IMPACT OF ECONOMIC SLOWDOWN ON INDIAN CARPET INDUSTRY.

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Indian Carpets are renowned the world over for their exquisite designs, subtle elegance, attractive colors & dexterous workmanship. It has a major share in the international markets and provides employment to millions of people in the country. More than 2 million rural artisans depend on this industry for their sustenance. Rs.35 billion worth handmade carpets are exported to various countries by small midsized carpet manufacturing & supplying units. India is today, by far, the largest exporter of carpets to the U.S. market. India’s share of the U.S. markets is 34%. The U.S. Market is the largest market for carpets & floor coverings and the most dynamic and demanding market. It can, therefore, be reasonably argued that Indian carpets are the best carpets in the world and have a huge potential for growth. India has around 25% share of the world market for handmade carpets & floor coverings.

It is found that the once flourishing Indian Handmade Carpet sector has gone through tremendous pressure on account of the global Economic Slowdown of 2007-08. The major jolt that the industry faced other than the child labor issue was the Economic Slowdown of 2007-08. They have affected export potential, overall productivity and employment generating capability of the industry to a very large extent. The study tries to know impact of these major issues on whole potentiality, performance and working of the industry. The study period is divided into two segments, pre and post Slowdown Effect, from the period of Liberalization till 2011. For this purpose hypothesis and sub hypothesis has been developed to know the impact of Economic Slowdown on Export Performance and Production of the Indian Carpet Industry.

The main objective of the study is to know the impact of Economic Slowdown on Export and Production of Indian Carpet Industry, to study the importance of carpet industry in developing economy like India, to study the challenges faced by Indian Carpet Industry and to frame out the necessary measures for the development of the industry.
India has a rich heritage of science, arts & humanities which epitomizes the modern society. Since time immemorial many of the skilled persons have matured different art through generation and have contributed a unique and creative talent to the world. One such art is the art of carpet weaving. This industry which has a humble beginning in India has now matured & today the charisma of hand-knotted carpets are unmatched with incomparable charm & exquisite beauty, with the result that it has become completely Export oriented as more than 95% of the Indian carpets find its way to overseas markets. The Indian Carpet Industry has become one of the most important foreign exchange earning industry of India. It also secures the great & glorious Indian heritage of craft that provides employment to thousands of rural & semi-urban Indians.

The tradition of pile carpet weaving is not a new profession in India. The history of carpet weaving in India dates back to the 16th century (1580 AD) when Mughal Emperor Akbar brought some Persian carpet weavers to his palace in Agra. Subsequently Agra, Delhi, Lahore became the prime production & training centers in Persian Carpets.

Carpet weaving continued to spread & survive in India under the patronage of Indian nobility. It was in fact at the Great London Exhibition in 1851 where Indian Carpets attracted world attention & appreciation for the first time that led to rapid growth in overseas demand for Indian carpets and gradually the industry emerged as an important foreign exchange earner for the country.

**Review of Literature:-**

B. S. Chauhan (1997) in his study “Encyclopedia of carpets” focuses on Indian carpet industry. The study is good for the beginners who know nothing or little about the Indian carpets. The whole manufacturing techniques, national and international quality control parameters and eco-friendly processing is properly elaborated. The study has gathered all the informative tables and notices. Its special focus is on the improvement of quality of the Indian carpets so that the rate of exports can be increased.

Jasleen Himeji (2002) in her book “Woven Magic” has presented the close connection that exists between India and Indonesia in relation to textiles. The book is an outcome of an exhibition on Indian and Indonesian textiles under the festival of India in Indonesia. The authoress is an internationally acclaimed expert on textiles and presented the book to celebrate the event and to keep the records for the future use. In her book, she has highlighted the trade link of India and Indonesia along with their ancient rituals and cultural links. The important techniques of both the countries have been discussed such as dying and resist technique.

