashmina is known by different names like "Diamond Fibre" and "Soft Gold of High Asia". It is unparallel in uniqueness and elegance to any other fibres (TEPC,2018).

#### **Allo**

Allo(*Girardinia diversifolia*), plant belongs to the "Urticaceae", the nettle family. *Allo* known also as Himalayan Nettle is a fibre yielding perennial plant that grows wild between 900m to 2500m. The stem bark of *Allo* contains fibres with unique qualities, strength, smoothness, and lightness. The ethnic communities in the hills such as Magars (who refer to the plant as Puwa) in West Nepal and the Kulung Rais of Sankhuwasabha district in East Nepal have for centuries extracted and spun these fibres to make ropes, jackets, porter's head bands or straps, and fishing nets, etc (MEDEP,2018).

#### **Dhaka**

Nepali Dhaka is a fine trendiest fashion fabric. It is made with 100% cotton yarn that reflects traditional Nepalese designs and patterns. Dhaka the material is believed to have been brought in from Bangladesh by the early Rana rulers of Nepal. Although the stories about its origin vary, an account also says that during the invasion of Muslim nations in eastern India, the victims fled to Nepal and continued their profession of making Dhaka. They definitely prospered in their trade but what is more important is the lasting legacy they have left behind. With the passage of time, the use of Dhaka significantly increased so much so that Dhaka caps became an integral part of Nepalese nationality. They also took an important social role as a material that was required in most religious ceremonies from birth to death. For example, Dhaka daura-surwal is worn by the people of Chhettricomunity during weddings and among the Newars, it is required for performing funeral rites. And not far back, during the early 1900's Dhaka clothes such as the chaubandi-cholo (blouse), khasto (shawl) and daurasurwal (national dress for men) dominated the Nepali fashion. (Koirala,2011)

### **Paubha (Thanka)**

PaubhaThe principal form of religious painting in Nepal consists of images of deities known as "paubhas". Similar to thanka/thangka, they are much rarer. The paubha is the precursor of Tibetan thanka painting in Nepal. Intricate floriated decoration may be regarded as a hallmark of Nepali paubhas. Furthermore strong, contrasting colours are a typical characteristic for this kind of painting. The influence of Tibetan painting also shows in treatment of figures and landscapes and, sometimes, in the choice of subject as well. The Nepalese paubha presented an inseparable part of Nepalese life. They are created by artists of the Newars of Kathmandu valley.(Koirala,2011)

### **Nepalese Paper and Paper Products**

The Nepalese paper and paper products are very famous in the overseas market. The Nepalese papers are made from *Loktaor* Dayshing (*Daphne cannabira*) plants. The unique feature of Nepalese paper is its moth resistance quality. Besides Nepalese paper, varieties of products made from it like postcards, writing pads and papers, wood block prints,

calendars, gift wrap, lampshades, etc. are exported from Nepal. The major markets are USA, Japan, Canada and European countries. (TEPC,2018)

### **Felt Product**

Felt is a non-woven cloth that is produced by matting, condensing and pressing wool. Some types of felt are very soft, but some are tough enough to form construction materials. Felt can be of any color, and made into any shape or size. When cooled, dried and compressed, the scales close and lock the wool into the tough, durable material we call felt. (Nepal Art Shop Export and Import, 2018)

### **Metal Craft**

The crafting of bronze, brass and copper statuary is Nepal's oldest living craft tradition, dating back at least 1300 years. Modern metal crafts are developed based on antique metal work style. Nepal Statues are made of different metals like copper, oxide, partly gold and of full gold. Statues are made by well experience skillful artist. (Nepal Art Shop Export and Import, 2018)

### **Wood Craft**

Woodcraft in Nepal today is one of Nepal's best industries and is made up mostly of family businesses that employ a small number of laborers to help in the production of their work. These Silpakar and Kaisthakar families enjoy a strong local and foreign market for their products. Most of the woodcraft industry today is focused on providing local people and tourists with collectible items such as picture frames and miniature statuettes. Today, woodcarving of Nepal has reached all over the world. Besides being the decorative of many individual residences it has covered many main parts of architecture and buildings known to the world. (Nepal Art Shop Export and Import, 2018)

### **Gold and Silver Jewellery**

Nepal has a long tradition of craftsmanship in many forms like wood carving, metal craft, stone carving and, working silver and gold into exquisite pieces of Jewellery. The manufacture of Jewellery in Nepal is wide spread throughout the country since time immemorial. The production of Jewellery is labour intensive industry based on caste and cultural heritage. It was traditionally confined only to the Newari Shakya and Sunar families, but nowadays, other castes are also involved in this occupation. The art and the tricks of making it is passed from father to son in a normal family group setting, by father or grandfather showing and instructing the younger ones how to handle the hammer or saw or carving tool. So, it is said that by the time the child goes to school, he can handle the tool. The local demand of Jewellery has traditionally confined to social and religious occasions and other ritual ceremonies. (TEPC,2018)

### **Leather Goods**

Leather is one of the major exportable items in the basket of the Nepalese exportable products. Most of the Nepalese leather goods are made of leather processed within the country. However, good quality finished hides for shoes and finished goat leather for leather garments are being imported for the past few decades. Nepal has been manufacturing and exporting varieties of leather goods like jackets, handbags, belts, purses, shoes and boots, gloves, wallets, vests, skirts, trousers, travel bags, camera bags, prone, folders, picture frames, key holders etc, of both traditional and modern design in various size and colour. Design and making are tailored to the buyers' requirements. As many as 65 % and 15% of the total raw materials needed for producing the leather shoes and other leather goods are respectively supplied from within the country. By the end of 2058 B.S. the number of leather based small and medium-sized industries registered with the Department of small and cottage industries was over 200 scattering throughout the kingdom, particularly in the Terai belt. (TEPC,2018)

#### **2.1.4 Major handicraft exportable items of Nepal**

According to Export Council of Nepal (ECN), major exportable items of Nepal are:

i. Metal statues, filigree foods and utensils

- a. Icons based Buddhism and Hinduism made of copper, bronze, silver and gold as basic raw materials with chisel works.
- b. Decorative Articles
- c. Utensils and Garden Articles made through hammering and costing such as flower vase, singing bowls, bell, cymbal, wine jars, cups, etc.

ii. Gold, Silver Jewellery and Filigree Goods

- a. Ornaments made of yellow gold with or without stone (precious and semi-precious).
- b. Ornaments and other articles such as earrings, studs, rings, bracelets, pendant, precious stone with minimum 92.5% purity.
- c. Decorative articles such as animal birds charm boxes and etc made with intricate wire works and studded with precious and semi-precious stones.

iii. Nepalese papers and matches Good

- a. Products made of handmade paper lokta (daphe, payracea of thymalaeacac family) such as stationery, lampshade, wallpaper warping paper, bags and shopping bags and etc.
- b. Handmade paper matches- Articles such as masks, decorative items made of clay, papers etc.

iv. Wooden Craft

Products produced by hand carving with the various types of wood such as door panels, figure of god and goddess, replicas of famous windows, imitations of temples, monuments, furniture, many more.

v. Other handicrafts goods

- a. Incense: Many varieties of incense products.
- b. Bead works: Ornaments, decorative articles and etc. made of glass beads ceramic goods glazed and non-glazed earthenware.
- c. Bone and Horn goods: Buttons, decorative items and etc.

- d. Hand Crafted: Dolls and puppets of Nepalese Culture made of cloths, clay and woods.
  - e. Hand painted thankas: Sacred scroll hand painting on cloths or paper based on Buddhist and Hindu religious scriptures.
  - f. Mithila Arts: Products based on the motifs of Mithila culture (from Janakpur district) such as ceramics, handmade paper wall hanging
  - g. Stones Crafts: Icons statues and decorative and utility products craved and made of stone
  - h. Precious and Semiprecious stones: cut\uncut stones such as garnet, lapis, topaz, onyx, moonstone, agate, jade.
  - i. Nepalese Musical instruments: Nepalese ethnic\modern cultural musical items such as Drum, Madal, Tabala, Trumped, etc.
  - j. Folklore's Goods\Miscellaneous goods.
- vi. Woolen Garments and Accessories
- a. Articles made of hand knitted such as pullovers, sweaters, cardigans, mufflers, socks, leg warmers, caps.
  - b. Articles made of woolen fibers such as garments and accessories
  - c. Articles made of pashmina (fine goat hair from high mountains only) such as shawls, mufflers, stoles, sweaters, garments and other accessories.
  - d. Articles made o facet such as slippers, bags, hats.
- vii. Cottons\ Rayon Garments and Accessories
- Articles made of cotton\rayon fabric such as ethnic\fashionable garments
- viii. Other Garments and Accessories
- a. Natural fiber garment and accessories: Articles made of Hemp, nettle and other natural fibers such as garments and accessories
  - b. Silk garment and accessories: Modern, high quality, designed, fashioned garments specialized garments and accessories.
- ix. Carpets
- Hand knotted woolen carpets.

### 2.1.5 Banned items to export

List of quantitatively restricted and banned item for exports according to Export Council of Nepal

#### I. Products banned for Exports

##### i. Articles of Archaeological and Religious importance

- a. National and foreign coins of archeological value.
- b. Idols of gods and goddesses, palm leaf inscription (Tad Patra), Plant leaf inscription (Bhoj Patra).
- c. Scroll (Thanka paintings) of historical importance.

##### ii. Conserved wildlife and Related Articles

- a. Wild animals
- b. Bile and any part of wild animals
- c. Musk
- d. Snake skin, lizard skin

##### iii. Drugs

Marijuana, Opium, Hashis (as defined in the Single Convention of Narotics, 1961)

##### iv. Articles of Industrial Importance

- a. Explosives materials and fuse or materials needed there for.
- b. Materials used in the production of arms and ammunition.

##### v. Industries / Raw Materials

- a. Raw Materials and skin (including dry salted).
- b. Raw wool
- c. All imported raw materials, parts and capital goods.

##### vi. Other products

- a. Mamira
- b. Log and timber

#### II. Products under Quantitative Restriction

Products as notified by Nepal Government in Nepal Gazette time to time.

