

## **Sustainability of Small Scale Traditional Industries in Sri Lanka – With Specific Reference to the Handicraft Industry**

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### **INTRODUCTION AND RESEARCH PROBLEM**

Small enterprises in traditional industries are a vital part of the rural economy and their contribution to the development of the whole economy is quite considerable. More importantly small and medium enterprises are considered the backbone of the rural economy in developing nations (Gamage, 2003). In today's context these small scale businesses especially those that operate in traditional industries face many social as well as economic challenges. Such challenges have a considerable impact on the survival and the sustainability of traditional industries. A majority of the handicrafts businesses in Sri Lanka fall into the category of small and medium enterprises. Therefore problems associated with the SME sector in Sri Lanka become applicable to the small handicrafts businesses, while issues common to traditional industries too pose a threat to their sustainability.

The number of artisans engaged in certain handicraft sectors has reduced drastically over the past decade. Such sectors, which are identified by the National Crafts Council as on the verge of being

wiped out, are masks, puppets, and brassware. The prevailing socio economic challenges would threaten some of the existing enterprises and sectors as well and thus negatively affect the sustainability of crafts businesses.

The manner in which traditional transfer of technical knowledge and skills takes place in the Sri Lankan handicraft industry has many weaknesses. A study conducted at national level by the Tertiary and Vocational Educational Commission (TVEC), revealed that traditional methods used are ineffective and thus affects the sustainability of most crafts traditions (Senevirathne et al., 2010).

High potential exists for the handicrafts industry to contribute to the manufacturing sector and economic growth in Sri Lanka. As it is intertwined with the culture and tradition of Sri Lanka, handicrafts can be a sister industry for Tourism and could be a huge foreign exchange earner if handicraft exports are promoted. Nevertheless the industry's fullest potential has not been met due to socio-economic barriers.

In light with this overview the issue central to this paper can be laid out in the form: "Small scale handicrafts enterprises face many socio-economic barriers and such barriers threaten the sustainability of the livelihoods of traditional artisans and the handicraft industry itself."

In line with this the research objectives can be laid out as below:

- To investigate the economic conditions and challenges that are faced by small scale handicraft artisans and the industry as a whole
- To explore the social and environmental dynamics prevailing in the industry
- To analyse the impact of socio economic conditions and challenges on the sustainability of this traditional industry

Previous studies conducted on the handicraft industry of Sri Lanka focus on just one handicraft tradition or sector. An accurate or near-perfect industry analysis cannot be done by looking at one or two sectors. Thus the present study's uniqueness is that it has covered six handicraft traditions which represent roughly 30% of the industry according to the National Crafts Council. At the same time its contribution towards sustainability of small scale artisanship is of paramount use for the policy makers and future scholars.

## **METHODOLOGY**

This study involved two main stages of data collection. The first stage encompassed a series of interviews done with 15 artisans from 15 different traditions and others with officials from the National Crafts Council, which was conducted at the National Crafts Exhibition in September 2014. The results of the interview were analysed in a qualitative manner while the main aim at this stage was the identification of socio-economic challenges faced by the artisans and their expectations about the industry's future. The conceptual framework which is illustrated below was created by the author after this preliminary study and an in depth analysis of related literature.

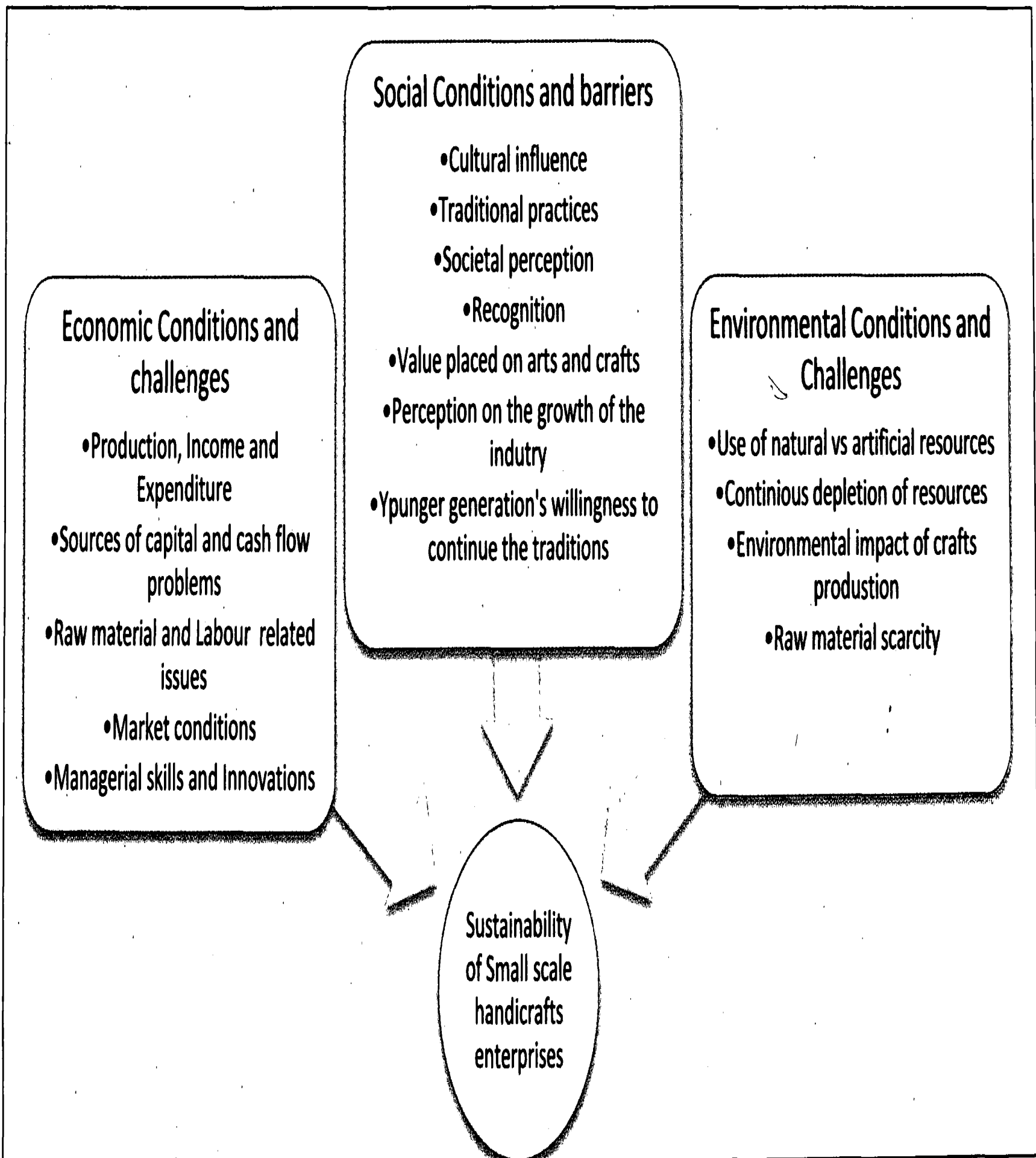
The second stage of data collection included a questionnaire based survey was conducted which was performed on thirty artisans from six selected handicrafts sectors; namely brassware, leather crafts, Palmyrah crafts, puppets, masks and wooden crafts. Non probability sampling was used for the survey as well and under purposive sampling method, non-proportional -quota sampling was used in selecting the sample of handicrafts artisans belonging to each handicrafts sector. Handicrafts sectors act as the categories that are selected on a purposive basis. Six handicrafts sectors were chosen on the basis of their diversity, area of origin and other major socio economic characteristics. However the ultimate purpose was to select diverse sectors which would represent the overall handicrafts industry.

The survey started in Mannar with the palmyrah crafts producers and then went on to Pilimathalawa and Pahala Kadugannawa to carry out the survey on brassware and leather crafts sectors respectively. It was also carried out in Moratuwa, Good Market at Race Course and Ape Gama in Battaramulla with respect to wooden crafts. Finally the survey was carried out in Ambalangoda on Masks and Puppets sectors. The questionnaires were filled in by the researcher herself except in relation to the artisans in Mannar, the exception being due to language barriers.

The survey results included mainly a descriptive analysis which was done using the statistical package of SPSS. Techniques such as Chi-Square, Correlation and Cross tabs were used for analysis. Basic economic analysis included the areas of production, income and expenditure, sources of capital, cash flow problems, range of product categories and innovations, market conditions, key challenges, labour related problems, competition, managerial skills etc. Social and cultural conditions were analysed through the areas of recognition for artisans, cultural affiliation, livelihood satisfaction, willingness of younger generations to continue the craft etc. Finally environmental sustainability was also looked at, in terms of the nature of raw material, regeneration of raw material, concern for the environment etc.

The conceptual framework upon which the survey was based is presented as below (see Figure 1).

**Figure 1: Conceptual Framework**



*Source: Author constructed, 2014*

## RESULTS AND FINDINGS

The first stage of the data collection, which consisted of interviews conducted at the *Shilpa 2014* Annual Handicrafts Exhibition revealed that the whole industry is faced with a gamut of socio- economic issues, and that artisans were quite pessimistic about the future of the industry. The most critical challenges faced by each sector, as found out by the interviews are shown in Table 1.

**Table 1: Socio-Economic Challenges by Each Handicraft Sector**

Handicrafts Sector	Major Socio Economic Challenges faced
Cane	Scarcity of quality raw material, drastic decline in the demand for cane furniture
Clay	Substitutes have resulted in a decline in demand for clay based products
Ornamental Traditional musical items	The hassle of obtaining permits to get even a small quantity of wood, lack of support from the government as it is a new and a small sector
Pulp based crafts	Lack of financial and technical assistance as it is a new sector
Silver jewellery	Lack of skilled labour, threats from imported jewellery
Lace work	Not receiving a fair price for the time and effort that goes into the craft, threat of imported garments
Masks	Lack of demand and limited business opportunities during off season, lack of skilled labour
Wood carving	Permits need to be obtained for even a small quantity of wood
Miscellaneous Crafts	Lack of funds to expand the business, lack of demand for crafts
Leather crafts	Limited availability of the main raw material, due to ethical issues

*Source : Author constructed based on survey data, 2014*

The survey results were analyzed under three categories as shown in the conceptual framework. The most significant findings are discussed below under each relevant category.

### **Economic Analysis and Sustainability**

Initially the artisans' business aim or intention of being in the handicrafts industry was inquired into and the results revealed that 57% of the artisans' intent was to obtain longer term profits and only 40% of the artisans stated that their main aim is to carry the tradition forward. This fact proves that a majority of the artisans engage in the handicrafts business with aim of earning a living and achieving economic prosperity. If the businesses become unprofitable they would leave the business thus posing threats to the industry's continuity.

Limited availability of funds is a common issue amongst the traditional artisans in continuing their traditional businesses. This was clearly proven with the fact that 57% of artisans fund their businesses with personal wealth. Only 43% of the artisans obtained debt for the purpose of funding the business. The main reason for the minimal use of debt is that the artisans do not have access to loans at concessionary interest rates, and commercial borrowing rates are too costly for such small businesses.

Another fact which was revealed through the Pearson Correlation analysis is that there exists a positive correlation between the number of different products and the retained earnings. That means, as the artisans produce more and more designs or different types of products in the handicraft sector their retained earnings seem to be high. The artisan states that customers prefer to buy from shops that provide them with a wide variety of choice with a number of different items.

More than 50% of these artisans face 3 or 4 major economic challenges. As can be seen in the diagram below, the most common

challenges faced by the artisans are: not receiving a fair price, not having a proper market and limited access to raw material. Thus it can be concluded that, although there exist differences amongst the handicraft sectors, the challenges are common to the industry as a whole.

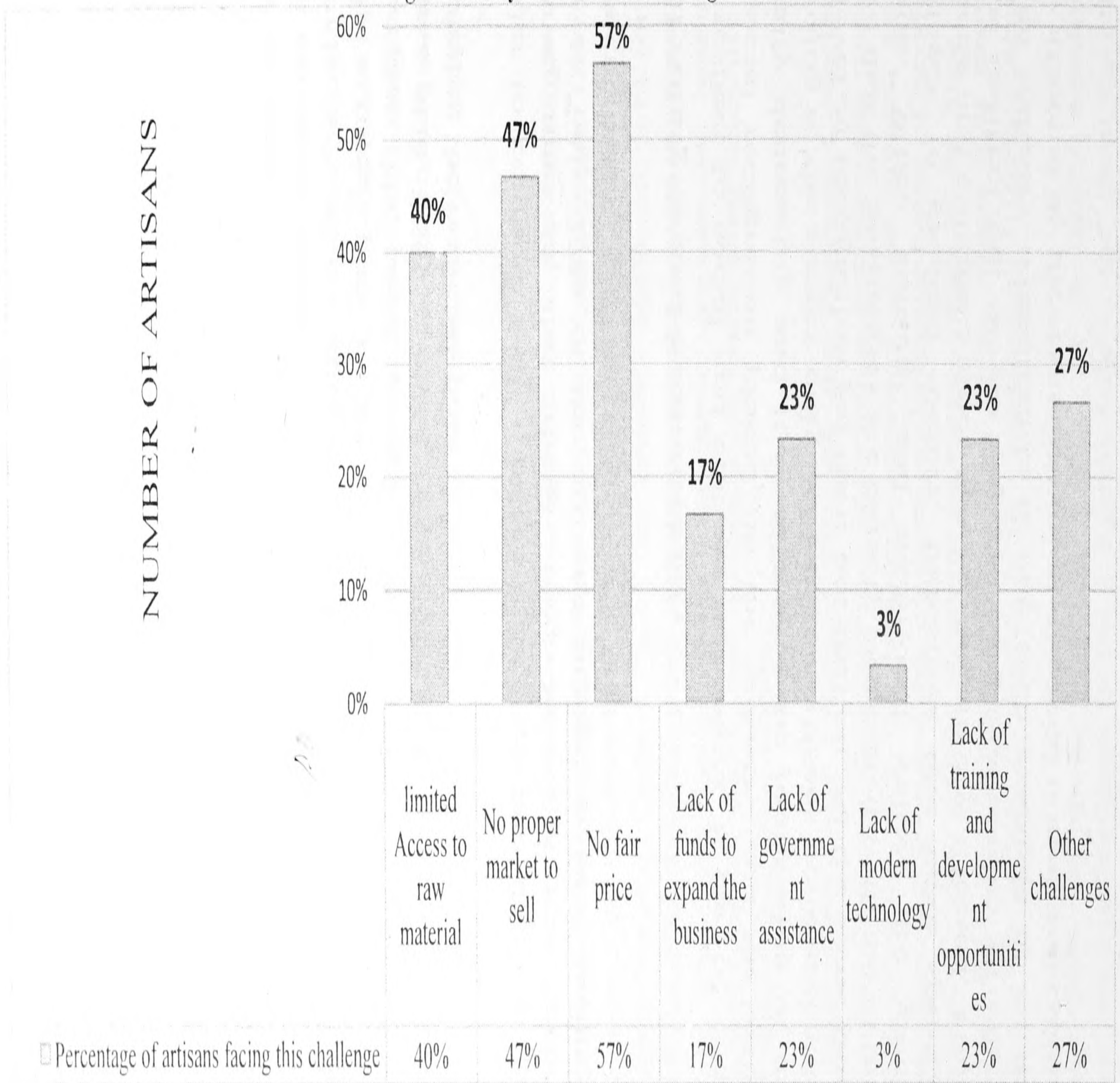
Use of managerial skills is key to the success of the business, but a common issue is that artisans excel in the field of arts and crafts but not in managing businesses. According to the survey it was revealed that only 66% of the artisans have a business plan, and that too is mostly a rough plan in the mind, not a formal, well-constructed written plan. The worst scenario is that out of the artisans who have a business plan, 95% of them have not sought for any assistance in formulating the business plan.

In order to compete with modern industries and the ever growing consumer markets, the artisans have to adopt new technology. However, only 27% of the artisans engage in such technological advancements.

### **Social Analysis and Sustainability**

With respect to social and cultural influences, it can be concluded that social recognition placed on the industry and the artisans is gradually decreasing and it is affecting the motivation of artisans. According to the survey only 26% of the artisans believe that there is high level of recognition for their occupation. At the same time 80% believe that the businesses are closely associated with the culture and tradition. When cultural and traditional values are given less importance in modern society, industries that have sprung from traditions and cultural values too get negatively affected. Thus there will be indirect but severe impacts on sustainability of enterprises such an industry. Handicrafts is one such example of an industry highly affected by the transformation of social norms and culture.

**Figure 2: Key Economic Challenges**



Source: Author constructed based on survey data, 2014

## **Environmental Analysis and Sustainability**

Environmental issues associated with small scale enterprises include the depletion of non-renewable raw material and the use of harmful chemicals and other substances in production of crafts. Fifty-seven percent of the artisans believe that their main raw material would be scarce in the future. The issue of limited raw material, directly threatens the survival of certain handicrafts sectors, especially metal based sectors. Although handicrafts used to be environmental friendly, today they are increasingly becoming artificial. This causes environmental pollution and results in environmentalists and pressure groups going against the industry which would again hamper the industry's growth.

## **CONCLUSIONS, IMPLICATIONS AND SIGNIFICANCE**

It can be concluded that traditional handicraft artisans are faced with major challenges and most of these challenges are common to the whole industry. These challenges clearly have a negative impact on survival and sustainability. Such challenges faced by traditional industries, especially comprising of a majority of small enterprises need to be addressed very seriously.

The major economic challenge relating to the non-existence of a stable market has to be addressed by introducing novel ways of producing items and engaging in continuous innovation. In an era where all human beings are highly economical, handicrafts must offer the customers a functionality beyond ornamental benefit.

The social challenge is that the customers do not value the traditional, artistic and aesthetic qualities of these products, mainly due to a high preference for westernized products. However, the government can promote the Arts and Crafts culture, by adding a touch of modernization to these products. In order to do so, it has to be

properly planned as a series of programmes with small scale artisans' active participation.

The handicrafts industry has the potential to be developed on to a level where its products become synonymous with Sri Lanka in the world market. Similar to Ceylon Tea, Sri Lanka can set up the brand of Ceylon Crafts. In order to come to that high position in the world market, there has to be many measures taken at the ground level. As the industry comprises of a majority of small and medium scale craft enterprises, they must be empowered in the first place. Policy makers and the relevant authorities need to address the socio economic issues identified at grassroot levels. Therefore this paper suggests policy actions to be directed towards the revival of the whole traditional arts and crafts culture in order to make this enterprises socially sustainable. Further policy requirements include special assistance schemes, training and development programmes, financial assistance to be provided to the small scale handicrafts enterprises.

Furthermore it can be implied from the study that traditional industries such as handicrafts need to take into consideration modern market trends and to blend in with modern lifestyles while maintaining the traditional touch.

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