

Impact of Covid-19 on Artisans and Crafts Enterprise

From the report titled “Impact of Covid-19 on Artisans and Crafts Enterprise-Part 2: A study to understand the extent of the impact of Covid-19 on the business and livelihood of Craftmark members” of the All India Artisans and Craftworkers Welfare Association (AIACA)

Introduction

As governments and communities across the world are adopting a variety of strategies to tackle the healthcare burden from the ongoing Covid-19 pandemic, India’s initial response was a complete lockdown, beginning 25 March 2020. While it did delay a spike in cases, it came with heavy economic costs, particularly because the lockdown extended well upto the end of May 2020. As the country eases restrictions now and the whole world is learning to live with this ‘new normal’, the Indian creative and cultural industries are also adapting to an altered way of life. In this, a lot is being determined by what their condition was during the initial months of the pandemic and their resultant responses. It is this impact that the study attempts to understand in greater detail.

This study of the impact of Covid-19 on the artisanal community is not the first. Before this, All India Artisans and Craftworkers Welfare Association (AIACA) had conducted a dipstick qualitative assessment on Covid-19 back in April 2020, with a representative sample of its Craftmark members, to understand the problems and requirements at the ground level.

The study highlighted that while there was a general sense of panic and uncertainty, the responses to the pandemic had been varied. The study discovered that even in the face of a health emergency, livelihood and financial issues were the most pressing ones. Rising costs of vegetables, groceries and other essentials were found to be a major concern. Widespread cancellation of orders, pending payments, a mounting product inventory, shipments on hold or stuck in transit and a generalized sense of confusion about area-specific government relief activities and measures, were some of the difficulties faced by both artisans and craft enterprises during phases 1 and 2 of the countrywide lockdown. Production for business came to a complete standstill. As regards big craft enterprises, a specific observation was that many were anticipating the shutdown of a few centers. In many cases, the staff salaries had been unpaid. Others were found revisiting production planning, conducting exploratory work, preparing back-up plans, new designs and a strategy for online presence.

Overall, through the qualitative study, AIACA observed that the sector was unanimous in its

demands for cash support for recurrent expenses, long-term loans at lower interest rates for sustained financial buoyancy, marketing support, subsidized essentials and better healthcare support through knowledge dissemination, scaled-up testing and referral services.

Now, as the initial shock of the pandemic is behind us, there is a greater need to revisit the time, to examine what was gained and what was lost. The quantitative survey is thus, critical at this juncture. It would be a benchmark against which existing strategies can be re-assessed, going forward into Unlock 1.0 and beyond.

Key Observations

The survey was conducted on 59 Craftmark members, including both individual artisans and craft enterprises. Over half the survey respondents possessed more than 9 years of experience in the crafts sector.

In terms of resources, it was found that 60 percent of artisans did not possess raw materials for production, whereas this percentage was smaller in case of craft enterprises (36 percent).

By and large, tools and equipment were in working condition, except a few instances of regular wear and tear related repair or replacement requirements.



Need for working capital was a recurring concern for all. Artisans had absolutely no cash reserves that could be used as working capital, while 25 percent enterprises had working capital. Thus, the former were in greater need for immediate support, compared to enterprises that mostly asked for support beyond 6 months.

Transcending boundaries of individual and enterprise, all respondents were reeling under severe financial stress.

30 percent of all respondents had failed to pay wages to their employees during the lockdown period.

Production activity evidently came to a standstill during the pandemic. 40 percent individuals and 29 percent enterprises saw halted production during the said period. 20 percent artisans and 14 percent enterprises had continued production throughout the lockdown. Others had resumed production in a staggered manner.

More than half the respondents reported over 75 percent decline in overall sales. This largely had to do with large-scale cancellation of domestic and export orders and orders being put on hold. As a result, a piling inventory was a major problem. In case of enterprises, it's worth running into INR 50 lakhs or more, in 20 percent cases.

For the Unlock phase, it was observed that ease of business operation ranged between 45-48 percent for the respondents. Adherence to new MHA guidelines was greater in case of enterprises.

Respondents confirmed that new products were largely being launched in the domestic market. Enterprises (20 percent) were found producing items specific to the pandemic, besides developing other products.

Recommendations

Short-term

- Financial bailout for individual artisans and crafts enterprises reeling under severe stress due to the ongoing pandemic. So far, the Ministry of Textiles (MoT), Government of India, has not announced any such bailout or support plan.
- Faster inventory liquidation through augmentation of online sales and marketing platforms, like the dedicated rural tribal e-commerce marketplace being developed by Tribal Cooperative Marketing Federation of India (TRIFED) and Government e-Marketplace (GeM)— a government- run e-commerce portal that facilitates easy online procurement of goods and services needed by government departments, organisations and public sector undertakings (PSUs). While recently, the government announced the onboarding of 50 lakh artisans on this portal, there is a need to expedite the process, so that there is faster conversion into concrete business opportunities. In addition, any digital onboarding can be stressful and cumbersome, especially for small-scale artisans. Therefore, concrete steps need to be taken to make the integration hassle-free; with appropriate components for training and capacity building for the smaller artisan segment. What we have seen otherwise is that larger and more established craft enterprises occupy a regular space in the platforms, with the same names being given visibility and access.
- Urgent need to reposition sales and marketing strategies, in the changed scenario of the pandemic, with a view to remain buoyant. Any strategy must take into account the following:
 - ♦ Economic environment is not conducive to the sale of luxury goods.
 - ♦ Altered consumer behaviour, which is more focused on purchase of need-based essentials, is a trend that is here to stay.

- ♦ Digital channels are gaining prominence, in addition to exhibitions and bazaars that still remain the primary source of revenue generation for many. For example, EPCH is preparing for a Virtual Sourcing Fair between the 13th and 18th July 2020, as a pilot. Virtual Trade Shows are the online counterparts of physical trade shows, where exhibitors can connect with attendees in a virtual space and showcase their products through a virtual trade show software or a virtual trade show platform. High-resolution 3D visuals are employed to replicate the environment and format of a physical trade show and ensure a realistic and immersive experience. Customized exhibition booths are placed across space, and visitors can freely explore the surroundings, stopping by any booth of their choosing and browsing its products. The scale and format of the show can range from basic to elaborate, depending on the exhibitor's requirements. A range of interactive and informative tools can be employed to allow real-time communication and information sharing that delivers value to the visitors and encourages conversions. For example, visitors can view product demos, videos, chat with booth reps, flip through brochures, etc. