

Handicraft Industry in Asia

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INTRODUCTION

Development of handicraft sector has potential to generate employment and income in the national economies of many underdeveloped countries. It has the potential to generate employment and income for their millions of rural dwellers. Yet, due attention is lacking not only in the national level but also in the international level to preserve and promote handicrafts. The crafts and craftsmen have not been systematically studied in several countries with handicraft potential. This sector is closely associated with the country's socio-economic, cultural and religious aspects. The lack of knowledge about the sector has led to its being ignored in the process of development.

Recently, International Development Research Centre (IDRC), Canada, through its Regional office, Singapore, has initiated regional research on handicraft sectors in South and South-East Asia. The purpose is to enhance knowledge on status and problems and to explore potentials in the sector.

The research was carried out by the six South and South-East Asian countries. The present article is based on the data collected by the researchers during 1983-86, often during arduous and difficult circumstances. The following countries were involved to carry out the research.

- Nepal;
- Indonesia;
- Malaysia;
- Philippines;
- Sri Lanka; and
- Thailand

In Asia, socio-economic studies on handicraft were almost non-existent. The one exception is India. Handicraft industry in all of the Southeast Asian countries are characterized by small, scattered and household based production units using labour-intensive technology. This technology is slow to adjust to changes in domestic and international demand patterns, due to lack of communication between artisans and exporters.

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In these countries, the existing data base on Handicraft is extremely poor. More specifically, data on credit to Handicraft units in a comparable time-series form are not available. Second, extension of credit is constrained by procedural complications. Non-availability of adequate credit in time and on attractive terms remains a binding constraint to the growth of this sector. It is off-time and off-agricultural activity of the majority of rural artisans. Very few of the units had been able to benefit and supplement their capital needs from institutional sources of credit. The price of private credit, upon which a majority depends, is high.

Given institutional coordination and adaptive product research, the prospects for Handicrafts look bright. It can become a crucial stepping stone to a more dynamic industrial structure, providing a substantial contribution to off-farm and non-farm employment and income.

In this article, author has tried to compile and document the situation on the supply side regarding access to capital and credit for Handicraft industry in the region.

SOCIO-ECONOMICS OF HANDICRAFT

Handicraft industry in all of the Southeast Asian countries are characterised by a common evolutionary process with predominant role of traditions, art, religion and culture of individual countries and existence of more or less similar conditions under which handicrafts are produced and marketed. Therefore, the problems being faced by the industries are also of the similar nature. In general, all of the industries, are small with predominance of household based production units and production except those in urban areas of Nepal, goes along with agriculture in varying proportion. Despite their small and unorganized nature, the industry's contribution to the national as well as household economy have been significant in terms of foreign exchange earnings, employment generation and provision of livelihood to certain sections of the population. Thus, it has an utmost economic significance and source of national income. Since handicraft production is largely a rural activity, it is more or less synonymous to rural development as well. In order to expand handicraft production through improving their technology and management, there is need to formulate proper investment policies covering the interest of majority of handicraft industries covering both the initial capital need and the need for working capital. In absence of such policies, development of handicraft industries in whole of the South-East Asian countries is not only bound to lose its originality but also endanger the industry itself with its consequent impact on the economic growth of these nations.

Each country reports have dealt different aspects of handicraft development differently including presentation on the capital and credit supply aspects. Variations are observed not only in the system of reporting but also to the analytical content and in the derivation of relevant policy implications. For example, a separate chapter have been devoted to assess the credit and capital situation and public sector level of assistance to handicraft sector in the macro-level analysis with its

adequate coverage in case studies in Nepal study while the same have been touched upon in a number of chapters in Sri Lanka study and in number of sections in others studies. In general, assessment of capital and credit need of the artisans, artisan-cum-entrepreneurs and of the industry as a whole seems lacking. However, in this article, attempts have been made to make such assessments by pulling materials from relevant sections and to derive relevant policy implications which can have relevance to majority of the countries in the reasons. The levels of generalization made, however, needs careful evaluation on country to country basis. Attempts have been made in this article to highlight commonalities of the situations which exist among handicraft industries between countries, in terms of their type, nature, scale of operation, market destination, organization of production and marketing arrangement, make it difficult to compare and derive general policies for promotion of this particular industry in the region.