### III. Products allowed for free exports

All products other than banned ones and under quantitative restrictions.

#### **2.1.6 Export policy**

According to Export Council of Nepal (ECN), the export policy are as follows:

- i. The production and quality of exportable products will be raised to make competitive in the international market. Necessary efforts will be made to increase and diversify exports of goods and services with objective of increasing foreign exchange earnings.
- ii. Exports will be promoted by raising the producing and quality of traditional as well as new products. Similarly, more emphasis will be placed on the export of profitable but processed and finished products. For the export promotion of these products, new markets will be identified.
- iii. Foreign exchange earnings will be increased and opportunities for gainful employment will be created by identifying and increasing the production of new products.
- iv. Services-oriented activities will be given to the export of hydro-electricity on a profitable basis.
- v. For the effective utilization of manpower, stress will be given to the development of appropriate and potential skills to promote service sector as well as export of skilled manpower in an organized way.
- vi. Appropriate monetary, foreign exchange and fiscal policies will be formulated and necessary changes will be made in the administration procedures to make them liberal, simple and dynamic in order to implement above policies on an efficient, smooth and transparent basis.



### 2.1.7 Export procedure of handicrafts

According to FHAN, export procedure of handicraft includes:

- i. An exporter should have:
  - a) Registration of firm\company\industry
  - b) Registration in local tax office
  - c) Current account in Commercial Banks
  
- ii. An exporter order could be affected:
  - a) If a letter of credit is opened of the exporter's name
  - b) Advance payment is deposited in convertible currency in the exporters bank account or
  - c) Samples, up to the value of US \$150 could be exported without the condition state in ii "a" and "b".
  - d) Some product could be exported without fulfilling the conditions stated in II a and b. Similarly, export to India and Tibet enjoy waiver of the conditions in II a and b.
  
- iii. Documents required for the export:
  - a) Commercial Invoice certified by Federation of Handicraft Associations of Nepal along with a certificate.
  - b) Packing List (if applicable)
  - c) Certificate of origin issued by local Chamber of Commerce
  - d) Nepal Rastra Bank declaration form
  - e) Advance payment or Letter of Credit
  - f) Letter of Authorization
  - g) A copy of firm registration/ Income tax (Permanent Account Number) registration – once a year
  - h) A copy of custom agent registration if an agent is appointed
  - i) \*Museum Pass Certificate (Department of Archeology)
  - j) \*GSP form A
  - k) \*No objection letter from Federation of Handicraft Associations of Nepal for products made from the parts domestic animals

- l) \*Recommendation letter from Department of Mines for some mineral products
- m) \*Recommendation letter from Department of Forestry for some forestry-based products.

\*Note-Applicable for selected products/countries only

### **2.1.8 Organization involved in promotion of handicraft**

#### **i. Federation of Handicraft Association of Nepal (FHAN)**

Federation of Handicraft Associations of Nepal was established in 1972 to enhance and promote handicraft trade and industry. Originally, its name was Handicraft Association of Nepal (HAN). It is registered under Institution Registration Act of Nepal. It is a service oriented non-profit organization of private sector business and artisan community. It helps its members to improve their productivity, explore markets and introduce them to the international arena. It also works as liaison between its members and the Government and Non-Government Organizations

#### **Aims and objective of FHAN**

- a. To work towards steady growth of handicraft trade and industry.
- b. To encourage Nepalese artisans to adopt handicraft production as their profession by preserving Nepalese cultural heritage and to popularize it in the World.
- c. To strive towards enhancing the quality of handicraft goods & its productivity.
- d. To provide pragmatic suggestions and advice to Nepal Government and its related agencies to formulate policy/programs for the betterment of handicraft trade & industry.
- e. To popularize & promote handicraft products.

#### **Functions of FHAN**

- a. Organize seminars, symposiums and conferences on various topics relevant to strengthening the handicraft trade & industry.
- b. Organize exhibition and trade fairs to highlight handicraft products & create public awareness in its usage.

- c. Activate and increase contacts with National and International Agencies for the growth of handicraft trade & industry.
- d. Explore additional markets for the handicraft products.
- e. Institute award in recognition of highest export and best craftsmanship.
- f. Arrange participation in international trade fairs & exhibitions for its members.
- g. Publication of news bulletins, books, catalogues, members' directory and other materials relevant to promote handicraft trade & industry.
- h. Act as catalytic agent for management of training programs for the benefit of its members.
- i. Documentation & dissemination of information regarding handicraft trade & industry.

## **ii) Trade and Export Promotion Center (TEPC)**

The Government of Nepal has established "Trade and Export Promotion Centre", a national trade promotion organization of the country in November 2006, as a focal point, by merging three organizations namely Trade Promotion Centre, Export Promotion Board and Carpet & Wool Development Board, with the objective of promoting foreign trade in general and export trade in particular of the country.

The functions are to:

- a. Advise the Government of Nepal in formulating policies for the development and expansion of trade and export.
- b. Contribute to strengthening the national economy by developing and expanding trade and export of the country.
- c. Support in achieving the goal of poverty alleviation through the development of rural economy by enhancing internal and external market for agro-based and other products.
- d. Launch programs by establishing coordination among different agencies for increasing the production of exportable products.

- e. Assist to diversify trade by identifying potential market for exportable products.
- f. Cooperate in opening institutions for export promotion and to diversify trade and extend support to such institutions.
- g. Plead for technical assistance with national and international organizations for improving quality/standard of exportable products.
- h. Implement appropriate programs so as to attract investment at the national and international level for export-oriented and import management project.
- i. Act as information pool by collecting, disseminating and publishing useful trade-related information.
- j. Study and identify the problems of foreign trade and advise the Government of Nepal with appropriate measures to solve such problems.
- k. Assist in market test of exportable products.
- l. Organize buyers/seller meet and conduct training seminar and workshops.
- m. Simplify the procedures relating quality control, insurance and transport and enhance support services for export transaction.

### **iii. Export Council of Nepal (ECON)**

Export Council of Nepal (ECON) is a representative association of Nepalese Export Trading Firms/companies which works for socio-economic development of the nation through the promotion of export business and dedicated in the promotion and the safeguarding of export trade of the country.

ECON, since its commencement, has been actively working and dealing with Government agencies and other export related organizations to enhance export and solve the problems in this sector. As export trade is the main source of national economy, this is the prime time to work jointly for its promotion. With the ongoing Economic Recession in the worlds arena, Nepalese export sectors has been facing with numerous problems and obstacles at home and abroad. And, we believe that joint efforts from the public and private sectors are the need of time to tackle down the problems and boost up export trade.

Having realized the importance and contribution of exports, ECON has been actively and regularly organizing a variety of promotional programs such as trade fairs/exhibitions, trainings, workshops and seminars finding out new products on export related matters.

### **Objective**

- a. The main objectives of council is safeguard, promote, facilitate, solve day to day problem and to educate the exporters about the legislative changes that take place in the field of export trade of Nepal. It has also adopted the following set of objectives.
- b. Act as a catalyst for export business development in the country.
- c. To provide advisory services to government and lobby as and when required in formulation and execution of export business related policies.
- d. Foster cooperation with related national and foreign organizations.
- e. To create awareness for the promotion of export business.
- f. Create brotherhood feelings between exporters.
- g. To enhance the contributions of export trade sector to national economy by promoting export business.
- h. To expand export trade on a sustained basis through gradual reduction in trade imbalances.

### **iv. Department of Cottage and Small Industries**

Department of Cottage and Small Industries (DCSI) have been constituted under Ministry of Industry, Commerce and Supplies (MOICS) in 1974 (B.S. 2030) to promote and foster various kinds of cottage and small industries enhancing their industrial productivity increment along with making congenial environment for industrial investment in accordance with policy execution for contributing national economy. Previously for the development of cottage and labour intensive industries Cottage Skill Awareness Office (GhareluIamPracharAdda) was established in 1940(B.S. 1996) and have been amended as DCSI.

There were 75 cottage and small industries offices under this department. Having been organizational structure adjustment in 1990 (2049 BS), 27 cottage and small industries

from all Terai district including Kathmandu, Bhaktapur, Lalitpur, Kavre, Palpa and Kaski are under this department. Rest of 48 districts has separate offices under Cottage and Small Industries Development Committee. DCSI, coordinates and administers the industrial administration through these offices in each district.

#### **v. Federation of Nepal Cottage & Small Industries (FNCSI)**

Federation of Nepal Cottage and Small Industries (FNCSI) is an Umbrella Organization of Micro, Cottage and Small entrepreneurs of Nepal. Since its inception, FNCSI has been working for the promotion of Micro, Cottage and Small Industries (MCSIs) through the wide range of activities and services. FNCSI has been organizing various promotional activities like interaction, training, workshops, seminar, conferences, exhibitions etc. and participation on International Trade Fairs.

FNCSI is focal organization from the private sector to lobby and advocate on MCSI's issues. FNCSI also collaborates with government line agencies and development partners for policy formulation and revision inclusive of policy and strategic planning. FNCSI is always dedicated to the capacity enhancement of our members and MCSI sector of Nepal.

#### **Vision**

Help build sustainable national economy through promotion and development of MCSI sector in Nepal

#### **Mission**

Safeguard the rights and interests of MCSI sector and support MCSI's for productivity and entrepreneurship development.

## **2.2 Review of Previous Literature**

The export barriers, or the challenges experienced in exports refer to all those problems of an enterprise capability to initiate, to grow, or to endure the business processes in the overseas markets. These export barriers develop uncertainty among the managers in small

& medium sized firms about the exports, develops a negative attitude among the many exporters which leads to the inefficient performance of the exporters (Leonidou, 2004)

Leg-up for Handicrafts (2018) an article published on The Himalayan Times newspaper stated that the first thing that can be done at the government level to promote handicrafts is by identifying the products and bringing together the craftsmen and craftswomen. Development of handicraft industry can generate jobs and encourage the youths to explore livelihoods options within Nepal, thereby keeping a huge chunk of human resource that is flying abroad in search of jobs in the country. This ultimately contributes to overall economy of the country. Different types of handicraft products have been included in the list of exportable items that have been given duty-free access to the US. Nepal can exploit this opportunity to build the country's handicraft industry. Nepal's handicraft production is overseen by the Department of Cottage and Small Industry. But entrepreneurs have often expressed their resentment at lack of attention paid to the handicraft industry. Handicrafts are directly linked to culture, tradition and religion of people of a country. Nepal as a diverse country has multi-cultural people, and preserving and promoting their handicrafts could also help in establishing the country's identity in the international arena.

