

The Role of Microfinance in Development of Craft and Cluster Activities in U.P. -A Case Study of Chikankari Industry of Lucknow

**(SUMMARY)
DISSERTATION**

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SUMMARY

1: INTRODUCTION

Unorganized sector play an important role in providing the employment opportunities to a large segment of working force in country. There exists a large section of unorganized labour force in form of handloom weavers, power loom workers, handicraft artisans etc where handicraft is one of the largest decentralized and unorganized sectors in the Indian economy. Craft or handicraft sector occupies a unique position in the Indian economy. Craft people forms the second largest employment sector in India, second only to agriculture. The handicrafts industry in India has been known over thousands of years. It is rightly described as the crafts of the people. Today, India accounts about 7200 clusters in the traditional handloom, handicrafts and modern small and medium enterprises (SME) industry sector. By an informal estimate, there are more than 30 million weavers, craftsmen and folk artists who possess inherited skills by which they earn their livelihood. India is a land of craftsmen which is known globally for her rich heritage of arts and crafts. Since, Roman and Greek times, the textiles of India have been known. Amongst, all the textiles exporting countries, India was one of the biggest exporters of textiles. In India, craft is not merely an industry but symbolize the strengths, desire and fulfillment of the Indian heritage. Textiles in India are decorated by various techniques such as printing, dyeing, embroidery etc but the embroidery craft is ranked at the top.

Handicraft sector embody the rich traditional, historical and cultural diversity that distinguishes India from the rest of the world. It is one of the biggest segments of Indian trade with significant contribution coming from U.P. Artisan cluster are widespread phenomena in many developing economies. It is estimated that India has around 3500 such cluster producing of items including basketry, mat weaving, cane articles, leather, jewellery, metal ware, embroidery etc with an estimated employment according to national council of applied economic research of thirteen million people. There is widespread presence of cluster in India and U.P which strongly represent the handicraft cluster .Among various states of India, U.P is widely known for the land of arts and artisans. Whether , it is kashida embroidery of Kashmir, kutchi embroidery of Gujarat, phulkari embroidery of Punjab or chikankari embroidery of Lucknow, each of its has its own significance and beauty and a unique story to tell. Lucknow,

the capital of Uttar Pradesh is one of the famous and prominent places in the history of India for its art, craft, culture and traditional work and its cultural buildings. The city has an estimated population of around 4.58 million lakh as per census 2011. Lucknow is one of the famous cities for its handicraft work or fine arts of embroidery such as Zari, Zardozi, hand block paintings, chikankari etc. Lucknow has 14489.44 lakh Rs. Investments in readymade garments and embroidery cluster by 3808 units and provides employment to about 19813 people. But among these chikankari embroidery has a unique place in the Lucknow embroidery cluster as it is the biggest artisan's cluster of India. The art of chikan embroidery is about 400 years old and is a Persian based craft. At present there are more than 2500 entrepreneur who are engaged in this work. Apart from this it provide employment to about 2.5 lakh population of a country by consumption of chikan product i.e. 15% locally in Lucknow, 10% other parts of U.P., 50% rest of India and 25% for export, but it was found that chikan workers do not get work regularly and women workers are exploited by chikankari entrepreneurs.

Despite of their cultural and economic importance, the craft and handicraft sector of Lucknow suffer from various problems which may relate to unhealthy cluster, lack of education to the artisans, lack of loan facility, low income, low earning, exploitation by the agent etc. It was found that lack of finance is always the crux of the craft people's problem. The socio economic condition of artisans of chikan craft is not very good due to non access of institutional support and less support from the government institutions and faces various problems regarding employment, finance etc. It is been seen that a large number of traditional craft are at the verge of extinction and its artisans are identified as marginalized sector of the society. The current state of the Indian artisans in Lucknow embroidery cluster is a matter of serious concern. As according to socio economic group, artisans are amongst the poorest. Research shows that households headed by the artisans in general have much lower net wealth and amongst all (90%) are landless as against 36% for households headed by other. And as capital is a major issue faced by the unorganized industry and many artisans are not able to raise capital for its business from the market directly and many artisans are not even aware of the government policies. It was found that 80% of the artisans never availed any benefits of any government policies. Hence, proposed solution to improve the socio economic condition of artisans of chikan craft in Lucknow and to develop the traditional craft of Lucknow cluster

embroidery by strengthening the artisans by analyzing the role of microfinance. Microfinance is the provider of micro credit to the poor and it is a tool for economic development and its aim is to provide financial services to low income clients who traditionally lack access to banking and related services. Microfinance can help to the poor people who are engaged in the craft work at every step of their life. Hence the study is about to analyze the role of microfinance in development of the traditional craft and cluster activities of Lucknow chikan embroidery as Microfinance means “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improving living standards”–The National Microfinance Taskforce, 1999 (India).

