

Full Length Research Paper

Constraints and potentials of handicraft industry in underdeveloped region of Malaysia

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Accepted 15 April, 2019

The main purpose of this study is to identify the constraints and potentials faced by handicraft industry in a peripheral and underdeveloped region of Malaysia. The study was carried out in the Districts of Kota Bharu and Tumpat in the State of Kelantan, Malaysia, and targeted the entrepreneurs and workers in the silverware and batik handicraft enterprises, and also villagers who were not directly involved in these industries. The study is based upon qualitative analyses of material derived from field-work in several villages in the study area. It seeks to place handicrafts production in Kelantan within the broader theoretical context of rural industrialization and the development of traditional and peripheral rural areas.

Key words: Rural development, handicraft, constraints.

INTRODUCTION

The development of handicraft industry became more significant beginning in 1984 with the rural development program introduced under a new program of *Halacara Baru* (New Direction) which stressed the strategy of rural urbanization. The strategy focuses on the development of socio-economic infrastructure aiming to increase productivity and income for peasants and rural labourers. The approach stressed the regrouping of villages to foster the development of rural growth. In Malaysia, rural development, particularly in the 1990s, continued to be dominated by productivity and output increasing strategies complemented by infrastructural and technological improvements along with the provision of socio-economic services and amenities. Although the development of the rural economy will still be largely determined by the development of the rural-agricultural sector, however, the development of the non-agricultural sector, particularly small-scale industries is of equally crucial importance in leading towards a more effective and significantly integrated rural development. Rural industries may be expected to absorb part of the underemployed rural

population and to divert the rural work-force away from the existing and overcrowded agricultural sector. Thus, rural industrialization is seen as an important strategy in the programme of integrated rural development designed to remedy the problems of the rural sector. This study attempts to elucidate the rural development strategy in Malaysia, to disclose the role of handicraft in rural industrialization in this context, and to illustrate the role of the government in the development of handicraft industry. The purpose of the study is to identify the constraints and potential which face the future development of handicraft industry in under developed region of Malaysia.

RESEARCH METHODOLOGY

The study was carried out in the state of Kelantan, Malaysia, where two Districts, Kota Bharu and Tumpat, were chosen as study locations based on the existence of the batik and silverware handicraft industries. In Kelantan and even in Malaysia more generally, the District of Tumpat is famous for its silverware industry; meanwhile the District of Kota Bharu is famous for its batik industry. The state of Kelantan itself is always recognized as the "home of Malaysian batik", and most of the batik industries are found in the District of Kota Bharu. In order to achieve the goals of the study we utilized a combination of research methods. Thus, this study included a variety of methods: interviews with government officials; library research, interviews with key informants; and fieldwork in the

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Districts of Tumpat and Kota Bharu in the state of Kelantan. The fieldwork consisted of observation activities and informant interviews in the initial months at the primary research site; a preliminary survey of silverware and batik industrial activities in the research site; intensive interviewing of samples of producers/entrepreneurs and workers of the silverware and batik industries, and non-participants (that is people without a direct involvement in the study industries); and intensive interviewing of key informants/selected 'cases'. The gathering of materials began with the interviewing of officials from several government agencies involved in the development of the handicraft industries, such as the Malaysian Handicraft Development Corporation headquarters (MHDC), the Ministry of National and Rural Development (MNRD), the Ministry of Trade and Industry, and the Business and Development of Village Industry Holding/Company. The main information gathered concerned the roles of the agencies in the development of handicrafts, and the policies of the government in rural development. To gain information on and insight into the industries and the communities we visited several villages both with and without handicraft industries. We also observed the socio-economic activities of the villages, in terms of their occupations and social life.