B. Bowonder, J. Swamy & Nrupesh Mastakar (2005) in their study “Regaining Competitiveness using an ICT platform in a Traditional Industry: Adoption of Computer Aided Design for Carpet Weaving” have talked about computer based designing system in carpet industry of Rajasthan. According to them the traditional method of designing the carpet is time taking and does not yield the desirable result. They have analyzed the changes that occurred in the sale and exports of Rajasthan carpet industry because of the adoption of the technology. Their study has suggested various soft wares that could be used in the carpet designing processes to regain the competitiveness. Their work stresses on the fact that the traditional industries can survive through the adoption of new technologies.

Himanshu Chaudhary and Subir Kumar Saha (2006) in their paper “Optimal design of an Indian carpet weaving loom structure” has reported that the metallic carpet loom is developed to get over the problem caused by the wooden looms. According to them the life of wooden loom is limited and laborious tensioning is needed. Sometimes quality is also hampered because of the non uniform tensions. Their study found that the metallic loom is the better option to increase the productivity and quality of the carpets in a cost efficient way.

Sandep Srivastava and K.K. Goswami (2007) in their paper “Handmade Carpets: The Potential for Socio-economic Growth” brings out the fact that the handmade carpet industry has an inherent capacity for social and economic growth. The goal of this study is generally to bring about socioeconomic development, usually in terms of improvements in metrics such as GDP, life expectancy, literacy, levels of employment, etc. The problem of child labor is discussed that is connected with various socio economic conditions. Emphasis is given on the role that could be played by women in social and economic enlistment. The paper also suggests various action plans for up gradation of the Indian carpet industry.

Bupinder Zutshi (2013) in his paper “Rural Transformation in Carpet Weaving Areas of Varanasi and Mirzapur Districts, India” examines the extent of rural transformation attained by group of villages where Project Mala
Chatitable Trust – UK and Children Emancipation Society (CES) – a Delhi based NGO, supported education initiatives, through development of Project Mala Schools for children, engaged in carpet weaving activity in Varanasi and Mirzapur districts of Uttar Pradesh in India.

Research Gap
The review of literature exhibits that in our country a few studies have been conducted on Impact of Slowdown on Indian Carpet Industry. The present paper is effort to highlight the importance of Carpet Industry for the development of developing economies like India.

Objectives of the Study:-
- To study the importance of carpet industry in developing economy like India.
- To know the impact of Slowdown on Export and Production of Indian Carpet Industry.
- To study the challenges faced by Indian Carpet Industry.
- To frame out the necessary measures for the development of the industry.

Growth of Carpet Industry in India:-
The Indian Carpet Industry, after two decades of stagnation, experienced rapid growth in the wake of rising overseas demand for carpets. There has been a substantial growth in performance of the Indian Carpet Industry after the independence. The export has increased from a nimble figure of Rs. 3.22 cores in 1947 - 48 to Rs. 3082.06 crores in 2005-06 (Table No.A)

Since 1990 the country has seen rapid economic growth typically in the 7% -8% ranges. Though the industry has seen a decline during the late 90’s but it has recovered and today it exports carpet worth over Rs. 2600 crores. The domestic market size is about Rs.200 crores. The reason for small market for carpets in India is mainly because of the purchasing power of local people. Also, there is no proper channel for marketing of these products in India leading to lack of awareness in the Indian market.

Presently, the Indian Carpet is going through a major change. Traditional markets are saturated while new markets are offering opportunities for growth. Modern design & low end carpets are attracting new customer base. However, the total sales in the carpet industry have been stagnant in terms of value. Hence, traditional model of carpet business is no longer relevant. Though, overtime the industry had become more modernized but in essence it still remains the same. The urbanization of the industry along with its export worthiness has seen the spread of this industry to Panipat in the State of Haryana while the weavers migrated from Bhadohi-Mirzapur as the commercialization of carpet manufacturing has not yet come to Bhadohi as was seen in Panipat.

The specialty of Indian carpet lies in its exquisite designs with attractive color combination & excellence workmanship which are mainly exported to the USA, Canada, Spain, Turkey, Mexico, Australia, South Africa, Belgium, Holland, Newzealand, Denmark & many other European countries. The U.S.A. & the Germany are the biggest buyers of Indian carpets that have gone up almost double in last ten years.

According to experts the growth of the Indian Carpet Industry has been quite impressive in the recent past. It has attained global recognition and popularity. It is at par with its competitors like Iran, China & Pakistan. It is facing tough competition with these countries in the world market due to its comparatively high price. At present carpet industry is passing through a big crisis and the export has declined from Rs. 2779.79 crores in 2003-04 to Rs. 2583.61 crores in the year 2004-05 because of various reasons which are said to be beyond the control of exporters. The prices of competitors like Iran, Pakistan and China are much lower than the Indian Carpet which may be the one of the reasons for the declination of carpet exports. The involvement of child labor in the Indian carpet industry is also one of the major reasons for the low rate of export of carpet from India but with the help of government support the Indian carpet exporters survived in the International market.

Now, the current world trade of handmade floor covering is estimated to be around US$ 2.6 billion. The total exports of handmade carpets from India are valued at US $ 900 million. As such, India accounts for 35% share in the total world trade of handmade carpets. It ranks no.1 in terms of value as well as in volume of export of Indian Handmade carpets compared to China, Iran, Nepal & Pakistan. Handmade carpet constitutes approximately 4% of the total floor coverings market worldwide & therefore, the share of Indian Handmade Carpets & floor coverings is only 1% of the total world market.
Exports of Indian Carpets in North America and Europe

North America

2010-11, 1211.33, 7%
2009-10, 1180.7, 6%
2008-09, 1399.6, 8%
2007-08, 1728.19, 9%
2006-07, 1882.99, 10%
2005-06, 1575.43, 9%
2004-05, 1405.74, 8%
1996-97, 525.83, 3%
1997-98, 591.76, 3%
1998-99, 857.21, 5%
1999-00, 881.96, 5%
2000-01, 1049.76, 6%
2001-02, 1195.98, 6%
2002-03, 1240.45, 7%
2003-04, 1512.48, 8%

Europe

2010-11, 1028.22, 7%
2009-10, 810.67, 5%
2008-09, 963.53, 6%
2007-08, 1304.83, 9%
2006-07, 1227.71, 8%
2005-06, 1030, 7%
2004-05, 916.77, 6%
2003-04, 967.06, 6%
1996-97, 881.03, 6%
1997-98, 912.49, 6%
1998-99, 945.69, 6%
1999-00, 1030.2, 7%
2000-01, 996.32, 7%
2001-02, 995.15, 7%
2002-03, 1063.66, 7%
2003-04, 963.53, 6%
2004-05, 810.67, 6%
2005-06, 967.06, 6%
2006-07, 1227.71, 8%

Export and Production of Carpet Industry of India

Table ‘A’
Indian Carpets are renowned the world over for their exquisite designs, subtle elegance, attractive colors & dexterous workmanship. It has a major share in the international markets and provides employment to millions of people in the country. More than 2 million rural artisans depend on this industry for their sustenance. Rs.35 billion worth handmade carpets are exported to various countries by small midsized carpet manufacturing & supplying units.

India is today, by far, the largest exporter of carpets to the U.S. market. India’s share of the U.S. markets is 34%. The U.S. Market is the largest market for carpets & floor coverings and the most dynamic and demanding market. It can, therefore, be reasonably argued that Indian carpets are the best carpets in the world and have a huge potential for growth. India has around 25% share of the world market for handmade carpets & floor coverings. Handmade carpets constitute worldwide market but the share of Indian handmade floor covering is only 1% of the total world market. In this situation India’s carpet exports can be doubled if it increases it share of the world floor covering market only by 1%. Although India has a sizable portion of US market but still there is a tremendous scope for expansion of the market by exposing the products to the consumers. India exports to 122 countries. Developed countries absorb nearly 90-95% of the Indian exports. Germany and USA are the two established markets for Indian exports that accounts for over 80% of Indian carpet exports. The export of handmade carpets (excluding silk) to Germany alone till March 2001 was to the tune of DM 224.61 million and made India to top the list in terms of quantity of exports & hence earned a good reputation in the world market. Today, we are the second nation in the world in the field of hand-knotted carpets. Our intricate designs with the natural and traditional motifs & color combinations have a very good international market. It is estimated that around 90% of the carpets produced are being exported to countries like Germany, Japan, the UK, the U.S.A, France, Italy, Australia, Switzerland, the Netherlands etc.