The development and promotion of handicrafts has become challenging. Competition in the market, lack of raw materials and maximum usage of machineries have contributed in failure of maintain the unique identity of the Nepalese handicraft business resulting in problems in the export. (New Business Age, Export of Handicraft Increases by 13 Percent 2017)

A study conducted by Ghouse (2017) in the handicraft industry in India, indicated that the micro, small and medium enterprises are exposed to multiple export challenges with varying magnitudes. The results show that the biggest challenge to the exporters is the export subsidies provided with the government to promote the exports from the small and medium enterprises. The second biggest challenge is related to infrastructure related problems followed closely by market awareness and export promotion problems.

The Challenges and Opportunity for Handicraft Industry (2017) an article published on B360 degree magazine stated that, handicrafts are contributing financially to the economy as well as giving cultural recognition to the country. There are abundant raw materials in country, but it's not easily available. Resultantly it impacts the production. Similarly, there's crunch of skilled manpower and the migration of human capital is stifling this sector. To generate new human resources, the industry is having a tough time on the training front as well. This has created problems in attracting the new generation towards handicraft industry. China and India are way forward in every aspect – technology, skilled human resources and their governments also provides huge incentives which, ironically, our country don't have. To compete with these countries is also a major challenge. Earlier craftsmanship used to be handed down from generation to generation which no longer happens. If handicraft could have been transformed to academic degrees, the situation would have been otherwise. Those who want to pursue handicraft as a career have not been able to do so. Similarly, there is no platform to provide trainings to people coming in from several districts. Council for Technical Education and Vocational Training (CTEVT) is not doing enough, it is only selling certificates. There is no institution which solely looks after the handicraft industry. A council is a must for the sustainable development of the industry. The country has already entered into a federal system. If a separate council can be established in every province to look after the handicraft industry, raw materials and local craftsmanship can be maximized. The demand for handicraft, designs, raw materials is very high, but, we are unable to tap it.

The Untapped Potential of Handicraft (2017) an article on New Business Age magazine stated that, handicraft is all about artistic portrayal in products which requires special skills. The handicraft sector has also become a lucrative employment destination for females as well. The people in this sector says that due to many youths going abroad, there is a scarcity of skilled human resource. There are no institutes in the country to provide professional training related to handicraft. Entrepreneurs are upset with the government as the handicraft sector could never become a government priority. According to them, the Department of Cottage and Small Industry does not allocate sufficient budget for the promotion of handicraft. According to entrepreneurs, the rising cost of production and lack of infrastructure are other problems that are hindering the



growth of the handicraft industry. They demand with the government to formulate effective policies.

Nepal's Handicraft Industry facing Production Challenges due to Geographical Location (2015) an article on Globalsource.com mentioned that the handicraft industry's progress is hindered by a number of challenges, chief of which is an unstable political environment that often disrupts productivity. Political parties also hold much control over trade groups which result in factory shutdowns and increase in prices of fuel and raw materials. Power shortage is another difficulty. During winter, the blackouts can last up to 18 hours. To sustain manufacturing, the suppliers have to invest in expensive generators or hire more workers. As a result of this unstable business environment, most young laborers opt to seek work abroad as construction workers. It is estimated that about 2,000 Nepal workers leave the country every day. Another challenge faced by the sector is intense competition from its neighbors India and China. Most local suppliers are small and medium-sized enterprises that do not have the resources to invest in upgraded equipment, and research and development.

The study conducted by Paliwal and Khurana (2014) to analyze problems faced by handicraft sector in Jaipur, Rajasthan concluded that, the profits of small scale industry are limited which are mostly spent on the daily expense of the raw material. No extra capital for further development of the industry is left with the owner. The quantity of the handicrafts is less because the cost of production is higher. If goods are to be manufactured on a large scale to meet with the competition of the open market, the traditional touch of the handicrafts is lost. The local labourers and owners of the small-scale handicraft industry are exploited by the middlemen and whole sellers, who takes most of the profits. In some cases goods are sold to wholesalers at cost price, which discourages the owners and they reduce the quality and quantity the produced. In rural areas, due to lack of infrastructure, availability of raw materials and non-availabilities of the supply of water, electricity etc., it becomes difficult to set up a handicraft industry. The local rural craftsman and artists learns their skills and production methods from their elders. Therefore, the provision of technical advice and further training is limited. The impact of urbanization, westernization and introduction of computerized machinery has

led to the deterioration in the quality of handicrafts as most of the laborer are in favour of producing more quantity of goods in lesser times.

Handicraft exporters demand simplified export documentation (2013), an article published on The Kathmandu Post stated, due to the lack of information with customs officials about the HS Code, a harmonising numeric symbol of handmade products, exporters have failed to receive incentives being provided in importing countries. India has waived customs duty on certain Nepali handicraft products. China has also been providing zero duty access to almost all Nepali handmade products. However, a number of exporters have failed to receive the benefits due to the lack of adequate documents. Traders said many new, customised handicrafts are being manufactured and exported as per the demand of importers. However, traders face problems in receiving the Certificate of Origin (CoO) and HS Code for such products. According to the exporters, lack of banking access in the countries like China has also hit the handicrafts business. Due to the lack of banking facilities, traders are compelled to bring cash, but customs officials often create problems citing unlawful possession of foreign currency. The exporters accused the Department of Archeology (DoA) of creating hassles while issuing approvals to even the recently-made products. The delay in the approval process, customs officials not recognizing DoA's certification, absence of handicraft experts at DoA and customs point, among others, have been identified as problems faced by the exporters.

Koirala (2011), in his study pointed out that lack of policies with respect of craft export has induced problems in handicraft export. For instance, government has no clear policy to check the quality of Pashmina export and the import of Pashmina yarn. Similarly, there is no policy so far to provide loan facility to import Pashmina wool. Entrepreneurs due to lack of fund could not meet the block demand. In case of jewellery government have no quality control or standardization system. Low quality Indian jewellery is exported in the name of Nepal and government has no policy to prevent this. The case of paper craft is no different as well. No policy to quality control and standardization system before export has deteriorated the image of Nepal. And if the export of Lokta is not banned the Nepalese paper manufacturer cannot continue their business. Nepalese policy makers have been formulating good policies in the past.

Agrawal (2011) stated that handicraft industry in Nepal possess problems such as lack of quality control, shortage of raw materials where import content is high, dwindling number of artisans engaged in handicraft manufacturing, lack of market and increased competition due to machine made handicraft.

The handicraft exporter faces several challenges including high production cost, low productivity of scarce manufacturing resources, inefficient layout of resources, uncertainty in supply of raw materials, exchange rate fluctuations, fluctuation of raw material prices, high transaction cost in procurement of input resources as well as marketing of final product, poor logistics infrastructure etc. In addition, manufacturers also face challenges due to limited availability of skilled manpower, inadequate institutional support for critical areas like funding, infrastructure, IT support etc. In addition, they face difficulties in printing, packaging and distribution facilities, integration of market information and connectivity to both domestic and overseas markets, quality and timely availability of raw material, lack of appropriate equipment for quality control, limited power supply, limited awareness among exporter about market linkages and technological trends in handicrafts business. The challenges faced by the exporter are categorized into five major areas viz., manufacturing and technology, operations, market access and logistics, financial and infrastructure and social, educational and healthcare. (Venkataramanaiah, Kumar 2011)

The handicrafts industry occupies a noticeable share in Nepalese economy. However, it faces several problems in production and export marketing. The handicrafts are made by local artisans with traditional knowledge and skill. They lack skills, training and knowledge to design and develop trendy products on desire of customers in foreign market. Due to shortages of skilled human resource, it has become difficult to maintain export quality as well as competitive products. Some major export problems are fluctuation in supplies of raw materials, limitation in technology, lack of facilities for testing, standards and certification, lack of market information, cumbersome government procedure for export, centralized seasonal market, price competition, duplicate products and delivery problems. (Koirala, 2011)

The study conducted by Ghimire (2011) stated that, the poor quality of local products has reduced their competitiveness and hampered the ability of rural people to sell their goods beyond local markets. A large number of these enterprises are informal and unregulated, and therefore are unable to take the opportunities available through linkages to proper marketing channels. They are also constrained by a lack of value addition, technology and product supply capacity, as well as by the absence of a supportive policy and legal framework. At present there are two types of micro-enterprises: formal and informal. Informal enterprises are generally initiated by an individual family to earn money by means of their traditional craft skills, whereas formal enterprises are either initiated by NGOs and government agencies as income generating programs for poor families and the marginalized, or self-initiated by the rural people themselves. Formal enterprises are often supported by training and the allocation of funds. Often, however, business counseling and market linkages are not considered and environment-impact considerations are neglected. A large number of small enterprises are situated in the informal sector. These enterprises are not regulated under the various industrial acts of Nepal, although they are generating significant income and local employment and are often ignored by the government.

In one of the studies conducted by the Organization of Economic Cooperation & Development (OECD) conducted a study in the year 2009 and listed the barriers to small and medium-sized enterprises internationalization, which proposed the following ten barriers as the most prominent barriers related to small and medium-sized enterprises internationalization. They are; shortage of funds, i.e., the working capital to finance the export activity, not able to identifying international business opportunities, lack of information to uncover foreign markets, improper liaison/communication with the potential foreign customers, ineffective/non-reliable representation in foreign markets, inefficient managerial concern & response to internationalization, shortage of skilled professionals for export operations, inability to match competitors' pricing, insufficient parent government export assistance/incentives, and high costs in transportation/value chain.

Subedi (2009) conducted a study on problem and prospect of Nepalese handicraft export. It was found that, the problem such as lack of the sufficient information about the potential markets, global competitors, social and cultural problem, transit problem due to India being the only transit country for Nepal, not sufficiently developed infrastructure, not getting proper support from government, problems in quality control to meet the standard of international market exits that hinders the export potentiality of Nepalese handicraft.

Among the challenges of handicraft industry, the scarcity and depletion of natural stocks of raw materials, the timely availability of raw materials and the finance, the discontinuity of craft skills, poor social recognitions of handicraft, poor income, migration to other jobs, reluctance to use new technology, inability to afford to buy new technology, competition of imported substitute, high cost of production, the bureaucracy and the lack of extension programs of the institutions and the challenges of middle men are most important. These industries are less attractive to youth and they are closed to the cities. Therefore, handicraft industry may not be a solution for the unemployment in the rural areas. The handicraft industry can be developed if the tourist industry grows. The government intervention is needed to promote the local market for handicraft. There is some potential, which can be utilize to improve handicraft industry. (Masakorala,2005)

Ulak, J. (2001) in the study said that bureaucratic hassles and delays in decision making concerning the process of certification of origin, GSP and clearance from Department of Archaeology and customs have been very much time consuming and harassing. Numerous studies over the years have shown that exporters have been facing the problems of damage and loss of goods while in the export process. Corrupt officials and harassment are also found to be a big discouraging factor. The customs officials are not cooperative and harass the exporters as if latter were exporting goods illegally and earning a lot from illegal means.

Handicraft Export Challenges, (2000) a report by Handicraft Association of Nepal (HAN), stated that handicraft export procedure is complicated. Government policies, rules and regulations also have big influence in export promotion of handicrafts. Studies

have shown that unclear and conflicting policies, poor implementation of rules and regulations are posing all sorts of problems to exports. For example, museum pass system is unscientific and inconsistent. There is variance in weighing scale of Department of Archaeology and Customs. Besides, there is always the possibility of damage of products in packing when the products are tied up as bundle for museum pass purpose. The report has recommended publishing the lists of products that require clearance and recruit experience and qualified person to do the inspection. There should be separate rooms for inspection and administrative works. Correct weighting machine and other instruments should be used for inspection.

Shakya (1999) made a comprehensive study of problems faced by handicraft export in Nepal at a firm's and the national level. This study mentioned that documentation process is not only time consuming but also involves additional expenses. Nine documents are required for each handicraft consignment. Although all the documents may not be necessary for each and every item to export, Customs Department demands a complete set of all the documents before clearing the customs. According to Shakya, regarding non-tariff barriers, said that Nepalese exporters particularly handicraft are not well informed about the changing environment in the global market. International trade agreements which have dismantled tariffs and non-tariffs barriers and the changing international consumer perception over craft items have created opportunities for broadening the market. This responsibility of effective information dissemination lies with the TEPC, FHAN and local chambers of commerce according. The report also stressed for the need of protecting handicrafts from being copied, by registration of designs, patents, trademarks, copyright, and geographical origin of the product within the country and in the importing country. Nepal can take the advantage of Trade Related Intellectual Property (TRIPS) agreement to protect its crafts from unauthorized duplication in the foreign country.

According to the study conducted by Singh (1997) on problems of Nepalese handicraft, it has been found out that the problems such as administrative hurdle in export procedure, not getting pre-export loan by exporter of handicrafts exists. Also, export of handicrafts to India has severely restricted the growth potential of Nepalese handicraft. He has

suggested that training seminar to give information about the market potentialities to exporter can help in promoting export.

Shahi and Kachhipati, (1997) studied the main problems of export marketing of the Nepalese handicrafts. They found that the government laid procedure for export is cumbersome. Exporters have to attend various offices located in different places to get their invoice certified. The most cumbersome is to get metal craft, wood carving and traditional Thangka painting certified one by one by the Department of Archaeology. In the report identified problems for handicraft export, such as lack of facilities for testing, standards and certification. Similarly, western market needs appropriate packaging and labelling. Unfamiliarity, on the part of Nepalese exporters has created problems in export of handicraft as well.

### **CHAPTER – III**

### **METHODOLOGY**

Research methodology is a way to systematically solve a research problem. It is a science of studying how research is done scientifically. Essentially it is the procedure by which the researchers go about their work of describing, evaluating and predicting phenomenon.

It aims to give the work plan of research. It helps in choosing methods, materials, scientific tools and techniques relevant for the solution of the problem.

### **3.1 Research Design**

Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research question. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of the data (Pant, 2015)

The main aim of the research is to examine the export challenges that the handicraft exporter faces while exporting handicraft. Therefore, descriptive research design was adopted for this study. The data and information collected from the survey of the handicraft exporter were rearranged, tabulated, analyzed, and interpreted according to the need of the study to attain the stated objective.

### **3.2 Data Source**

The source of the data used are primary and secondary. For secondary data collection, field visit to Federation of Handicrafts association of Nepal (FHAN) was done. Various websites of newspaper and magazines, different journals, magazines are also studied to obtain the stated objectives.

For primary data collection, questionnaire was prepared. The questionnaires were filled up by concerned member of different manufacturers, dealers and exporters within the Kathmandu valley which were chosen as convenience sample for research work.

### **3.3 Population and Sampling**

The 70 Nepalese manufacturer and exporter of handicraft firms are the population for the study (TEPC, 2018). It is almost impossible to include the whole population in the study. Therefore, out of the total population 35 exporter were taken as a convenience sample for



the study. While reviewing the questionnaires 5 were found out to be incomplete so only 30 questionnaires were considered for the study.

### **3.4 Method of Data Collection**

Questionnaire were used to collect the primary data. The questionnaires were adopted from previous research. The adopted questionnaire was modified and 5 Likert scale questionnaires was developed. Researcher visited the handicraft exporter firm to collect the primary data through questionnaire. And for secondary data collection, various websites of newspaper and magazines, different journals, magazines were studied.

### **3.5 Analysis of Data**

Data analysis helps in structuring the findings from different sources of data collection. Thus, the data obtained were analyzed using descriptive and graphical statistical method. The data were coded, tabulated and analyzed using MS-Excel. In descriptive analysis, data is analyzed using the tools such as frequencies, percentages, mean and standard deviation (SD). Pie chart, bar diagrams are also used for analysis.

## **CHAPTER – IV**

### **RESULTS**

Data analysis is an important source of the research process. The purpose of analyzing the data is to change its form from an unprocessed form to an understandable

presentation. Raw data conveys little information thus the data must be compiled, analyzed, and interpreted carefully before its full meaning and implications can be understood. The data is thus transformed into information. This process of transforming data is called analysis: the examination and interpretation of data to draw conclusion. (Pant, 2015)

This section is sub divided into three sub section. The first section deals with the analysis of secondary data, second section with analysis of the primary data. And the final section discusses the major findings obtained through analysis.

#### **4.1 Presentation and Analysis of Secondary Data**

Under this analysis, the total export of handicraft items since 2070/71 to 2074/75 and other essential data available from different organization have been presented with the help of table, pie chart, bar diagram as appropriate.

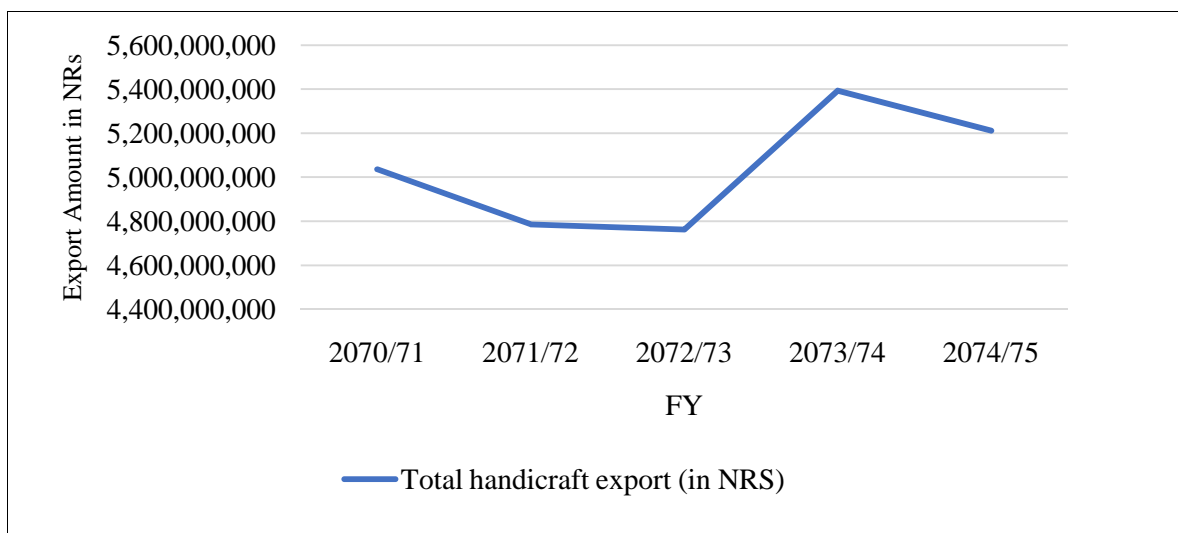
##### **4.1.1 Export Trend of Nepalese Handicraft**

**Table 4.1**  
**Total Nepalese handicraft export for five years**

<b>FY</b>	<b>Total handicraft export(in NRS)</b>	<b>Growth Rate</b>
2070/71	5,035,957,304	-
2071/72	4,785,476,300	-4.97%
2072/73	4,762,460,524	-0.48%
2073/74	5,393,893,956	13.26%
2074/75	5,212,033,023	-3.37%

*Source: FHAN*

**Figure 4.1**  
**Total Nepalese handicraft export for five years**



The data shows that, the export of Nepalese handicraft is in the fluctuating trend. The highest export was in the FY 2073/74 with the total export amount of Rs.5,393,893,956 and lowest in the FY of 2072/73 with the total export amount of Rs. 4,762,460,524. In FY 2071/72, the total export was decreased by 4.97%, also in following FY, it decreased by 0.48%. However, in FY 2073/74, the total export increased by 13.26% compared to FY of 2072/73. In FY 2074/75, the total export was decreased by 3.37%.

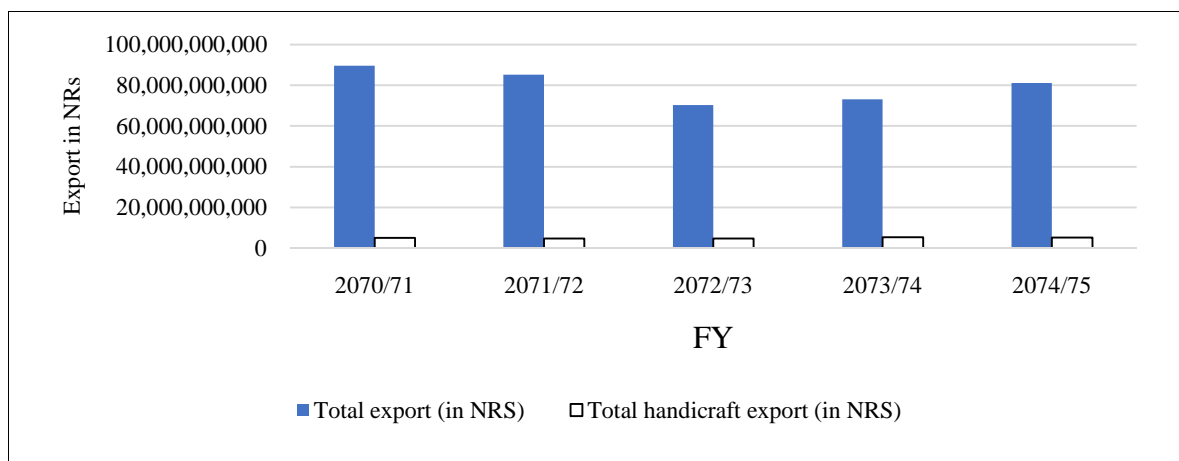
#### 4.1.2 Contribution of Handicraft in Total Export of Nepal

**Table 4.2**  
**Contribution of handicraft in total export of Nepal**

FY	Total handicraft export (in NRS)	Total export (in NRS)	Contribution (%)
2070/71	5,035,957,304	89,622,727,000	5.62%
2071/72	4,785,476,300	85,194,754,000	5.62%
2072/73	4,762,460,524	70,254,165,000	6.78%
2073/74	5,393,893,956	73,036,244,000	7.39%
2074/75	5,212,033,023	81,191,652,000	6.42%

Source: FHAN

**Figure 4.2**  
**Contribution of handicraft in total export of Nepal**



The data reveals that in FY 2070/71, the total export of handicraft was Rs 5,035,957,304 which contributed to 5.62% of total export of Nepal. In FY 2071/72 also, handicraft export contributed to 5.62% in total export of Nepal. Similarly, in FY 2072/73, the total handicraft export was Rs. 4,762,460,524 that contributed to 6.78% in total export of Nepal. In FY 2073/74, handicraft export contributed 7.39% in the total export of Nepal. However, in FY 2074/75, the total contribution declined to 6.42%.

#### 4.1.3 Product Wise Handicraft Export

**Table 4.3**  
**Product wise contribution to total handicraft export**

In Millions of Rupees

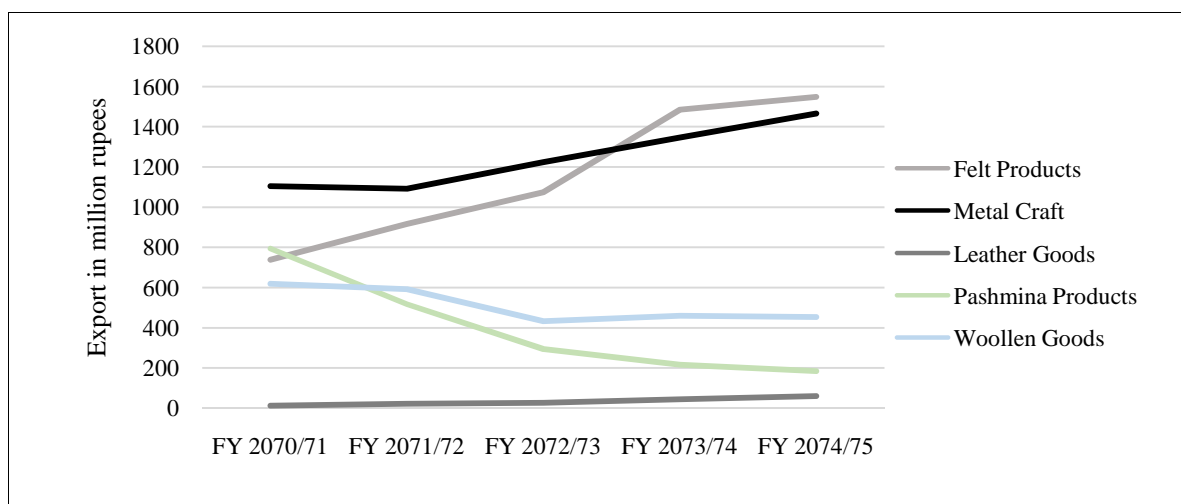
Description	FY2070/71	FY2071/72	FY2072/73	FY2073/74	FY2074/75
<b><u>Textile Products:</u></b>					
Pashmina Products	793.63	517.76	294.29	216.99	185.11
Woollen Goods	619.45	593.02	433.43	460.62	453.94
Felt Products	738.57	916.57	1,074.30	1,484.04	1,547.82
Silk Products	48.87	49.35	39.68	29.15	30.44
Cotton Goods	230.97	190.77	190.56	247.61	216.32
Hemp Goods	30.61	22.23	18.97	33.50	27.85
Allo Goods	1.74	2.06	3.19	1.73	0.73
Dhaka Products	1.20	1.38	1.62	1.60	1.77
Misc. Textile Products	18.56	13.91	16.12	12.51	7.19
<b>Sub Total:</b>	<b>2,483.60</b>	<b>2,307.04</b>	<b>2,072.16</b>	<b>2,487.77</b>	<b>2,471.16</b>
<b>Description</b>	<b>FY2070/71</b>	<b>FY2071/72</b>	<b>FY2072/73</b>	<b>FY2073/74</b>	<b>FY2074/75</b>
<b><u>Non-Textile Products:</u></b>					

Silver Jewellery	198.50	164.31	186.96	161.03	172.28
Metal Craft	1,105.18	1,091.95	1,223.29	1,345.90	1,465.92
Handmade Paper Products	414.73	404.70	465.28	428.90	393.91
Wood Craft	112.11	111.96	143.40	121.70	77.73
Glass Products	201.72	217.94	118.93	319.74	167.44
Bone & Horn Products	85.45	62.39	68.42	36.13	21.26
Crystal Products	1.86	2.85	7.98	3.83	5.81
Ceramics Products	36.77	21.91	30.82	30.87	28.96
Leather Goods	12.77	23.12	27.67	44.89	60.90
Incense	33.39	33.12	35.62	50.13	41.87
Plastic Items	19.34	20.40	28.39	30.22	23.79
Paubha (Thanka)	15.36	19.47	54.74	50.36	31.02
Beads Items	172.83	114.09	135.78	147.74	74.07
Stone Craft	8.23	12.00	14.08	7.89	19.15
Bamboo Products	12.40	3.26	3.35	3.13	3.28
Miscellaneous Goods	121.71	174.97	145.58	123.66	153.50
<b>Sub Total:</b>	<b>2,552.36</b>	<b>2,478.44</b>	<b>2,690.30</b>	<b>2,906.13</b>	<b>2,740.87</b>
<b>Grand Total</b>	<b>5,035.96</b>	<b>4,785.48</b>	<b>4,762.46</b>	<b>5,393.89</b>	<b>5,212.03</b>

Source: FHAN

- ) Misc. Textile Products include products made from Rayon, Polyester, Velvet and Jute
- ) Miscellaneous Goods include goods/products other than classified above

**Figure 4.3**  
**Some major handicraft products and their export trend**



The data depicts that there are plenty of handicraft goods being exported from Nepal. The export of non-textile products is increasing than the textile product in FY 2074/75. Earnings from textile product was declined by 0.67 % than in FY 2073/74. Similarly, earning from non-textile product was also decreased by 5.68% than in FY 2073/74. Among the textile product, pashmina product saw the largest drop in export earning of a 14.69% in FY 2074/75 than in FY 2073/74. All of the handicraft product except felt products, metal crafts, and leather goods are in the fluctuating trend. Export earnings from felt products, accounted for the 29.7% of the total handicraft earning. There is the major demand of Nepalese felt, metal and leather goods so their export is in the increasing trend.