HANDICRAFT INDUSTRY

Handicrafts are mostly defined as "Items made by hand, often with the use of simple tools, and are generally artistic and/or traditional in nature (Yojana and Sansad, 2006). Handicraft industry is an important part of the economy of Malaysia. As far as crafts development is concerned, adequate manpower and infrastructure had been provided by government of Malaysia. The formal effort to develop handicraft industry began with the establishment of the Rural and Industrial Development Authority in 1951, an institute which supports on a substantial scale, the development of small scale in rural areas. Nowadays there are at several agencies which provide promotion and development assistance for the industry. Meanwhile, there was also an increase in the revenues from craft exports. The major growth period was between 1980 and 1983, when there was an enormous increase in batik textiles sales (Pye, 1988). The main foreign markets are Germany and the Netherlands. Nonetheless, as has been indicated earlier, we must bear in mind that the handicraft industry owes its development to the government's effort. The effort to develop the handicraft industry involves a large number of agencies and ministries. The main attention given in the development of the industry has been focused on technology, credit, marketing, quality and skills development. After 1970, the Government has introduced a wide range of programs to assist handicraft entrepreneurs/artisans overcome the constraints they face. However, in the Fourth Malaysia Plan (1981 - 1985), where handicrafts was given proper recognition as a sector, in the context of the overall objective to eradicate poverty, especially among the rural population. The plan was to revitalize cottage industry; a sector which all the while was outside the mainstream of economic development.

The Ministry of National and Rural Development is the main body to take the function of developing the industry, where under its various programs, agencies and organizations were established. Among the most significant government agencies in promoting the development of handicraft industry are: the Village Industries Division, the Community Development Department, the Malaysian Handicraft Development Corporation, the Karyaneka Marketing Sendirian Berhad, the Batik Malaysia Berhad, and the Council of Trust for Indigenous People. The general objective of the agencies is to develop, promote and intensify handicraft production activities, besides facilitating their growth for expansion into small-scale enterprise. In summary, the functions of these agencies in relation to the development of handicraft industry include, to:

- Encourage the participation of villagers in handicraft industry;
- Give training to the prospective craftsmen;
- Supply raw materials to the producers of handicrafts;
- Provide facilities such as plant, machinery and equipment;
- Disseminate information, new ideas, innovations etc. to the producers;
- Market the handicraft products;
- Provide advisory services; and credit facilities.

Besides the above agencies there are other bodies which are directly and indirectly involved in the development of the handicraft industry. Such bodies or agencies are the semi-government agencies such as Kedah Regional Development Authority, Kemubu Agricultural Development Authority, Federal Land Development Authority, Rubber Industry Smallholders Authority, and Federal Land Consolidation and Rehabilitation Authority. Even the non-government organisations like the Women's Institute also play the role in providing training, advice and financial assistance to small business operators. One particular ministry, the Ministry of Culture and Tourism, is also indirectly implicated within the entire framework of the organisational support system surrounding the handicraft industry. However, despite the various kinds of agencies and assistance they provide, there are many problems concerning the effectiveness of the organisational support system. The main problem is that these agencies' efforts are not co-ordinated by a long-range plan, and their functions are overlapping (Pye, 1988). The involvement of several agencies in a single activity may be justified in certain cases. However, responsibility over other prime functions like organization of production units, product innovation and development, overall research and development, and raw materials procurement should be strictly limited. Malaysia has more agencies than its neighbouring Asian countries such as Thailand, Indonesia and Philippines in assisting the development of the handicraft industry; however Malaysian craft goods still are unable to compete with those produced

by these countries (Ahmad and Hassan, 1990; p. 10). This implies that the handicraft industry in this country still faces many constraints in its development. Besides the organisational problems of the government agencies as indicated above, there might be other constraints of development faced by the handicraft industry. In relation to this, in the following section we attempt to point out briefly some possible constraints faced by the handicraft industry which serve as a backdrop of the present study.