But like every business this too faces ups and down in its working. An attempt is taken to know the performance of the carpet industry after liberalization. The major jolt that the industry faced other than the child labor issue is Rupee Appreciation and Economic Slowdown. The study tries to know impact of these major issues on whole potentiality, performance and working of the industry. For this purpose hypothesis and sub hypothesis has been developed to know the impact of Rupee Appreciation and Economic Slowdown on Export Performance and Production of the Indian Carpet Industry.

What is Slowdown and its Impact on Indian Carpet Industry:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Export in India (Rs in crores)</th>
<th>Export in India (US$ Million)</th>
<th>Production in India (Rs in crores)</th>
<th>Production in India (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>847.61</td>
<td>304.41</td>
<td>932.37</td>
<td>334.85</td>
</tr>
<tr>
<td>1992-93</td>
<td>1047.93</td>
<td>381.99</td>
<td>1152.72</td>
<td>420.18</td>
</tr>
<tr>
<td>1993-94</td>
<td>992</td>
<td>316.13</td>
<td>1091.2</td>
<td>347.74</td>
</tr>
<tr>
<td>1994-95</td>
<td>1102.94</td>
<td>351.02</td>
<td>1213.23</td>
<td>386.12</td>
</tr>
<tr>
<td>1995-96</td>
<td>1364.92</td>
<td>408.07</td>
<td>1501.41</td>
<td>448.87</td>
</tr>
<tr>
<td>1996-97</td>
<td>1584.79</td>
<td>446.41</td>
<td>1743.26</td>
<td>491.05</td>
</tr>
<tr>
<td>1997-98</td>
<td>1661.58</td>
<td>447.07</td>
<td>1827.73</td>
<td>491.77</td>
</tr>
<tr>
<td>1998-99</td>
<td>2013.94</td>
<td>478.68</td>
<td>2215.33</td>
<td>526.54</td>
</tr>
<tr>
<td>1999-00</td>
<td>2136.03</td>
<td>492.93</td>
<td>2349.63</td>
<td>542.22</td>
</tr>
<tr>
<td>2000-01</td>
<td>2315.15</td>
<td>512.03</td>
<td>2546.66</td>
<td>563.23</td>
</tr>
<tr>
<td>2001-02</td>
<td>2436.13</td>
<td>514.07</td>
<td>2679.74</td>
<td>565.47</td>
</tr>
<tr>
<td>2002-03</td>
<td>2590.26</td>
<td>532.96</td>
<td>2849.28</td>
<td>586.25</td>
</tr>
<tr>
<td>2003-04</td>
<td>2779.79</td>
<td>614.44</td>
<td>3057.76</td>
<td>675.88</td>
</tr>
<tr>
<td>2004-05</td>
<td>2599.58</td>
<td>591.44</td>
<td>2729.55</td>
<td>621.01</td>
</tr>
<tr>
<td>2005-06</td>
<td>3082.06</td>
<td>696.44</td>
<td>3236.16</td>
<td>731.26</td>
</tr>
<tr>
<td>2006-07</td>
<td>3674.86</td>
<td>807.94</td>
<td>3858.6</td>
<td>848.33</td>
</tr>
<tr>
<td>2007-08</td>
<td>3524.73</td>
<td>875.71</td>
<td>3700.96</td>
<td>919.49</td>
</tr>
<tr>
<td>2008-09</td>
<td>2708.73</td>
<td>600.06</td>
<td>2844.16</td>
<td>630.06</td>
</tr>
<tr>
<td>2009-10</td>
<td>2505.33</td>
<td>525.87</td>
<td>2680.7</td>
<td>562.68</td>
</tr>
<tr>
<td>2010-11</td>
<td>2992.7</td>
<td>653.86</td>
<td>3202.18</td>
<td>699.63</td>
</tr>
</tbody>
</table>