2: Research Gap:

Handicraft industry is one of the largest unorganized sector of Indian economy and a major means of livelihood for the craft people in Lucknow but their economic condition is very much close to the poorest of the poor people, so this form the context of the present research. Above literature shows that the chikan embroidery is one of the major sources of livelihood for the artisans in Lucknow and it has been seen that due to various unfavorable condition the work is neglected in government policies and schemes which endured them into very low socio economic status. Hence, the present study analysis the socio economic status of artisans after the implement of various financial inclusion schemes and special schemes related to welfare of artisans. The available literatures have narrated the role of microfinance in providing capital to the poor and to provide financial services to poor through formal banking services. There are various studies which explains microfinance may act as changing face of poor India and rural artisans and many small handicraft artisans but in the literature there is not any important study which explore about the role of microfinance in relation to chikan craft and its development. Thus, this form the context of the study to understand about the role of microfinance in development of craft and cluster activities of Chikan embroidery of Lucknow. Microfinance may play an important role for the craft and artisans because need for the money to them is very small and if artisans get money at right time then they can fulfill their need and can help in the development of their own enterprise and improve their standard of living.

3: Objective of the study

The proposed research study has following objective :

- ❖ To explore the socio-economic conditions of artisans of Chikan craft in Lucknow.
- ❖ To explore the problems and prospects of craft and cluster activities of Chikan craft industry in Lucknow.
- ❖ To analyze the role of microfinance in development of craft and cluster activities and artisans involved in these activities with special case of Chikan embroidery in Lucknow.

4: Hypothesis of the study

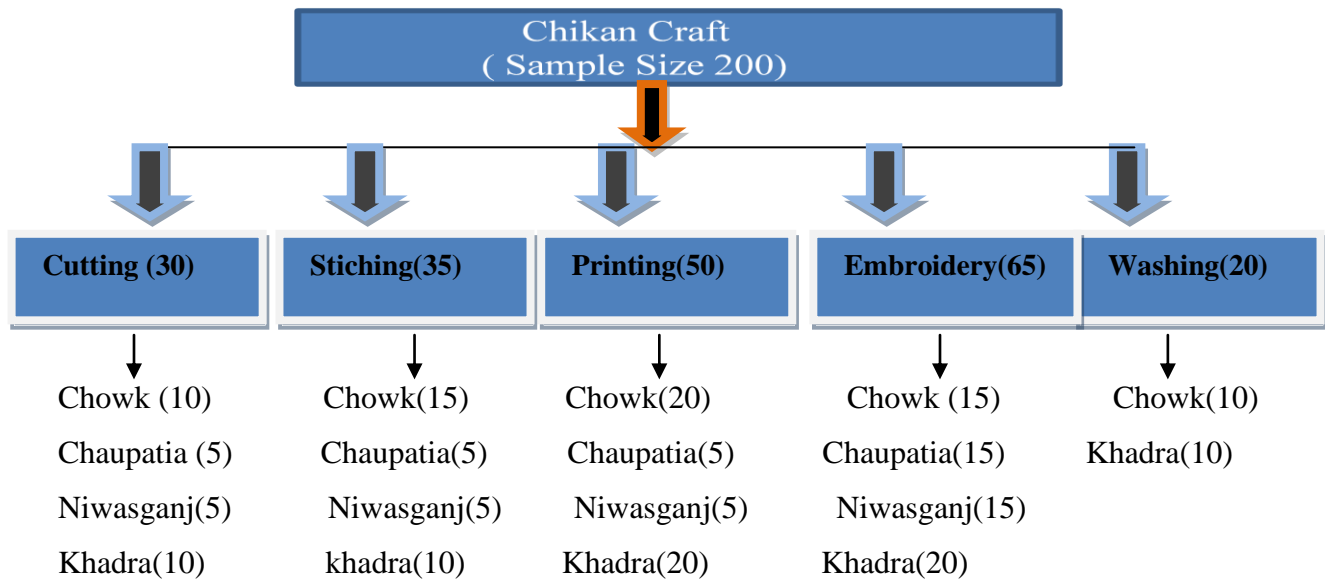
The study test the following hypothesis:

- ❖ Socio economic conditions of Chikan craft artisans are very adverse and volatile due to non access of institutional support and non recognition of this craft at national and international forum.
- ❖ In spite of their strategic importance in terms of employment creation, craft and cluster activities in UP are deteriorating with time particularly in the post reform period.
- ❖ Non access of financial services is one very important problem in development of craft and cluster activities in UP and micro finance may play very significant role in this direction.

5: Research Methodology and Data Source

For accomplishing the objectives of study the analysis has been done mainly under primary data. Primary data will be collected through field survey, but the secondary data will also be collected through various sources which would mainly comprise of journals, newspapers, ministry of textiles, Uttar Pradesh state development handicraft report etc. The study has been conducted in Lucknow city of Uttar Pradesh because of major centre of chikan craft. The sample size for accomplishing the objectives has been 200 from area of Lucknow mainly Chowk, Niwas ganj, Khadra, Chaupatia will be selected from Lucknow for study. Multistage stratified random sampling has been done for sample collection from different activity of chikan craft mainly Cutting(30) , Stitching(35) , Printing(50) , Embroidery(65) and Washing(20). The data analysis will be based on advanced statistics and descriptive statistics will be used for the purpose of

analysis. The study will imply statistical tools like, percentage ratio, Growth rate, bar diagram and pie diagrams, cross tabulation wherever required to analyses and interpret the data.



6: Significance of the study

The present study takes into account the chikankari workers of Lucknow, Uttar Pradesh. The chikan embroidery is one of the major sources of livelihood for the artisans in Lucknow but due to home based work it is neglected in government policies and schemes and the workers of this craft are facing various problems. Therefore, the study highlights the problems and prospects of chikan workers and find out the socio economic status of artisans and financial behaviour of artisans. Microfinance may play an important role for the poor and artisans because need for the money to them is very small and if artisans get money at right time then they can fulfill their need and can help in the development of their own enterprise and improve their standard of living. Therefore, the present study also examine the role of microfinance in development of chikankari workers who are facing problems and are living in the vicious circle of poverty.

7: Chapter plan

Chapter 1: Introduction

Chapter 2: Socio economic conditions of artisans of Chikan craft in Lucknow.

Chapter 3: Problems and prospects of Chikan craft industry in Lucknow.

Chapter 4: Financial Behaviour of artisans engaged in Chikan Craft of Lucknow.

Chapter 5: Role of Microfinance in Development of Chikan Craft in Lucknow.

Chapter 6: Findings and Policy Prescription

8: Conclusions:

The Introductory chapter reveals that the handicraft industry is one of the largest unorganized sector of Indian economy and a major means of livelihood for the craft people where Chikankari embroidery of Lucknow is one of the largest craft as it gave employment to about a large number of people but it was found that the artisans involved in them faces many problems which endured them into very low socio economic status. Hence, the main focus of the study is to represent the socio economic status of artisans engaged in the Chikan craft of Lucknow and to identify the factors leading to its decline and the problems the artisans are facing related to the craft work. The available literatures have also narrated the role of microfinance in providing capital to the poor and to combat poverty and to provide financial services to poor. It explains how it can help poor and low income households through deposits, loans, money transfers, insurance etc who does not have an access to formal banking facility. Microfinance may help in changing the face of poor India and rural artisans and many small handicraft artisans. Hence, the further study presents a historical background of the chikan industry with a view to identifying the factors leading to its decline. It also attempts to focus on aspects of the socio economic conditions of the artisans engaged in the Chikan Embroidery Craft of Lucknow. The present study also focuses and gives broad details of the financial behavior of the artisans engaged in the craft. Further the study tries to analyze the role of microfinance in development of craft and cluster activities and artisans engaged in Chikan embroidery in Lucknow.

The primary source of the study presents the Socio Economic condition of the artisans engaged in the Chikan craft activity which reveals that the artisans are very much closest to the poorest of the poor and are living in a miserable condition. Analysis have been done by taking into consideration of various factors such as sex, religion, age, housing condition, water and electric facility, income, working condition, family size, earning member etc. The study reveals that in all stages of chikan craft male specialists dominates the female, where as in the embroidery stage is completely dominated by females, overwhelmingly Muslims, almost all of them poor, with

few other job opportunities and low income. Majority respondent of the study area belong to middle age group(16-45) followed by (46-60 age group) i.e. 20.5 percent which shows that more middle aged artisans are involved in the craft and no youth artisans is interested in continuation of this craft and opting this as its profession. Level of education is one of the important social variable having influences on the socio economic development of individuals but it was found that most of the artisans are having low level of education with almost 28 percent of female artisans are found to be illiterate and only 1.65 percent of artisans are found to have higher education which shows adverse situation of artisans in educational status. Family size is the best indicator of the socio economic development of the household as dependency on a person affects his socio economic condition in the society. Small family size is the best indicator of socio economic development of the household but it is very pondering matter that only 9.5 percent of artisans engaged in craft have family size upto 3 members in a family and about 53 percent of artisans have more than 4 to 5 family members and 38 percent have more than 6 to 8 family members in their family with maximum 2 earning member in their family which cause difficult for artisans to live their life easily as larger family size adversely affects their living standard. The finding of the study also shows that the educational qualification of artisans is much affected by the family size. The engagement of children in the craft was also found who do craft work in family along with their schooling which adversely affect their studies and are found to work due to economic burden to them. Income of the artisans are found to be quite low according to activity as 70.88 percent female artisans are found to get very low amount of less than 3000 rupees and male gets maximum income of less than 6000 rupees. Only 1.26 percent female artisans are found to get more than 6000 rupees monthly with average income of 4941 rupees. Embroiderer gets the minimum income of less than 3000 rupees which is said to be the core of the chikan craft activity. This reveals of poor economic condition of the craft work. Living condition reflects the poor condition of the chikan craft artisans as most of the artisans are not having proper pucca house for their living and mostly 60 percent are living in semi pucca house in an unhygienic condition. The artisans engaged in the craft work don't have proper sanitation facility and electric facility and they use kerosene lamp and lantern. Artisans are not having proper water facility and about 53.5 percent of artisans make use of hand pump and government water supply. They don't have their own water supply facility. 15.5 percent of the artisans are having agricultural land in which 46.16 percent are migrated which reveals of poor socio

economic condition. The chapter concludes that Chikankari artisans are endured into the vicious cycle of poverty and the socio economic condition of chikan craft artisans are very much adverse and volatile and hence, financial, entrepreneurial, and institutional support can help to bring them into the main stream of economy. The findings of the study have considerable relevance to run the industry in proper way on modern techniques at all levels and improves the socio economic condition of the chikan craft artisans.

Chikan Craft of Lucknow is known worldwide and has a vast significance in the development of economy of Uttar Pradesh. Hence, in spite of their strategic importance in terms of employment creation, the craft activities of chikan embroidery and the artisans engaged in it are facing severe problems which is revealed by the study in the above chapter which shows that most of the artisans are not having proper working place to work and about 21.0 percent of artisans get work through agent and hence household workers are exploited through intermediaries and agents who provide them work. The study reveals that most of the artisans engaged in the craft work for more than 8 to 12 hours daily which reveals that artisans work for long hours which adversely affect their health resulting in facing problem of back pain, eyesight, headache etc. Apart from this, the artisans engaged in the craft were facing problem of regular work in a month due to which they are remaining unemployed for some days in a month. Hence, majority of the workers get work for less than 24 days in a month. The findings of the study explore that the earnings of the artisans which shows that average earning of the artisans engaged in the craft work is 4941.00 rupees monthly with average working hour for more than 8 hour per day which adversely affect the health of the artisans in Chikan craft. There is huge difference in earning of the artisans according to activity wise as it clearly depicts that embroiderer gets the lowest income overwhelmingly, females than from the other activity or artisans related to the chikan craft. Hence, it is the poverty which compels them to work at such a very low wage rate. Lack of Finance is the major crux of the crafts problem. Apart from, this the artisans are facing problem related to the working place as they are not having basic necessities of safe drinking water, toilet facility and lack of training. Some of the artisans revealed about facing the technological problem, marketing problems, financial problem, infrastructural problems like duplicacy, exploitation by middlemen, lack of government intervention, inability to provide security, lack of finance, irregular order, irregular payment etc which need intervention to improve the quality of life. The chapter concludes that in spite of their strategic importance in employment creation, the