CAPITAL AND CREDIT NEED AND STRUCTURE

Both interms of establishing and carrying out capacity of handicraft industry (HI), the need of capital is of greater realization. For increasing the production capacity and extend business to wider circles, entrepreneurs of handicrafts must have considerable investment. Handicraft production inputs such as labour, equipment and raw materials may not be available in a household and need to be procured or purchased by the entrepreneur which require working capital. The amount of such capital depends on the quantity of factors demanded. Thus, the entrepreneur must be able to manage funds in accordance with the required production level. Entrepreneurs who want to extend their business but cannot find low formal financial sources are bound to resort to private money lenders who generally offer less credit than is demanded and demand higher interest rates. Individual entrepreneurs in the South-East Asian countries do not have enough savings for extending their own business, on the one hand, and almost do not want to borrow money, on the other, because of one or the other reasons. Consequently in Thailand (specially studied in Chiang Mai and Lamphun province) some 43 percent of the total sampled entrepreneurs met with capital shortages for improvement in their production systems and 36 percent met with capital shortage for increasing production levels. The same situation have prevailed in other South-East Asian countries where the capital has stood as a major problem for improving production capacity of the various Handicraft Industry.

Credit is one of the important aspects in the development of Handicrafts. A majority of entrepreneurs or people involved in handicraft production are independent artisans. The need to obtain financing for craftsmen does not arise if the raw materials needed for them are mostly grown locally by themselves. In contrast, credit seems to have assumed an important role in most enterprises where raw materials have to be imported like silver making, and brassware, batik printing and wool weaving as well as other more capital intensive handicraft industries. However, supply of credit for handicraft production have affected operation, expansion and improvement of production technique. In the case of Thailand, the problem of credit is reported by 36 percent of the sampled handloom weaving entrepreneurs who have not been able to expand their production

due to lack of credit. Similarly, the wood carving entrepreneurs who lack loan and credit are accounted for 35 percent. Most of the wood carving entrepreneurs who have the loan and credit problem are medium and small scale entrepreneurs while the large scale entrepreneurs rarely face such problem. The likely problems have been encountered in other segment of handicraft industries in other South-East Asian countries too.

SOURCES OF SUPPLY OF CAPITAL AND CREDIT

In the South-East Asian countries, there are three sources of financing in handicraft industry. These three sources are:

- Personal Savings
- Private Money Lenders
- Financial Institutions or Government Aid.

Personal Savings

Personal savings is the major source to finance the funds in accordance to the levels of production required. The amounts mobilized through personal savings tends to be too small. In addition, socio-cultural constraints has also compelled entrepreneurs to invest in their business through their own personal savings. As for example, most of the artisans in the rural Malaysia due to their religious bindings (Muslims) do not seek additional financing through credit purchases because of religious orthodox. Similar is the case in Indonesia, where majority of silver producers (except those who come from rich silver producing families and have managed financing their own working capital need by themselves) are observed to be the victims of socio-cultural constraints. Only two out of the nine sampled producers (22.2 percent) indicated that they have borrowed some of their working capital need from government banks while the rest reported that they have never borrowed money from the bank. The reasons cited for such reluctance to obtain credit are as follows:

- i) Religious belief: Islam prohibited Muslims to borrow money which come from an organization or individual to accumulate money with interest.
- ii) Those silver producers who never borrowed money from the bank are in fact lacking the information concerning the various credit programmes provided by the government to assist small-scale handicraft producers. In other words, the silver producers are reluctant to borrow money from the bank, because the bank is not yet able to establish an effective extension services and information dissemination network.

Private Money Lenders

Another source of financing in handicraft industry in South-East Asian countries is from private money lenders. However, almost all the handicraft entrepreneurs most of the time try to finance their production with their own savings. In case they are short of money, they usually

borrow from private money lenders (e.g. friends, relatives or they may ask for advance from the middlemen when they usually sell their products). Private sector financing transactions are purely commercial oriented. Thus, they usually either charge higher rate of interest on the credit/loan they advance or advance their money in terms of final output with the advance commitment of low price. Private sector financing specially in the Philippines rather than other South-East Asian countries seems to be more developed and the system can be categorised into:

- i) Supplier's Credit
- ii) Financing from the Overseas Suppliers
- iii) Transferable Letters of Credit
- iv) Credit Line from Overseas Buyers to Local Exporter.

These financing schemes are usually made available to a local producer who has had creditable export performance and has more or less developed a strong trade relationship with both his raw material suppliers and his overseas buyers. In Malaysia, facilities in terms of credit given, 49 percent of the sampled raw material dealers responded that they obtained credit facilities from independent artisans and some 67 percent from artisan-entrepreneurs. However, only 9 percent of the dealers reciprocated by providing credit facilities to their suppliers. So the major sources of capital and credit of those involved in the handicraft industry are from the private sector, which has laid great importance to expand their production.

Institutional Sources of Capital and Credit

Institutional sources of financing in handicraft industry are specially the Commercial Banks, Central Bank, Financing Associations, Boards, Government Aid, and other Chambers and Organizations.

In the case of Nepal, Department of Cottage and Village Industries (DCVI) was the only organized source of finance for Handicrafts till 1975. The total amount lent by DCVI for all the cottage industries (CI) sector during the Second to Fourth Plan (1962-75) was only Rs. 5.9 million. The actual lending to the cottage industry in general and handicrafts in particular has been unsatisfactory. The volume of priority lendings which also encompasses this sector has never exceeded six percent of the total bank deposits against their liability of advancing 10 percent of the total deposits.

Loans to handicrafts have been estimated from credit guarantee figure for the first five years while loans for the rest of the period are based on assumptions. The indication is that Handicrafts have absorbed about 45 percent of all loans to CI. Within the HC sub-sector, Woollen Carpets, Cotton and Wool Spinning and Weaving and Wood Carving are respectively the prominent beneficiaries of priority sector financing by commercial banks. In 1983/84, credit to CI-HCs made a remarkable advance and accounted for 4.5 percent of total credit as against 1.3 percent in 1970s. Nevertheless, compared to the contribution of CI-HCs in the country's GDP of about ten percent, the credit to this sector is extremely low.

In Malaysia, Majlis Amanah Rakyat (MARA) established in 1966 with a view to providing capital through credit loans granted to small business entrepreneurs as well as training and making them accustomed to the use of bank services and other facilities from private financial institution once they have acquired some financial stability, is the major institutional source of capital and credit to handicraft sector. Accordingly, MARA provides financing for fixed assets and working capital requirements for the industrial, manufacturing, transport, contact business and service sectors. It also gives prime consideration to applicant entrepreneurs who face difficulties in obtaining credit from banks and other financial institutions with more stringent regulatory requirements. By this, MARA's role as a saviour of small entrepreneurs is thus conceived as "rescuing" and nurturing them in the early troubled stages until they attain some semblance of independence in withstanding still competition.

Out of the total number of entrepreneurs surveyed in Malaysia in the weaving, silver and plaiting crafts, only a few obtained funds from government agencies. Even so, almost 90 percent of those receiving any government financial aid at all, obtained stipends of less than M \$ 1,000 at any one time. Even under the special scheme, although the maximum ceiling is M \$ 5,000, the survey indicates many handicraft entrepreneurs to have borrowed very minimal amounts only. Other sectors have participated in MARA's credit schemes than handicraft entrepreneurs who are very small in number.

In the case of Sri Lanka Kandyan Art Association, established in 1882 and converted into a trust in 1919 is the institution source which have multiple role for the promotion of handicraft industry including financing.