#### 4.1.4 Yearly Comparison of Handicraft Export

**Table 4.4**

Products	2070/71	2071 /72	%	2072/73	%	2073/74	%	2074 /75	%
<b>Textile product</b>									
Pashmina Products	793.63	517.76	(35)	294.29	(43)	216.99	(26)	185.11	(15)
Woollen Goods	619.45	593.02	(4)	433.43	(27)	460.62	6	453.94	(1)
Felt Products	738.57	916.57	24	1,074.30	17	1,484.04	38	1,547.82	4
Silk Products	48.87	49.35	1	39.68	(20)	29.15	(27)	30.44	4
Cotton Goods	230.97	190.77	(17)	190.56	(0)	247.61	30	216.32	(13)
Hemp Goods	30.61	22.23	(27)	18.97	(15)	33.50	77	27.85	(17)
Allo Goods	1.74	2.06	18	3.19	55	1.73	(46)	0.73	(58)
Dhaka Products	1.20	1.38	15	1.62	17	1.60	(1)	1.77	10
Misc. Textile Products	18.56	13.91	(25)	16.12	16	12.51	(22)	7.19	(43)
Sub Total :	<b>2,483.60</b>	<b>2,307.04</b>	<b>(7)</b>	<b>2,072.16</b>	<b>(10)</b>	<b>2,487.77</b>	<b>20</b>	<b>2,471.16</b>	<b>(1)</b>
<b>Non-Textile Product</b>									
Silver Jewellery	198.50	164.31	(17)	186.96	14	161.03	(14)	172.28	7
Metal Craft	1,105.18	1,091.95	(1)	1,223.29	12	1,345.90	10	1,465.92	9
Handme Paper Products	414.73	404.70	(2)	465.28	15	428.90	(8)	393.91	(8)
Wood Craft	112.11	111.96	(0)	143.40	28	121.70	(15)	77.73	(36)
Glass Products	201.72	217.94	8	118.93	(45)	319.74	169	167.44	(48)
Leather Goods	12.77	62.39	388	68.42	10	36.13	(47)	21.26	(41)
Incense	33.39	2.85	(91)	7.98	180	3.83	(52)	5.81	52
Paubha (Thanka)	15.36	21.91	43	30.82	41	30.87	0	28.96	(6)
Bone & Horn Products	85.45	23.12	(73)	27.67	20	44.89	62	60.90	36
Ceramics Products	36.77	33.12	(10)	35.62	8	50.13	41	41.87	(16)
Beads Items	172.83	20.40	(88)	28.39	39	30.22	6	23.79	(21)
Bamboo Products	12.40	19.47	57	54.74	181	50.36	(8)	31.02	(38)
Stone Craft	8.23	114.09	1,286	135.78	19	147.74	9	74.07	(50)
Plastic Items	19.34	12.00	(38)	14.08	17	7.89	(44)	19.15	143
Crystal Products	1.86	3.26	75	3.35	3	3.13	(7)	3.28	5
Miscellaneous Goods	121.71	174.97	44	145.58	(17)	123.66	(15)	153.50	24
Sub Total :	<b>2,552.36</b>	<b>2,478.44</b>	<b>(3)</b>	<b>2,690.30</b>	<b>9</b>	<b>2,906.13</b>	<b>8</b>	<b>2,740.87</b>	<b>(6)</b>
Grand Total	<b>5,035.96</b>	<b>4,785.48</b>	<b>(5)</b>	<b>4,762.46</b>	<b>(0.48)</b>	<b>5,393.89</b>	<b>13</b>	<b>5,212.03</b>	<b>(3)</b>

### Yearly comparison of handicraft export

In millions of rupees

Source: FHAN

The data shows the fluctuating trend of Nepalese handicraft export. For the FY 2074/75, export of handicraft has been decreased to majority of the handicraft products. The export of bone and horn products, miscellaneous goods, metal crafts, dhaka products, silver jewelries, silk products, cotton goods and crystal products saw the growth in their export. In FY 2074/75 the plastic items saw the largest growth in export with 143% increase in the export than in FY2073/74 whereas the demand of the allo goods in the foreign market is decreasing rapidly. The demand of the products such as felt products, metal crafts are increasing in the foreign market.

#### 4.1.5 Country wise export of handicraft

Countries	Total export
USA	1,650,769,279
China	788,231,969
Germany	550,630,503
Japan	286,743,925
UK	225,533,911
Denmark	225,142,598
Canada	168,010,233.7
France	167,801,143
Netherlands	160,187,539
Australia	118,365,948.7

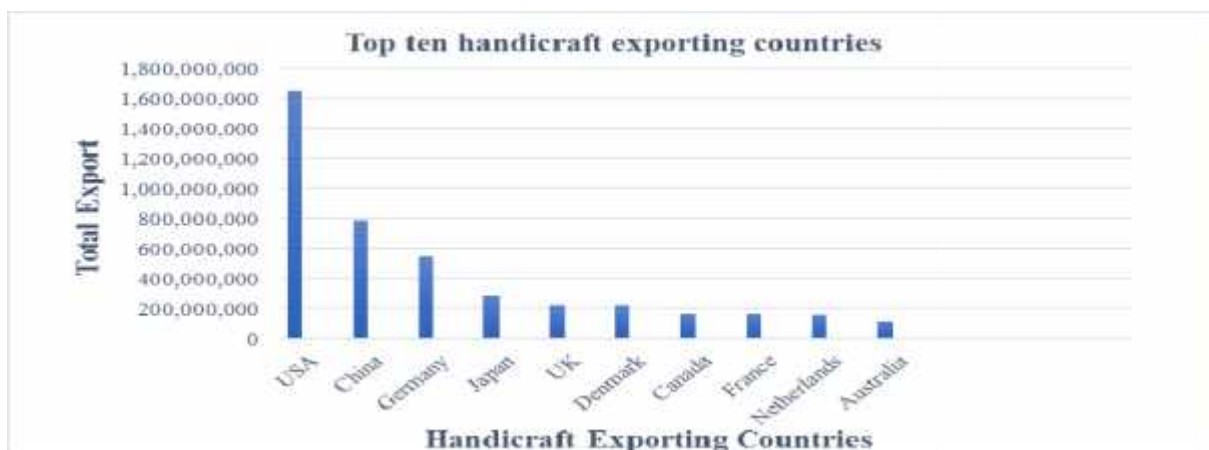
Table 4.5

#### Top ten exporting countries of Nepalese handicraft for FY 2074/75

Source: FHAN

#### Figure 4.4

#### Top ten exporting countries of Nepalese handicraft for FY 2074/75



The data shows that USA is the major buyer of the Nepalese handicrafts. USA has imported Nepalese handicraft amounting to Rs.1,650,769,279 in FY 2074/75. Data shows that USA, China, Germany, Japan, Denmark, Canada, France, Netherlands, and Australia are the major buyers of Nepalese handicraft for the fiscal year 2074/75.

#### 4.2 Presentation and Analysis of Primary Data

Under this analysis, the information and data obtained through the questionnaire that were filled up by 30 manufacturers and exporters of handicraft have been tabulated and presented using different charts and diagrams as appropriate. And the data have been analyzed using Excel.

##### 4.2.1 Handicraft Export Product of the Surveyed Enterprise

**Table 4.6**  
**Handicraft export product of the surveyed enterprise**

Products	Frequency	Percentage
Pashmina	11	36.7 %
Woolen Goods	7	23.3%
Felt Products	7	23.3%
Silk Products	1	3.3%
Cotton Goods	8	26.7%
Hemp Goods	1	3.3%
Dhaka Products	1	3.3%
Misc. Textile Products	2	6.7%
Silver Jewellery	1	3.3%
Metal Craft	6	20%
Thanka	6	20%
Glass Product	1	3.3%



Crystal Product	1	3.3%
Incense	1	3.3%
Plastic Items	1	3.3%
Stone Craft	1	3.3%
Miscellaneous Goods	2	6.7%

*Source: Field Survey*

Among the surveyed exporter, 36.7% of the exporter exports pashmina products overseas followed by cotton goods at 26.7%. Wollen goods and felt products are exported by 23.3% of exporter whereas metal craft and thanka by 20%. Miscellaneous textile and non-textile goods are exported by 6.7% exporter. Silk products, hemp goods, dhaka products, silver jewellery, glass product, crystal product, incense, plastic items, stone craft are also exported by 3.3% of the exporter.

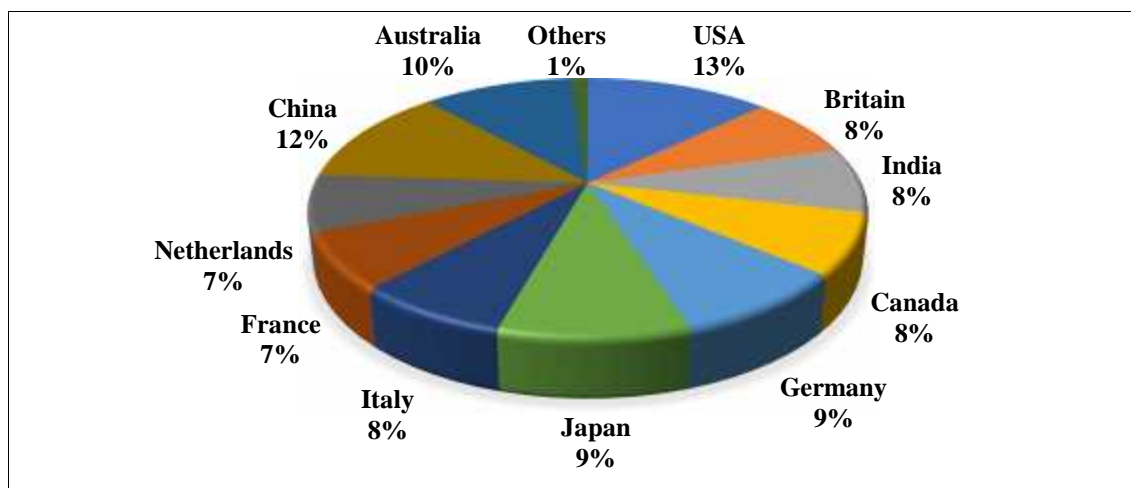
#### **4.2.2 Export Market of Surveyed Nepalese Handicraft Enterprise**

**Table 4.7**  
**Export market of Surveyed Nepalese handicraft Enterprise**

<b>Countries</b>	<b>Number of operating enterprises</b>	<b>Percentage</b>
USA	22	73.3%
Britain	13	43.3%
India	14	46.7%
Canada	13	43.3%
Germany	15	50%
Japan	16	53.3%
Italy	13	43.3%
France	12	40%
Netherlands	12	40%
China	21	70%
Australia	18	60%
Others	2	6.7%

*Source: Field Survey*

**Figure 4.5**  
**Export market of surveyed Nepalese handicraft enterprise**



The data shows the biggest export market of the surveyed Nepalese handicrafts is the USA as the 73.3% exporter trade with American buyers followed by China at 70%, Australia at 60%, Japan at 53.3%, Germany at 50%, India at 46.7%, Britain, Italy and Canada at 43.3%, France and Netherlands at 40% while the handicraft exports of surveyed enterprises to other countries in the world stood at 6.7%.