**Source:** - Carpet Export Promotion Council and AICMA

India is today, by far, the largest exporter of carpets to the U.S. market. India’s share of the U.S. markets is 34%. The U.S. Market is the largest market for carpets & floor coverings and the most dynamic and demanding market. It can, therefore, be reasonably argued that Indian carpets are the best carpets in the world and have a huge potential for growth. India has around 25% share of the world market for handmade carpets & floor coverings. Handmade carpets constitute worldwide market but the share of Indian handmade floor covering is only 1% of the total world market. In this situation India’s carpet exports can be doubled if it increases it share of the world floor covering market only by 1%. Although India has a sizable portion of US market but still there is a tremendous scope for expansion of the market by exposing the products to the consumers. India exports to 122 countries. Developed countries absorb nearly 90-95% of the Indian exports. Germany and USA are the two established markets for Indian exports that accounts for over 80% of Indian carpet exports. The export of handmade carpets (excluding silk) to Germany alone till March 2001 was to the tune of DM 224.61 million and made India to top the list in terms of quantity of exports & hence earned a good reputation in the world market. Today, we are the second nation in the world in the field of hand-knotted carpets. Our intricate designs with the natural and traditional motifs & color combinations have a very good international market. It is estimated that around 90% of the carpets produced are being exported to countries like Germany, Japan, the UK, the U.S.A, France, Italy, Australia, Switzerland, the Netherlands etc.
The NBER defines an economic recession as: "a significant decline in the economic activity spread across the country, lasting more than a few months, normally visible in real GDP growth, real personal income, employment (non-farm payrolls), industrial production, and wholesale retail sales." Economist Julius Shiskin suggested several rules of thumb for defining a recession, one of which was "two down quarters of GDP". The roots of a recession and its true starting point actually rest in the several quarters of positive but slowing growth before the recession cycle really begins. Often in a mild recession the first quarter of negative growth is followed by slight positive growth, then negative growth returns and the recession trend continues.

The same economic recession took place in 2007. The crisis has affected the entire global economies in one way or other. The global financial crisis is the worst of its kind in the history of world economy since great depression of 1930s. Due to recession, export of carpets decreased from Rs. 3524.73 crore in the year 2007-08 to Rs. 2708.73 crore in 2008-09. Total export of carpets declined from 478.70 crores in the quarter April-June 2008 to 424.15 crores in the quarter April-June 2009 i.e. the decrease of 11.40 % in the export value. Economic meltdown has impacted carpet industry of India in such a way that many export orders got cancelled and laborers depending on this Industry were losing their source of revenue. The suppliers were unable to meet the demand. It was also feared that if nothing was done on time for endurance of the artisans, these already deprived people would not at all get time for survival. Since the business was not doing well the artisans had to work for 15 days and the remaining 15 days they had to remain idle. Initially, the labour was Rs. 500, but because of slowdown it came to Rs. 400 due to the adverse impact of inflation. Since the prices of raw material were rising and materials were not being sold, market was not responding in the manner it should be. Hence, people were turning to other businesses. Decrease in the export orders of carpets has pushed carpet weavers and business community including sub-contractors, owners of dyeing plants, washing units to close down their businesses.

Testing And Proving of Hypotheses:-
Table ‘A’ shows the performance of carpet industry of India in terms of Exports and Production from the period of Liberalization till 2011. Other than the child labor issue, the other relevant issues that affected the export and production of carpet industry of India is Slowdown (Economic Recession of 2007). They have affected export potential, overall productivity and employment generating capability of the industry to a very large extent.

To know the impact of slowdown on carpet industry of India, the study period is divided into two parts. The period of 20 years (1991 to 2011) is separated in pre and post slowdown. The pre slowdown covers 16 years, from 1991 to 2006. The post slowdown covers 4 years, from 2007 to 2011.

Hypotheses and its Testing:-
Null Hypothesis (H₀)-There is no significant impact of Slowdown on Export and Production of Carpet Industry of India

Alternate Hypothesis (H₁)-There is significant impact of Slowdown on Export and Production and of Carpet Industry of India.