The Association helps craftsmen chiefly by purchasing their goods at reasonable prices. They also help craftsmen to obtain raw materials particularly gold and silver at a reasonable rate and issues permits for timber for wood carvers. They also recommend the craftsmen to banks when they require loans. Great emphasis is placed by the Association on quality or traditional motives and skills. In addition, Export Development Board (EDB) is in existence supporting for handicrafts export potential. It gives considerable assistance to the gem and jewellery trade by providing financial assistance schemes for exporters, e.g. the Export Development and Investment Support Schemes (EDISS). By this scheme, exporters are entitled to receive a percentage of their export earnings as bonus from the EDB. Moreover, there is also a credit scheme known as the Development Scheme for the Exporters of Sri Lanka. Under this scheme, the EDB together with the Central Bank of Ceylon has formulated a medium/long term credit scheme to assist exporters of goods other than the traditional exports. Cutting and polishing of precious stones either of Sri Lankan origin or those imported into the country for cutting and reexport is one of the areas which qualify for this credit. The EDB has approved two schemes for Jewellery Exporters where credit up to Rs. 100,000 has been given.

In Philippines there are number of financing schemes which have been formulated to meet the working capital needs of local producers and manufacturers of handicrafts. In line with this, there are three major institutions. These are the Central Bank of the Philippines (CBP), the Development Bank of the Philippines (DBP) and the Philippine National

Bank (PNB). While making the Philippines study of Cebu Rattan Firms, it appeared that they received all the needed assistance from government, except for the two outfits established in the 1980s which are not registered with any government agency. Among the various government and private agencies that extend assistance to the rattan industry, firms consider the Board of Investment (BOI) and the Chamber of Furniture Industries of the Philippines (CFIP) as the more important ones. Accordingly, six firms are currently registered with BOI and three more are intended to register. These firms are affiliated with BOI through tax credits, reduced duties on imported raw materials, exceptions on export tax and reduced income tax. Similarly CFIP does work as police functions to prevent price wars and inventory levels detrimental to the industry.

In other South-East Asian countries like Indonesia and Thailand, the Central Banks and Commercial Banks are the important source of institutional credit to the handicraft sector. Bank loan is accessible. However, no provision have been made of organizations and associations to affiliate the handicraft industry.

PROBLEMS FACED BY ENTREPRENEURS IN AVAILING CAPITAL AND CREDIT

The handicraft entrepreneurs of South-East Asian countries have faced similar problem while getting bank loans although the financing situation in these differ from one country to another. Entrepreneurs do not have any collateral, some for religious reason and some for repayment problems. The problem of poor management inherent in the handicraft industry itself is also a vital impediment faced by the handicraft entrepreneurs in general. However, there are certain particular problems which vary from one country to another and even from urban to rural areas within the same country.

In the case of Indonesia, lack of access to capital is one of the greatest obstacles faced by the entrepreneurs of Batik Industry. The Batik entrepreneurs or workers are orthodox Muslims known as Santri. Though, the Government has made some credit available for small scale business, yet some Santri workers or entrepreneurs are unwilling to openly disregard the Islamic prohibition against borrowing with interest. In rural areas, many entrepreneurs fear the social as well as financial risks involved in taking formal loans, on one hand, and for involving in and seeking to credit schemes the borrower must be a land holder which automatically excludes large number of small holder Batik entrepreneurs or workers on the other.

Government banks are prepared to give loans with low interest to small artisans but they are still faced with certain problems. The problems are usually related to procedures of loan realization which are often considered complicated by the artisans. Consequently, the immediate need of capital can hardly be fulfilled. In addition, the small artisans tend to raise a loan from private money lenders. Like the problem of basic raw materials, the dependence of small artisans on private capital result in the weak status of handicraft themselves.