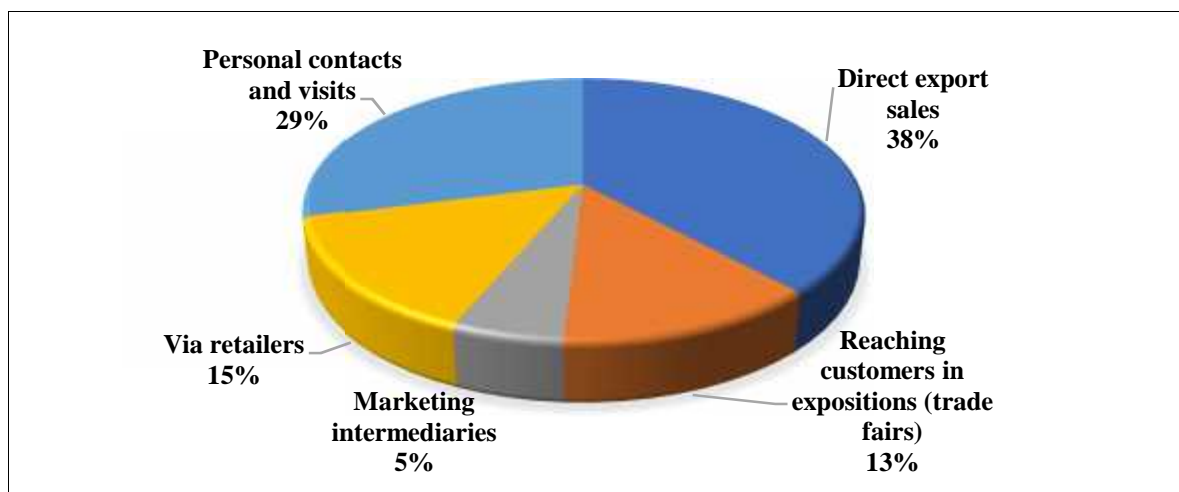
#### 4.2.3 Sales Method Surveyed Handicraft Enterprise Choose

**Table 4.8**  
Sales method surveyed handicraft enterprise choose

Options	Frequency	Percentage
Direct export sales	21	70%
Reaching customers in expositions (trade fairs)	7	23.3%
Marketing intermediaries	3	10%
Via retailers	8	26.7%
Personal contacts and visits	16	53.3%

*Source: Field Survey*

**Figure 4.6**  
Sales method surveyed handicraft enterprise choose



Most of the surveyed exporters prefer to sell to the customers through direct export sales as the 70% of the exporter preferred to sale directly than any other means. 53.3% of the surveyed exporter preferred to sell to the customers which they acquire through foreign business development visits. Exporter selling their handicraft to the retailers is at 26.7% followed by the sales to the foreign buyers through export fairs at 23.3% and export sales made through marketing intermediaries like buying agencies is 10% among the surveyed handicraft exports.

#### 4.2.4 Challenges affecting export of handicraft

The study aims to identify different challenges that affects the export of handicrafts in Nepal. Various export related problems related to export documentation, export market-based demand, regulatory policy uncertainty, infrastructure related problems, technology & tools in manufacturing, exchange rates, market awareness & export promotion, export related subsidies, research & development, HRD related, and inadequate social capital resources were asked to rate on a 5-point Likert Scale where 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree. The mean and standard deviation generated from Excel are illustrated below:

**Table 4.9**  
**Challenges affecting export of handicraft**

Options	Mean	Standard Deviation
Export documentation related	2.5	1.3

Product demand in export market	3.6	1.3
Regulatory policy uncertainty	3.2	1.3
Infrastructure related problems	3.3	1.4
Technology & tools	2.9	1.4
Exchange rates	3	1.3
Market awareness & export promotion	3.8	1.3
Export related subsidies	3.8	1.4
Research & development	3.2	1.4
HRD related	3.7	1.1
Quality management	3.9	1.6
Social capital resources	3.5	1.3

*Source: Field Survey*

The results show that the majority of the respondents agreed that biggest challenges affecting export of handicraft is the quality management with the mean score of 3.9. The second biggest challenge is related with market awareness and export promotion problems and the export subsidies provided by the government to promote export with the mean score of 3.8 each. Challenges resulting from lesser craftsmen available and less HRD activities is perceived as an obstacle to the enterprises at a mean score of 3.7. The fluctuating product demand in the export market is also a challenge for the enterprise with the mean score of 3.6. Challenges resulting from inadequate social capital resources is perceived as an obstacle to the enterprise at a mean score of 3.5. 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.

#### **4.3 Major Findings**

On the basis of above analysis, examinations and information discussion the following key findings have been drawn.

- i. The export of the Nepalese handicraft in overseas market is in fluctuating trend. In FY 2071/72 and 2072/73, the export decreased in both years. But, in FY 2073/74, there is significant growth in handicraft export by 13.26% with export

amounting to Rs. 5,393,893,956. However, in FY 2074/75, the export declined by 3.37% than the previous year.

- ii. Handicraft has only contributed around 5-7% in the total export of the country which is also decreasing continuously.
- iii. The product which have got artistic and cultural values are doing well in the international market, such as metal craft. Metal craft contributed 28.12% to the total handicraft export earning in FY 2074/75, which had contributed 24.95% in previous FY. Another handicraft product that made biggest contribution to export earning is felt product. Felt product contributed to 29.7% in the total handicraft export in FY 2074/75 which had contributed to 27.5% in previous FY.
- iv. Pashmina product saw the largest drop in export earning of a 14.69% in FY 2074/75 than in FY 2073/74.
- v. Most of the surveyed exporter exported pashmina products, cotton goods, woolen goods and felt products.
- vi. Regarding the responses of the Nepalese handicraft exporter, they exported the handicraft products mostly in countries like USA, Germany, China, Britain and Australia.
- vii. 70% of the surveyed exporter sold their products directly through export sales whereas 53.3% sold their handicrafts through personal contact and visit. Only 26.7% exporter sale their products through retailers and 10% through marketing intermediaries.
- viii. Majority of the respondents (70%) agreed that biggest challenges affecting export of handicraft is the quality management. Second biggest challenge agreed by respondent (63.33%) is related with market awareness and export promotion problems, export subsidies provided by the government to promote export and lack of availability of skilled craftsmen.

## **CHAPTER – V**

### **CONCLUSION**

This chapter presents the summary of findings, discussion and conclusions drawn from the findings and recommendations are made. The main findings with regard to the research questions are summarized and general conclusions based on the findings of the studies are presented. Furthermore, the recommendation is also made.

#### **5.1 Summary**

Handicraft known by different names like craftwork, craft etc is a type of work where useful and decorative items are made completely by hand or using only simple tools. Items made by mass production or machines are not handicrafts. What distinguishes the term handicraft from the frequently used category arts and crafts is a matter of objective: handicraft items are intended to be used, worn, having a purpose beyond simple decoration. Handicrafts are generally considered more traditional work, created as a necessary part of daily life.

Nepalese handicraft has been well known around the world because every product is unique, reflects unique culture and the art & skill of the craftsmanship. It is a cottage scale home-based industry where traditional technique and skill have been used that are handed over from generation to generation. Nepalese handicrafts include paintings and thanka, handmade paper and paper products, felt products, hemp products, pashmina and silk products, metal crafts, wood carving, silver jewellerys, etc. The major production center of the handicraft items is in Kathmandu valley namely in Kathmandu, Bhaktapur and Lalitpur. Handicraft related works have been adopted as a traditional occupation by the Newar community of the Kathmandu valley, particularly by Bajracharya, Shakya and Chitrakar families.

The handicraft products are generally exported. Nepalese handicrafts are being exported to about 85 countries where USA, UK, India, Canada, Germany, Japan, Italy, France, Australia, Netherlands and China are the major buyer of the handicraft products.

Although Nepal exports to 85 countries, and despite the experience of a fairly large production base & production potential and a larger number of craftsmen, Nepal hasn't been able to cash in on the opportunities. Thus, this study is done with the objective to identify the challenges that exists for the handicraft exporter.

## **5.2 Conclusion**

Export is an imperative in contributing to a nation's economic prosperity. It leads to an increase in domestic production, economic growth, and the fulfillment of foreign currencies to meet the cost of import.

Nepalese handicrafts are traditional export items of Nepal. The development of handicraft industry, on one hand, helps in preserving the national heritage of the country and on other hand, it contributes to creating job opportunities. Nepalese handicrafts industries have been providing employment to hundreds of thousands of people of the country. It has also been a prime source of foreign exchange required for the importation of necessities. The major handicraft export product of Nepal includes, various textile and

non-textile products such as pashmina, woolen goods, felt products, cotton goods, metal crafts, wooden craft, bamboo products, leather products etc.

After reviewing the secondary data, it can be concluded that, handicraft industry in Nepal is facing various types of export related problems and challenges as the total handicraft export is fluctuating year by year. Due to which Nepal is not being able to capitalize the opportunities Nepalese handicraft has created in the international market.

The findings of the study show that the enterprises are exposed to multiple export challenges with varying magnitude. Some challenges are internal in nature that are controllable and easier to manage whereas some problems are external and are uncontrollable, very hard to manage.

The findings of this research collaborates with the result of previous study in this research area conducted in India by Ghose,2017. Since the quality management related problem is not included in his research, after quality management, the export subsidy related problem is found to be major one in this research. Thus, both of the research shows that lack of export related subsidy provided by the government is major problem for the handicraft industry.

Quality control or quality management has been a major challenge for the surveyed exporter. Since handicraft are handmade, standardization is not possible. This makes handicraft a unique craft. However, due to unavailability of quality raw materials, no proper quality control measures adopted by the firm itself and failure to adopt to the quality specification specified by importing nation, quality management has become a major challenge.

Export related subsidy are crucial to the export related enterprises as there is tough competition in the market.As an export subsidy reduces the price paid by foreign importers, it helps to gain the price competitiveness. The competitors are enjoying higher subsidy packages from the respective governments as compared to Nepalese export related enterprises. Low awareness about the new export market is a critical issue among the exporter as they felt short of specific market information due to lack of export



promotion and business development exercise. Export promotion is also minimal due to lack of information about export market. Most of the exporter prefer to develop business through direct export and personal contact and visit to export market. Thus, Government should search for the new market for the Nepalese exportable handicrafts products besides the existing countries.