CONSTRAINTS FACED BY HANDICRAFT INDUSTRY

In Malaysia, the constraints of development of handicraft industry can be grouped into two: the demand constraints and the supply constraints. Demand constraints are those factors that are related to the restrictions of the size and pattern of the markets that the crafts cater for. They include factors that account for the lack of demand, or the fall in demand for the craft products within a particular market. Meanwhile the supply constraints on the other hand are those factors that impede production and the availability of the products of the various crafts. They include the unavailability of skilled labour, the difficulty in obtaining raw materials, the reluctance to adopt modern methods of production or technology, the lack of credit facilities, the inadequacy of quality control measures in the production process and other supply-related constraints. The other main obstacle to the wide-scale sales of products in local and foreign markets when not exposed to fresh air for long periods. Without the infrastructure necessary to store the product necessary to fill the aforementioned large orders, an entire shipment can be ruined by (Mike, 2009). There are three types of market for handicraft goods: the local and national market; the tourist market; and the export market. Market type constraints are those that influence the size and demand pattern of these kinds of markets. They exert a tremendous influence over the development of the crafts in that they limit the support that a market can provide the development of its craft by limiting the size and demand pattern of the market.

In terms of local and national markets, the constraints come where the majority of Malaysian crafts are produced in rural areas and sold locally and nationally (Raja et al., 1985) where the majority of the buyers are Malays. However the demand by these Malays is constrained due to the low income that is the characteristic of this segment of Malaysia's population and the priority they place on the decision to purchase. Products of a utilitarian nature would presumably be higher on the priority list of purchases by Malays than would ornamental products. Meanwhile, because of high price, some craft products such as silverware are generally beyond the reach of the average Malaysian wage-earner. These products are mostly used by royalty and favoured noblemen. Furthermore for certain craft goods, such as

songket, the demand is ethnic-specific; apart from the Malays, other races do not go for *songket* in a big way. Meanwhile, certain craft activities have always followed traditional lines. Designs as well as shapes are almost preordained for the products. The introduction of new items is not common; the artisans being more comfortable with familiar items. This constraint may be termed a lack of creativity. The lack of demand from local and national markets could also be due to inconsistency of the production of the specific craft. The demand constraint of plaiting products, for instance, is because the products are produced seasonally. Normally the artisans involved in plaiting are part-timers with other professions to pursue. They produce when there is time to sit and work. Some crafts goods are not appealing to the buyers. In other words the availability of the products could become a restrictive factor in terms of demand. For instance, though some handicraft goods may be found throughout Malaysia, the best types of crafts are only found in certain areas/states where they are produced: for instance *songket*, batik, and silverware in Kelantan and Terengganu; and pottery in Perak. In other words, the poor accessibility to the products as well as the lack of promotion for the products has caused the restriction in demand.

In terms of tourist market constraints, there is a postulation that Malaysia does not have a distinct reputation for crafts in the way that, say, India has for its silver products and brassware, or Thailand for its silk products and hardwood carvings. The tourists that visit Malaysia are not overtly aware of the variety and quality of the handicrafts that Malaysia has to offer (Hassan, 1990). This factor is further compounded by the fact that an average stay of 4.5 days (Raja et al., 1985, p. 200) in Malaysia by each tourist is hardly adequate for them to explore the beauty and quality of Malaysian handicrafts that are more often than not found on the fringes of the city and in rural *kampungs*. Meanwhile, certain craft items are only intended for local customers and tastes, which in terms of size, designs, durability, etc. do not accord to the foreign tourists' demand. As Nolten and Tempelman (1986) stated "Malaysia's handicraft produce cannot compete with the products offered by neighbouring countries like Indonesia or Thailand. In general, Malaysia's products are more expensive and certainly not superior in quality, whereas some of the items (baskets, pottery) are rather bulky or breakable, and this is not a positive factor with travellers"(Nolten and Tempelman, 1986, p. 44). However, the main constraint is that there has been no real effort on the part of the artisans and the dealers effectively to promote their products to foreign buyers. This might be related to the problem of communication (that is language barriers) between the artisans and the dealers with the tourists. Meanwhile, the export market constraints are related to the lack of knowledge as how to export the products; and the passive, hesitant attitude of those involved to try for

relatively unfamiliar, new markets. On the other hand these are related to the inadequacy and/or inefficiency of channels that communicate market information to all involved in craft production and sales. The one main constraint as far as this channel is concerned is the inaccessibility of the artisans to information due to transport and road linkage problems. As has been mentioned the majority of the artisans live in rural areas. Thus, as has been pointed out above the demand constraints could impede the growth and development of the industry. In relation to this, efforts should be taken to widen the markets of the craft products as well as to increase their market competitiveness. This means that the quality and quantity of the products themselves should be improved. However, the industry is still facing several supply constraints which hinder the production of quality craft products. The following paragraphs will focus on these constraints. The production of handicraft is dependent on a number of factors: easy availability of raw materials, the adequacy of skilled labour, the levels of technology employed, and the financial strength, organisational skills of the entrepreneurs and the ability and/or the willingness of the artisans to adapt and accept changes. These factors help determine the amount of the products supplied on the market.

In terms of labour constraints, the major problem is that there has been a decline in the number of skilled craftsmen currently involved in handicrafts production. The main reason is economic. This includes the need of better wages in other professions, the slowly declining demand for the products that they produce, inadequate job security in handicraft production, and an unstable income. Meanwhile, certain labour supply exists seasonally, particularly among the part-timers such as housewives who help the menfolk in the fields during the paddy planting season. Yet another labour constraint is that a vast majority of the skilled artisans are of an old age (normally above 40 years of age) (Pye, 1988). Though the perfection comes with practice, there is a lack of interest among the younger generation to follow this line of profession. One of the reasons is that, for instance in the silverware industry, apprenticeship involves a very long period, and one would normally have to start young; and a full-time silversmith requires ardent interest in order to be proficient in his craft. The government has tried to compensate for the loss of skilled manpower by setting up training centres. Unfortunately, many of the training centres are in the urban areas. Thus, a shortage of skilled manpower and a lack of training facilities restrict skill formation and the spread of technical knowledge, which in turn impede the development of the industry. The raw material constraints are related to the difficulty in obtaining raw materials for production. This includes poor accessibility to raw material as well as the lack of raw materials themselves. One of the major problems is that there is an inconsistent supply of raw materials for artisans to shape into finished goods. Furthermore, some

raw materials used (for instance in silverware and batik industries) have to be imported from abroad. As such, their availability is dependent on the forces of demand and supply in the international market of the related materials. Another related problem is the rising price of the raw materials which adds to the increase in cost of production. The high cost of raw materials is also influenced by the distance between the sources of supply of raw materials and the production premises. In conclusion, these constraints become a serious threat to supply because they limit production capacity.

As with other industries, the handicraft industry relies very heavily on capital and credit facilities to obtain tools as well as raw materials used in production. Normally, the economic status of many handicraft entrepreneurs is generally rather low. Unfortunately, finance houses and banks do not place very high priorities on handicraft endeavours and credit facilities from them become very difficult to obtain. Alternatively many entrepreneurs have to depend on the informal capital market comprising money-lenders, pawnshops and other unorganised financial intermediaries. In this kind of capital market, the credit policy of the government is often of little or no direct influence so interest rates are relatively high and borrowing terms more stringent. There are a number of reasons why the handicraft industry fails to receive any loan from the organized financial sector. Apart from a lack of creditworthiness, the main reason appears to be a lack of collateral. However, there are also cases where some of the entrepreneurs, being rural Malays and pious Muslims, do not seek financing through credit. One common characteristic that is found in the majority of handicraft industries is that their production techniques are labour intensive, make use of simple tools and equipment, and are not very different from the production modes of their forebears. Meanwhile, the majority of the entrepreneurs of handicraft in this country has a low level of education, and thus has less exposure to technical knowledge and is still using obsolete technology in the production of their crafts (Ahmad and Hassan, 1990, pp. 9-14). As a result, production is slow, and the quality of product is low, inconsistent, and unattractive. In general there are several factors that contribute to the low quality and productivity, which include not being sensitive to changes or technological innovation among the entrepreneurs; no automation and mechanization available; lack of innovativeness and creativity towards the application of new designs and development of new products and processes; lack of understanding of product and process; shortage of skilled workers; and lack of the exercise of quality control. There is no standard method of producing each craft product; artisans use various methods to produce finished goods. While most of the steps taken by artisans in the same industry are similar, inconsistency with regard to the quality of raw materials used, the skill levels employed, the kind of machines used, and the corners cut in order to reduce costs, add up to finished