Provision of adequate capital/credit and enlarging the market seems to be the basic problems faced by the handicraft industries in Bali. The problem of obtaining capital/credit involves procedure and bureaucracies at the time of obtaining formal capital/credit. The limited market for wood and metal handicraft products seem to stem from the lack of diversification within the industries themselves. Proper research is required to solve the problems of marketing.

In Malaysia, as with other industries, the handicraft industry rely heavily on capital and credit facilities particularly in obtaining tools as well as raw materials used in the production. Unfortunately, finance houses and banks do not place very high priorities on handicraft endeavours and credit facilities from them become very difficult to obtain. This is especially disheartening to budding entrepreneurs who would like to venture into the handicraft industry without adequate backing. Their best solution would be to finance their business by borrowing from family and friends.

In the case of Philippines, the lack of adequate financial resources to facilitate production has always been a major problem for cottage, small and medium industry producers. Those handicrafts industry which have not affiliated with any government agency and have not benefitted from any public sector assistance, explain their non-beneficiary status in terms of the smallness of their business. With their limited capital, they feel they cannot borrow and repay money at the normal institutional rates. Others feel, that since their business is small, government agencies are not interested in lending assistance. Besides, the extension of loan is selective in favour of large scale entities thereby retarding the small scale enterprises.

Similarly, in the case of Thailand and other countries too, small handicraft entrepreneurs have capital constraint for production extension and quality improvement. Large HC entrepreneurs usually operate their business with large amounts of capital and thus their problem is lack of low interest financing institutions.

As regards wood carving enterprises in Chiang Mai and Lamphun provinces in Thailand, additional capital seems not to be a great problem for small entrepreneurs and middlemen who are located in villages because they have close relationship with large entrepreneurs who buy their products. However, these small entrepreneurs still find capital as a major constraint for improving or expanding their business. There is, however, a structural constraint for obtaining loan for small handicraft entrepreneurs, which is due to the fact that the loan conditions from financial institutions are not favourable to them. Thus, it becomes hardly possible for village enterprises to get funds from low interest financial institutions.

INSTITUTIONAL CREDIT SUPPORT AND FINANCING POLICIES

In South-East Asian countries the handicraft entrepreneurs borrow money and capital from private money lenders if they would have short of personal savings. This is common mostly for small scale entrepreneurs.

The entrepreneurs usually have to pay high rates of interests. On the contrary, there are financial institutions which favour large handicraft entrepreneurs.

To facilitate the institutional credit support to handicraft entrepreneurs in Malaysia, the government has incorporated the Council of Trust for indigenous people with the establishment of MARA which seeks to provide financing for fixed assets and working capital requirements for the handicraft sector. To date, more than 16,000 Bumiputra entrepreneurs, have benefitted from MARA's loan schemes and another 30,000 beneficiaries a year receive training through courses, support programmes and advisory services. MARA has so far granted 26,089 scholarship and educational aids for education to concerned institutions. For spearheading handicraft industrial development, the Central Bank of Malaysia has also directed local financial institutions to provide loan for such purposes at interest rates below prevailing market rates (7.5 percent to 8.5 percent only). But largely owing to stringent banking requirements and regulatory procedures which highly restrict the small entrepreneurs borrowing capacity, the amount of loans issued by private financial institutions are still very limited. In the case of Thailand, loans are mostly needed by large entrepreneurs or middlemen. They do not have problem in obtaining loans from financial institutions such as from Central Banks and Commercial Banks. They need loans for increasing their production and building up stocks of products as well as for improving marketing campaign.

In the case of Indonesia too, the goal of government's policy is to increase off-farm employment. Small-scale industry including Batik has been singled out special attention. Assistance is available in the form of credit, raw materials and training from the government and is supported by some non-governmental organizations. Thus, government assistance is actually designed for and directed towards entrepreneurs.