The handicrafts are made by local artisans with traditional knowledge and skill. They lack skill training and knowledge on need of customers in export market. Thus, lack of skilled craftsmen who can design the product as per the importers demand and lack of human resource development related activities that can enhance their creativity are also creating the challenges for the handicraft export. Also, lack of professional artisans is the biggest bottleneck.

Social capital resources such as networks, informal connections, inter-firm relationship and managerial connection are considered critical resource bases for international activities in the small sized firms. The social capital is more valuable to deal with the stress of international expansion and highly unpredictable business environment (Ghouse,2017). It was found that the firms involved in handicraft export were found to be lacking in social capital resource.

Infrastructure related problems such as the factory set-up, capacity, remoteness to ports, accessibility to the export destination, lack of warehouses in the foreign markets, etc. pose serious challenge to exporters.

The lack of research and development activities also creates a challenge for export. As it is seen that Nepalese exporter are exporting the same products again and again without considering the preferences provided by the importing nation.

The other problems related to the exporter such as export documentation related, fluctuation in exchange rate, product demand in the export markets also play a role in the export performance of these firms.

Thus, handicraft is a traditional industry that uses indigenous skills and locally available raw materials, and it provides employment opportunity to more than 916,000 people

(FHAN), but the sector has received very less priority from the government sector. The handicrafts sector occupies a significant place in Nepalese economy. However, it faces several problems in production and domestic as well as export marketing fronts. Firstly, the handicrafts are made by local artisans with traditional knowledge and skill. They lack skill training and knowledge on need of customers in export market. Secondly, there is challenge of maintaining or improving quality of handicraft products. Due to shortages of skilled human resource, it has become difficult to maintain export quality. Internal and external factors such as the government's sluggish efforts to promote exports, and lack of adequate infrastructure are mainly responsible for the slowdown in handicraft exports.

### **5.3 Implication**

Based on the findings and conclusion from primary and secondary data, following are some recommendation that can be referred:

- i. The handicraft products should be exported as per the demand of the importing nation. Hence the traders should incorporate their demand, perform some research activities and seek market information through different institution for export. Also, the government and handicraft related institution should make significant effort to get more information regarding the new international market.
- ii. Handicraft are handmade products where every piece is different from another, standardization is not possible. Nepalese manufacturers and exporters, in the absence of quality control measures, tend to take undue advantage of this and spoil their image in the overseas market. Apart from this, lack of quality raw materials is also a major problem. Thus, it is essential to set a proper guideline to improve quality of the handicrafts.
- iii. The handicrafts are liked by the international buyers for its novelettes. Demand for the handicraft with the unusual features are increasing. The manufacturer /exporter, who is mainly capturing the seasonal demand in the overseas market should take the necessary initiatives for product development and innovation in handicraft
- iv. There should be an adequate training program for the handicraft producers, laborers and exporters. Vocational training and short duration programs like workshops should be conducted. Appropriate training centers with modern and

sophisticated facilities should be set up for providing training to the personnel associated with the handicraft industry. The trained craftsmen would enhance the design and quality of the handicrafts goods.

- v. There should be a separate research center for getting information about market trend, competition, changing fashion, market need and a business opportunity for handicraft goods. Such type of research center can play a vital role to provide information about potential markets to the personnel associated with the handicraft industry.
- vi. The government should provide adequate protection to the handicraft industry of the country, implement the policy effectively, provide adequate subsidy and launch concrete program such as establishing trading centers and providing loans at low rates for the promoting of this indigenous industry and its export.
- vii. Emphasis should also be given in catering to the various infrastructural problems which is very crucial for the micro and small sized exporters to withstand and survive the competition at international level.
- viii. The patent right should be provided to protect the innovative design and protect crafts from unauthorized duplication in the foreign country.
- ix. And, the Nepalese handicrafts should be encouraged to participate in international trade fair to increase its export. As, it facilitates the direct contact with the customers or foreign buyers to exchange the ideas, views and opinions. It is a place where products are demonstrated. Before entering into the market, new products need to be demonstrated at first. So, trade fair is a perfect place for the demonstration of the product because of the availability variety of customers.

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## APPENDIX-I QUESTIONNAIRE

Dear Sir/Madam

Hello and Namaste!

I am student at Central Department of Management (CDM), Tribhuwan university, Kritipur and I am writing a master's thesis entitled "Handicraft Industry: Export Challenges". It would be extremely helpful if you took 5 mins to fill in this survey, since every answer is crucial for my research.

The answer will be used for the academic purpose only and will be kept confidential.

Thank you in advance.

Ranjita Shakya

1. Name of the enterprise:
2. Location:
3. Type of enterprise (Small, Medium or Large):

**Instruction for question 4, 5, &6 : Please tick ( ) in the blank ( \_\_\_ ) space**

4. Export market of the enterprise (You can choose **Multiple**):
 

___ USA	___ Britain	___ India	___ Canada	___ Germany
___ Japan	___ Italy	___ France	___ Australia	___ Netherlands

China      Others (Please Specify) \_\_\_\_\_

5. Handicraft export product of the enterprise

**Textile product:**

Pashmina       Woollen Goods       Felt Products       Silk Products  
 Cotton Goods       Hemp Goods       Allo Goods       Dhaka Products  
 Misc. Textile Products

**Non-Textile product:**

Silver Jewellery       Metal Craft       Thanka       Wood Craft  
 Glass Products       Crystal Products       Incense       Beads  
Items       Leather Goods       Plastic Items       Stone Craft  
 Bamboo Products       Handmade Paper Products       Ceramics Products  
 Bone & Horn Products       Miscellaneous Goods

6. Sales method enterprise choose for export (You can choose **Multiple**):

Direct export sales       Reaching customers in expositions (trade fairs)  
 Marketing intermediaries       Via retailers  
 Personal contacts and visits       Others (Please specify) \_\_\_\_\_

**Problem associated with export-oriented enterprises**

**Instruction:** Please indicate ( ) on a 5-point scale the extent to which your enterprise relates to the following statements, where, SD- Strongly Disagree D- Disagree N- Neutral A-Agree SA- Strongly Agree

	SD	D	N	A	SA
There is export documentation related problem while exporting handicraft overseas.					
The fluctuating handicraft demand in export market is a challenge.					
There is no proper regulatory policy for handicraft export in Nepal.					
There are infrastructure related problems (such as factory set-up, capacity, remoteness to ports, accessibility to the export destination, lack of warehouses in the foreign markets, etc.) for handicraft export in Nepal.					
There is no advanced technology & tools available for making handicrafts.					
The fluctuating exchange rates is major problem for					



handicraft export in Nepal.					
Government has paid less attention for creating awareness about new export market and export promotion of Nepalese handicrafts.					
Government do not provide adequate export related subsidies to promote handicraft export.					
Our enterprise conducts Research & Development activities for handicraft export.					
There are few skilled craftsmen to make handicrafts and there are less Human Resource Development (HRD) related program.					
Quality management is major challenge for handicraft export.					
Social capital resources (such as networks, informal connections, inter-firm relationships and managerial connections) are inadequate for handicraft export.					

## APPENDIX-II

### MAJOR HANDICRAFT PRODUCT OF NEPAL

Products	Description
Bags & Accessories	Purses, hand bag, travel bag and the like made from cloth and Leather
Basketry Products	Various types of products made from bamboo and cane split, stem or root.
Ceramics	Glazed and non-glazed Earthenware
Christmas Decorations	Ornaments products meant for decorating Christmas tree made from textile, metal and clay.
Contemporary Paintings	Paintings using sketch and colors on canvas and other materials

Craft Paintings	Paintings using wheat/ rice bran/ stem, waste thread and other materials.
Crazy/ Fancy Hats	Hats with symbolic impression like flags, animals and other specially meant for big sporting events.
Ethnic Dolls	Dolls & Puppets of Nepalese culture made of cloth, clay and wood.
Ethnic Garments	Garments of traditional design.
Filigree Products	Decorative articles such as animals, charm boxes made of brass, copper, white metal and silver with wire works and studded with stones.
Giftware	Small items made from different materials basically useful for offering gift.
Hand Knitwear	Articles made of hand - knitting such as pullovers, sweaters, mufflers, socks, legwarmers, caps
Handloom Products	Cotton cloth woven with non-mechanized handlooms.
Handmade-paper Products	Products made of Lokta (Daphne Papyracea of thymalaeceae family) such as stationary, lampshade, wall paper, wrapping paper, bag, gift items etc.
Home Furnishing	Bed covers, bed linens and the like using block/ screen printing, Embroidery, crochet and similar skills.
Horn & Bone Products	Buttons, cufflinks and other decorative articles
Incense	Various circular & square type elongated boxes made copper, brass and other metals used for storing incenses
Leather Goods	Products made of goat skin and water buffalo leather

Macramé (Knot craft)	Knot craft Products
Metal craft (Statue)	Icons based on Buddhism and Hinduism, made of coppers, bronze, silver and gold as basic raw materials with chisel works.
Metal craft (Utensil)	Utensils and garden articles made through hammering and casting such as flower vas, singing bowl, bell, cymbals, wine jars, cups and so on.
Natural Buttons	Buttons made from small tree branch, stone, bone and horn.
Natural Fiber Products	Apparel and non-apparel products made from hemp, nettle and similar indigenous plants.
Pashmina Goods	Articles made of pashmina (fine goat hair) such as shawls, mufflers, sweaters
Paubha (Thanka)	Sacred scroll paintings on cloth/ paper, based on Buddhist and Hindu religious scriptures.
Puzzles & Toys	Wooden toys and puzzles for growing children.
Religious Goods	Bell, Vajra and other different objects, items used for religious ceremony of Buddhism and Hinduism.
Silver Jewelry	With / Without semi-precious stones such as earring, ring, bracelet, pendent, bangles with minimum of 92.5% purity.
Stone Carving	Statues, decorative and utility products made of stones.
Wood carving	Products made of various types of wood such as door panels, figures of gods & goddesses, replicas of famous windows, imitations of temples/ monuments and many decorative articles, with hand carving.

*Source: FHAN*