This hypothesis is divided into two sub hypothesis as:
(i) Null Hypothesis (H₀) is there is no significant impact of Slowdown on Export of Carpet Industry of India. On the other hand, alternate hypothesis (H₁) is that there significant impact of Slowdown on Export of Carpet Industry of India.
(ii) Null Hypothesis (H₀) is that there is no significant impact of Slowdown on Production of Carpet Industry of India. On the other hand, alternate hypothesis (H₁) is that there significant impact of Slowdown on Production of Carpet Industry of India.

Slowdown Vs Export:-
The hypothesis seeks to test whether there is any significant impact of Slowdown on Export of Carpet Industry of India since 1991. To test this hypothesis, Independent Sample T- test has been used.

Table Showing Mean, Std Deviation and Std Error Mean of Impact of Slowdown on Export of Carpet Industry of India.
GROUP STATISTICS

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>GROUP</th>
<th>N</th>
<th>MEAN</th>
<th>STD DEVIATION</th>
<th>STD. ERROR MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export from India</td>
<td>1</td>
<td>16</td>
<td>2.0134E3</td>
<td>829.61645</td>
<td>207.40411</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>4</td>
<td>2.9329E3</td>
<td>442.30724</td>
<td>221.15362</td>
</tr>
</tbody>
</table>

In the table, group 1 shows pre Slowdown impact on Carpet Export from India and Group 2 represents post Slowdown impact on Export of Carpet from India. Descriptive statistics is done that indicates the mean value and standard deviation of pre and post Slowdown obtained by Carpet Exports from India.

It is found from the above table that the mean value of export from India pre Slowdown is 2.0134E3 and the mean value of export from India post Slowdown is 2.9329E3. The standard deviation of Carpet Export of India pre Slowdown is 829.61645 and the standard deviation of Carpet Export of India post Slowdown is 442.30724. The mean value and standard deviation shows that the Slowdown issue has significant impact on the Carpet Export of India.

Table showing F and Sig value of impact of Slowdown on Export of Carpet Industry of India

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>Levene’s Test for Equality of Variances</th>
<th>T-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig</td>
</tr>
<tr>
<td>Export from India</td>
<td>Equal variances assumed</td>
<td>2.542</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-3.033</td>
<td>9.178</td>
</tr>
</tbody>
</table>

Interpretation:-
The table shows the results of Independent Sample Test used to access the impact of Slowdown on Carpet Export of India. The calculated p value is .049 which is less than 0.05 (95 percent confidence interval), which indicates that there is significant impact of Slowdown on Carpet Industry of INDIA. Hence, the null hypothesis i.e. there is no significant impact of Slowdown on Export of Carpet Industry of India stands rejected and the alternate hypothesis i.e. there is significant impact of Slowdown on Export of Carpet Industry of India is accepted.

Slowdown Vs Production:-
The hypothesis seeks to test whether there is any significant impact of Slowdown on Production of Carpet Industry of India. To test this hypothesis, Independent Sample T-test has been used.

Table Showing Mean, STD Deviation and STD Error Mean of Impact of Slowdown on Production of Carpet Industry of Uttar Pradesh

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>GROUP</th>
<th>N</th>
<th>MEAN</th>
<th>STD DEVIATION</th>
<th>STD. ERROR MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production in India</td>
<td>1</td>
<td>16</td>
<td>2.1865E3</td>
<td>870.80148</td>
<td>217.70037</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>4</td>
<td>3.1070E3</td>
<td>451.90864</td>
<td>225.95432</td>
</tr>
</tbody>
</table>

Interpretation:-
In the table, group 1 shows pre Slowdown impact on Production of Carpet of India and Group 2 represents post Slowdown impact on Production of Carpet of India. The descriptive statistics done indicates that the mean value and standard deviation obtained by Carpet Production in India pre and post Slowdown issue.

It is found from the above table that the mean value of Production in India pre Slowdown issue is 2.1865E3 and the mean value of Production in India post Slowdown is 3.1070E3. The standard deviation of Carpet Production in India pre Slowdown is 870.80148 and the standard deviation of Carpet Production in India post Slowdown issue is 451.90864.
Table showing F and Sig value of impact of Slow down on Production of Carpet industry in India.