While considering the case of Sri Lanka National Craft Council which can be considered as the apex body for handicrafts, it has the wide objectives of promoting, developing and preserving the handicrafts industry through stating financial and other assistance with the approval of the Minister of Crafts Councils or other institutions or organizations. It has to establish regional/district Craft Councils heading the provision of financial assistance to the Craftmen. It has formulated schemes for insurance e.g. group insurance of Craftsmen with the Insurance Corporation. They have discussed with the National Savings Bank for a project to provide credit. The assistance of credit has been provided to the industrial cooperatives and individual craftsmen in the form of short-term, medium-term and long-term loans. Cooperatives are granted loans at 2 percent interest and individual craftsmen at 4 percent interest.

There does not prevail a high degree of indebtedness among the craftsmen. It is also seen that it is not from traders that most of the craftsmen obtain their loans but from professional money lenders who charge an annual rate of interest of over 100 percent. Traders too give out loans but to a lesser extent than professional money lenders. Though loans given by traders are officially interest-free, the lower price (lower by about 10 percent) paid by traders for the products of those

who have borrowed money from them when compared to the price that is paid to produce seem to compensate for the interest rate.

As is the case with Philippines where access to credit is the most frequently cited assistance received by the entrepreneurs. The handicraft firms which are registered with the National Cottage Industries Development Authority (NACIDA) is also registered with BOI. The firms which have availed themselves of NACIDA assistance get income tax exemption for five years and gain access to the loans and tax privileges the agency provides. Among the varied programmes of assistance drawn up by the NACIDA, the only benefit received by the weaving firms is the one on tax exemption.

The weavers associations report the availment of the cheapest credit facility, one such source being the Ministry of Social Services and Development (MSSD) and the other being the livelihood programme administered by the Ministry of Human Settlement (MHS). Both sources charged the weavers an annual interest rate of only six percent - a rate decidedly lower than the open market commercial interest rates-provided that the credit programmes of the two agencies have been designed to serve low-income groups that normally are denied credit by the regular institutions sources.

In contrast to the above provisions, the firms and traders in Philippines obtained their loans from banks and other institutional sources at markedly higher rates of interest. One Inabanga firm loaned from the Philippines National Bank (PNB) at 12 percent interest per annum while the other Inabanga firms credit was obtained through the NACILA's Cottage Industries Guarantee Loan Fund (CIGLF) at about 30 to 40 percent interest rate.

In the case of Nepal, the credit sources to the handicraft sector are the two Commercial Banks and ADB/N in the CSI project and the priority credit programme. In addition, Department of Village and Cottage Industries has engaged in lending operations. As a percentage to total loans advanced, loans to cottage industrial and handicraft industries have remained at a woefully low level.

In Nepal interest rates on loans in general are determined with reference to the deposit rates. The loan rates are fixed some what higher than time deposit rates. The case of loans to priority sectors that include CI-HCs is, however, different. The interest rate on such loans is 11 percent while the rate on one year time deposits is 12.5 percent. The lower interest rate is in accordance with the national priorities. To facilitate lending, Nepal Rastra Bank has opened a refinance window where it charges 7 percent interest on refinance against priority sector lending by the banks. The refinance rate on fixed capital to cottage industry is about 4 percent and on a loan not exceeding Rs. 20,000 under CSI lending programme, the rate is 5 percent. The low interest rate has thus provided heavy subsidy to the CI-HCs sector. The interest subsidy seeks to promote demand for credit from the organized financial system and protect priority sectors from the high cost of informal finance.