goods of differing qualities. In silver for instance, the adulteration of the metal with certain less expensive metals will produce an alloy that resembles silver, but is cheaper and of a lower quality.

There are other supply constraints. One of them is the inability of craftsmen to quickly receive changes in design information, which is a relatively common constraint to supply. Once a craftsman has become skilled in a particular design, it may be extremely difficult to change due to production techniques and the skills factor. The possibility to innovate patterns and designs is restricted to the knowledge that the craftsman has acquired. Furthermore, one must also accept the fact that some craftsmen do not desire to conform to market requirements. They are more comfortable producing traditional motifs and designs because such motifs signify what their crafts essentially stand for. As such products as demanded by the market are not produced. Meanwhile, the putting-out system which has been used by some entrepreneurs in the industry has the disadvantage that the entrepreneur loses control over his products. The lack of managerial ability to handle complexities of such a system has led to loss of orders. Thus, the quality and quantity of the craft products could be hampered by the supply constraints as have previously been discussed. Together with the demand constraints, the supply constraints could also contribute to the limited growth and development of the industry. The main factors that contribute towards the constraints come from the inefficiency of government policies and assistance, and from the entrepreneurs themselves. However, one aspect of constraints needs further study and analysis, that is, the human and social factors.

Conclusion

The promotion of industrial development in Malaysia is seen as one of the principal means whereby the government seeks to achieve the objectives of the New Economic Policy. The importance of the handicraft industry in providing occupation alternatives is becoming less significant despite considerable government effort and expenditure which is directed to this sector. Due to the continuing problems faced by the rural areas, particularly the problem of poverty, rural industry and rural industrialization are recognized by the Government as having the potential to help achieve the objectives of the New Economic Policy. In relation to this, various agencies have been created to assist the industry. Despite the importance of rural industries, however, we recognize that the country does not yet have a coordinated rural industrialization programme which features strong linkages with urban industries and the agricultural sector in rural areas. Thus, to promote rural industries and rural industrialization there is a need for a multi-sectoral approach, where rural industrialization should be viewed in the overall context of the national economy and

should not be compartmentalized. In other words, the expansion of rural industry can only be brought about by a combination of policies and approaches: industrial policy, agricultural policy, regional planning for infrastructure and institutional arrangements in rural areas. This implies that efforts for better co-ordination among government agencies of different branches and at different levels should be made in the planning stages as well as during implementation. In relation to rural development, rural industrialization should go side-by-side with, and form an important component of, the strategy of rural development. Although government assistance is crucial to the development of the industry, it has so far not been fully effective. The constraints faced by the handicraft industry have hampered its growth and development. Thus, in order to develop the industry, there is a need for a specific plan of development for the handicraft industry, and there should be concerted action and policy between agencies that assist the development of the industry, particularly in eliminating the previously mentioned constraints. It has been observed that need of employment by development of handicrafts sector through locally available resources which may be utilized for the development of handicrafts sector (Yojana and Sansad, 2006). Handicraft in Malaysia can be promoted in a few ways with lower cost. Due to the reason that handicraft is not a commercial product, it is advisable that the local people who had permanent jobs but had interest in arts and culture may perform it as a part-time work. Due to the high labour cost which involves foreign workers, it is best that unemployed locals be trained in local handicraft skills (Lim, 2009).

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