craft of Chikan embroidery and craft sector of Lucknow is facing severe problems and the artisans need credit to fulfill their basic needs and hence can improve their quality of life and the craft.

The ground level realities in the study have highlighted the financial behavior of the artisans engaged in the chikan craft of Lucknow. Financial services provide customers with greater financial security and allow them to realize their economic potential. Microfinance is basically associated with the formal banking services and hence starts with formal bank account. The study reveals that 72 percent of artisans have not the access of formal banking as they reported of having low earning from the craft work and heavy documentation and hesitation. 41 percent of artisans are not saving any part of their income and about 26.6 percent who saves in the range of 300 to 500 rupees monthly with only 20.5 percent access to banking services. Artisans reveals of facing problem in saving due to excessive expenditure and getting lower wages for their work and unawareness about the institutional sources. The findings of the study concludes that only 15.5 percent have taken credit from the formal banking services and rest have taken from informal sources which reveals that how artisans are far away from formal financial sources for meeting their needs. 38.5 percent remark of heavy documentation and security problem for taking loan against formal institutions. Further, the findings highlights that 75% of artisans are not aware of Insurance policies and only 7.5 percent of total artisans have taken insurance. Due to non access of financial services artisans are not aware of money transfer facilities through financial sources. Micro leasing awareness among artisans is 9.5 percent due to unawareness. Hence, the overall study concludes that from all financial services, the participation of the artisans is very less and artisans have been excluded from the system very badly they hardly knows about services and programmes which were meant for their wellbeing. So the need of hour is to address this serious challenge so that the aims of financial inclusion work for the benefit of the artisans. The need of artisans of the craft is small and hence it seems very important to have a role of different institutions i.e. government, NGO and financial institutions, etc to enable these artisans and craft to get enhanced and improved.

Microfinance has been emerged as an alternative method for development of the poor artisans. In various studies, it has been found that microfinance play very important role in the development of weaker section and unorganized activities. Microfinance can do wonders, if the implementation is done properly. It can be very helpful in solving the problems of artisans and in

development of the craft and cluster activities. This can be understood from the comparative position of artisans, those who have been access to bank services to those who do not have access to bank services. Here, the section explains that those who have the access of financial services are capable of having better living standard as it helps in improving the socio economic condition. It depicts that 37.5 percent have better living condition and lives in pucca house that have the access of banking services while only 25.69 percent have pucca house that don't have access to banking services. While, 58.92 percent have semi pucca house who have access to banking services and 69.45 percent have semi pucca who don't have access to banking services. Microfinance services also have positive impact on educational status of the artisan's children as it shows that 63.63 percent goes to private school having financial access while 52 percent goes to government having not access to financial services. Artisans having access to financial services are having better water facility as maximum artisans have their own pipe and hand pump and they are less dependent on government source for water supply which reveals that microfinance services may be helpful in the lives of their basic need of living. 87 percent of the artisans are having electric light who have the access of financial services. And further explains that those who have the access of banking services have more agricultural land i.e. 18 percent and 85 percent don't have any land who don't have access to banking services which shows that financial services may help the artisans at every step to improve their socio economic status. With regard to income level, the data shows that those who have access to banks have higher income level i.e. 41.08 percent. Thus, by shaking the hands to microfinance, poor artisans may protect themselves from poverty, increase their source of income and also increase the right path of hunger and poverty. The study concludes that the microfinance may play a vital role in solving the problems related to artisans and helps in the development of the craft. 69.6 percent of artisans faces marketing problem who don't have any access to microfinance services, while 30.40 percent faces less marketing problem having access to financial services. Maximum respondent are facing health related problem that don't access to banking services. 23.61 percent are having credit related problem that don't have any access to banking services while 83.93 percent of artisans are not having any credit related problem that have access to banking services. Microfinance services helps in covering the risk of artisans life as it can be seen that 23 percent artisans having access to financial services cover their risk against personal life while only 1.38 percent who don't have any access to financial services are having insurance. Overall the

comparative study of the artisans shows who do not have bank account to those who have bank account which found that the comparative position of those having the access of banking services is better than to those who don't have any access to banking services in all dimension of improving their socio economic condition and in solving the problems and risk involved in the life of artisans and related to the development of the craft.

It also highlights the unawareness of the artisans regarding the government schemes which are related to them and it was surprisingly shocking that about all artisans revealed of getting no benefits from government to them. It can be said that financial services are not successful in providing the benefits at a greater pace to the poor artisans and where microfinance may play a very important role in this direction. The analysis shows that access of financial services to the artisans is very much helpful to improve the socio economic condition and their standard of living. Chikankari is one of the major source of livelihood for the craft people in Lucknow who are facing various problems related to craft and artisans and there is pressing need to create awareness about the Chikankari craft and products through various promotional methods and through the access of financial services and microfinance services which will help in development of the craft activities and artisans engaged in the chikan embroidery sector of Lucknow. There is need to provide the artisans with financial support and provide them with entrepreneurial, institutional and marketing support to raise their economic status. Awareness programmes should be conducted for artisans so that they know about the benefits of schemes to them and microfinance services.

9: Findings:

- The analysis concludes that Chikankari artisans are endured into the vicious cycle of poverty and the socio economic condition of chikan craft artisans are very much adverse and volatile and hence there is need of financial, entrepreneurial, and institutional support to bring them into the main stream of economy.
- The analysis shows that in spite of their strategic importance in terms of employment creation, chikan craft and cluster activities in Lucknow are deteriorating with time and chikan craft is facing severe problem from many point of view such as marketing problem, financial problem, health problem, low earning, problem at work place etc

which need serious policy intervention to improve the prospectus of craft activities and quality of life of artisans.

- The ground level realities in the study have highlighted the financial behavior of the artisans engaged in the chikan craft of Lucknow which indicates that they are mostly relying on informal sources and practices for their savings, borrowing and other financial requirements. It is also found that non access of formal financial institutions is one of the major reason behind relying on informal sources and practices.
- The analysis of the study shows that access of financial services to the artisans is very much helpful to improve their socio economic condition and their standard of living.

10: Recommendations:

- As the presence of middlemen has been found as one major problem behind poor socio economic condition of artisans, therefore it is recommended to develop an efficient supply chain system which should be directly related to artisans of chikan craft.
- As majority of the women artisans were earning very low wage rate under this craft due to manual nature of work, hence it is recommended to introduce advance technology based machine for embroidery work to increase the productivity and through that to the income of women artisans. In this regard, microfinance may play very important role for women artisans to purchase these machines.
- Lengthy process of documentation and non cooperative behaviour of bank employees are the major reasons behind non access of financial services to the artisans. Therefore, it is recommended to standardize these aspects to ensure easily access of financial services.
- In order to recognize the craft at national and international forum, various exhibitions, trade shows should be organized which will help the artisans not only to improve their craft but also increase their knowledge about current market trends.
- Majority of the artisans are not aware about the schemes related to them. Hence, various state and central government and other agencies should time to time organize awareness programmes related to these schemes at the places where artisans are residing.
- Like Kisan Credit Card, Artisans Credit Card should also be promoted to ensure easy access of credit facility for artisans.

- Majority of the artisans don't have bank account. Keeping this view, the agencies working for the welfare of artisans and banks should jointly organize sensitization camp in artisan's concentrated areas to open bank account and may promote its linkage with PMJDY.

11: Limitations:

- The sample size of the study is too small to generalize the overall results.
- Analysis of the study is mostly based on sample observation and descriptive statistics, due to the time constraint we could not make use of advanced tools of statistics and econometrics, which may be done in further research for making the results of the study more reliable and acceptable.
- Due to lack of time and resources, we could not review the detailed status of other craft and cluster activity of Uttar Pradesh.