CONCLUSIONS AND POLICY IMPLICATION

Handicraft Industry in South-East Asian countries are considered as a source of national income and occupy a place of economic significance. The South-East Asian Countries seemed to have acknowledged the sectors economic importance only since early sixtees and have started attaching a strong financial support and interest in the development of the sector. Consequently, various Organisations, Associations, Chambers, Boards, Departments, Government Aids and Banking Services have been established to cater to the financial need of the sector. Though personal savings as well as private money lender still do cater the significant share of capital need of this sector, yet, the institutional credit support and other assistance policies are more crucial to expand the handicraft production and quality improvement in almost all of the countries in the region. However, with the creation of such institutions, access to institutional credit have been more easy to large entrepreneurs rather than small business in all of these countries. This is primarily because, the small handicraft entrepreneurs are rurally based and their access to credit institution is not upto the desired level. In addition, other socio-cultural constraints like religious bindings/faith on the traditions and customs in some societies (Indonesia and Malaysia) have hampered certain sections of the artisans and the entrepreneurs to seek financial assistance from both private and public sources to promote their handicraft enterprises. As a consequence of this, the small scale handicraft industry have not been able to flourish technically, financially, qualitatively and also from production point of view. Attention in facilitating credit services to small scale handicraft entrepreneurs are generally less as opposed to large handicraft entrepreneurs. So the focus of the handicraft development policies should lie mainly to amend the problems of small scale handicraft entrepreneurs, which command the major share of the total industry in the region.

As majority of handicraft industries in the region are small scale industries and due to religious and other reasons they are financed mostly by personal savings, initiation of schemes to raise savings and to mobilise such savings in handicrafts seems to be an urgent need of the industry specially in Malaysia and Indonesia where Islam prohibits artisans to seek financial assistance from sources where they have to pay interest. Such initiation seems lacking in all of the countries specially to cater capital and credit demand of handicraft industries.

Equally important aspect of effectively utilizing government, quasi-government and private sector sponsored financial assistance schemes for handicraft industry is the lack of information system which make the artisans of the rural areas aware of such schemes. One of the policy factor would therefore be shifting such schemes from urban areas to rural areas or opening of their rural networks.

Financial institutions, both private and public, seem to have more developed and finances most forthcoming in countries where handicraft items have wider market. This is particularly so when the handicraft product of the industry does command a good export market. Say for, rattan industry in Philippines, finances to the industry seems to be

coming from exporters of raw materials as well as from those in the international market who buy the products from Philippines. Thus, the relevant policy implication would be one of strengthening the marketability of the handicraft product not only in international market but also in the domestic market.

In all of the South-East Asian countries, a number of programmes for the promotion of handicraft sector have been developed and implemented. Among such promotional activities, provision of capital and credit at concessional rates is common among all of the nations although the interest charged vary from a minimum of 4 percent in Sri Lanka to as high as 11 percent in Nepal. These low interest rates seem to have been attached to disadvantaged small scale industries only in Philippines while in others, no such policies seems to have been adopted. Low interest rates seem to have generally served the interest of big enterprises since only big enterprises are in a position to complete the procedural requirements of such loans. This would call for such financing policy which not only simplify loans sanctioning procedure but also attach importance to small scale enterprises located in the country side. In Malaysia similar scheme covering the indigenous people have been initiated. Policies to assist the most disadvantage groups by initiating special financing schemes seems a must, if the countries in the region are committed to the preservation and development of indigenous handicraft skill in their respective countries.

The successful export bonus scheme adopted in the Philippines could be another promising policy element not only to gradually develop the international market of different handicraft items produced in the region but also to attract foreign financing agencies to help the respective government to solve the problem of fund availability. Other promotional policies like reduced duties on imported raw materials, exemption and reduced income taxes, adopted in the Philippines could be of relevance to industries in other countries of the region.

In a concluding remark, based on the research reports of the six countries, it can be stated that majority of producers, if they borrow capital and credit, do so from noninstitutional sources, for which they have to pay five or six times higher interest than those from public institutions. It is clear that private credit plays a critical role in the production and expansion of handicraft enterprises. In addition, research also shows that noninstitutional credit has prevented many indigenous crafts from disappearing. The policy issues which have studied were both complex and fascinating. In many cases they reflect the problems of developing societies as they evolve through different stages of growth with all of the attendant trade-offs. In trade, the Indian data show that, during 1978-79, earnings from artisan exports were greater than the total of all foreign aid receipts. These products now represent 16 percent of India's total trade and 13 percent of Nepal's. Such statistics are even more surprising when one considers how little financial support the industry receives. Craftsmen have given a great deal, but on the contrary received little.

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