**Interpretation:-**

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>Levene’s Test for Equality of Variances</th>
<th>T-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig</td>
</tr>
<tr>
<td>Production in India</td>
<td>Equal variances assumed</td>
<td>2.884</td>
</tr>
<tr>
<td></td>
<td>Equal variances not assumed</td>
<td>2.934</td>
</tr>
</tbody>
</table>

The table shows the results of Independent Sample Test used to assess the impact of Slowdown on Carpet Production of India. The calculated p value of Production in India is .059 which is less than 0.005 (95 percent confidence interval), which indicates that there is no significant impact of Slowdown on Carpet Production of India. Hence, the null hypothesis i.e. there is no significant impact of Slowdown on Production of Carpet Industry of India since 1991 stands rejected and the alternate hypothesis i.e. there significant impact of Slowdown on Production of Carpet Industry of India since 1991 is accepted.

It has been found that the Slowdown has significant impact on Export and Production of Carpet Industry of India. It is found that the once flourishing Indian Handmade Carpet sector has gone through tremendous pressure on account of the global Economic slowdown. Dwindling demand, shrinking profit margin and lacks of adequate government assistance have made it difficult for small scale industries in the handmade carpet industry to perform efficiently and sustain their business. Rising taxes have further added to the woes of small handmade carpet manufacturing and export units, who have already been hit by the contraction of export orders by overseas clients. According to All India Carpet Manufacturer’s Association (AICMA) report, export order worth about Rs. 3 billion has been cancelled recently. Besides delayed payments and reluctance of banks to offer credit made it difficult for the carpet to sustain their exports and production. Stiff competition from neighboring countries like Pakistan, China & Nepal among others is also leading to erosion of profit margins of carpet exporters thereby rendering them less competitive.

**Problems & Suggestions for Export Development of Carpet Industry in India**

Presently, the hand knotted carpet industry is having demand crunch in major importing countries particularly, West European countries & to lesser extent in USA. Hand-knotted carpet exporters are worried lot & serious confabulations are on at various levels to find out possible solutions for the problems. Following are the problems and suggestions for carpet industry and carpet exporters of India.

**Market Research & Intelligence:** - In Indian Carpet Industry there is absence of relevant database nationally or internationally. There is absence of knowledgeable factors which influence the emerging world demand that hampers the pace of export of country. In order to revive the carpet exports, creation of dynamic database is required in addition to the forecasting capabilities in the area of color, designs and qualities as hand knotted carpets require longer production & therefore forecast are important to keep production in line with international demands. There should be proper information on raw material quality and price in the local market and aboard along with the information on export and import of final product covering the details of product mix and price of the particular product–mix. The exporters should have complete information on prevailing cost structure of the product for the region /country covering India and competing countries. In addition to all of these SWOT (Strength-Weakness-Opportunity-Threat) analysis of the trade as a whole should be done in Regional/National/International (competing countries) perspective.

**Development of Human Resource:** - The carpet industry in India lacks in qualified and trained manpower and those who are engaged lacks latest updates & hence unable to compete in the international market. The right strategy
to overcome these shortcomings is to encourage the industry to update the existing Manpower & recruit trained/qualified manpower by means of executing short and long term project to be funded by Ministry of Textiles. The entire manpower of the sector should be covered through short term training, distance learning education, customized industry driven skill development programmes and knowledge integration programme, through local, regional, national & international level seminars & workshops.

Quality Culture: - The Carpet exporters in India do not pay much attention to the quality. They value quantity more than the quality and loose their valuable earnings to the competitors. To overcome this problem, the Indian manufacturers should create a strong brand image for their products. It can be done through proper testing and inspection of raw materials, process and final products. Product range should be diversified and opportunities should be exploited properly. The suppliers should create or adopt quality label brands like Okotex and Gut. They can also adopt relevant quality systems like ISO 9000, ISO 14000 and SA 8000 to become a reliable manufacturer.

Information Technology: - One of the major drawbacks of our carpet industry is the absence of Networking because of which the demand of Indian carpets in world market is declining. This shortcoming can be overcome through proper creation of networking & accessibility for related information for faster decision to avoid delay & supply in delivery. Software like ‘Carpcoat’ should be adopted for research on cost & its control.

Infrastructure: - The major carpet belts in India lacks in adequate and proper power supply, surface networking and transportation system. It is essential to create conditions where Indian carpet exporters are cost competitive with their counterparts in other countries by improving the infrastructure in carpet weaving belt. Regular power and electricity should be provided for smooth functioning of looms. Opinion of Industrial Associations council and relevant experts may be sought in this regard.

Liberal Role of Banking Industry: - In order to enhance the rate of export of Indian Handmade Carpet Industry, the banking industry should play a liberal role. It should provide liberal financing to carpet exporters as well as to the weaver. Finance to sick units should be provided to revive them. Rate of interest on packing credit and advances against export bills should be linked up with LIBOR both in the case of rupees and foreign currency loans. Banks can also provide world class infrastructure. Uniform Forex Rates are necessary to avoid losses to the exporters.

Industry Friendly Labor Laws: - Labour laws should be made industry friendly by the government to encourage carpet weavers to achieve economies of scale in production. The carpet manufacturers should consider labour as a resource and not as cost. They should provide training and decent earning to them. It will attract more workers and reduce unemployment in the villages. This will offset any shortage of weavers and keep the conversion cost more balanced. The communist parties of India should support the Indian government in labour reforms. The State Government should foresightedly realize and liberalize labour law to become more export friendly.

Stock Depo be established: - In order to develop export markets, stock depositories should be established in Central West European Centres like Hamburg in Germany & Rotterdam in Holland & Atlanta in U.S.A. Indian carpet manufacturers be allowed to send their goods to those depositories for sale. The success of the depository will depend on the appointment of knowledgeable persons preferably from industry to manage the depository. The running of the depository should be made cost effective and self supporting.

Better Value Realization: - The Indian Carpet Industry is very good in creating new products and looks, but very bad in maintaining the consistency of quality. Truly speaking, they need more export, but fewer exporters. The carpet manufacturers should focus on production and specialization. They should align with established exporters, who have resources and expertise for marketing. The genuine and capable exporters should provide warehousing and customers services on large scale. They should come with innovative marketing techniques. This can be shared happily down the line from exporter to worker. The consumer can get a good carpet and pay a fair value for that.

Institutional and Technological support: - In Indian Carpet Industry there is absence of culture for technological up-gradation which weakens the industry to compete in the international market. There is an urgent need for creation of institutional and technological support for carpet production in the form of- world class design centres in the carpet belts, proper warehousing facilities in European markets at a subsidized cost, strengthening the Indian Institute of Carpet Technology so that it can educate the exporters on various technical processes necessary for good carpet production.
The above discussion has brought us to the conclusion that the Indian Handmade Carpet Industry has long heritage from the past and has great potential to grow in future. If the problems of the industry are properly scrutinized and suggested measures are taken into consideration, it will not only become country’s major foreign exchange earner but also generate additional employment opportunities in the rural areas. Through adequate efforts the negative impact of Slowdown cannot affect the industry. Indian handmade carpet industry has potential for further growth in volume & value. In achieving the desired further growth, industry must adopt the suggested strategy to overcome the shortcoming in specific areas. There is no shortcut approach in this regard only a comprehensive plan is needed to enhance the market share of carpets. Since, the cultural goods like carpets are labor intensive and provide increased employment and earn valuable foreign exchange for the country hence, it should be preserved safely. The industry needs and deserves a special care as it earns valuable foreign exchange without much investment in our country. There should be proper strategy & action plans for the industry so as to give a new orientation to the carpet industry to compete in the world market. Today economic global scenario throws every country or organization into bunch of challenges. Therefore all such challenges need to be taken up in positive sense of spirit to convert into opportunity. In such conversion definite goal and strategy to achieve the target should be in place.

References: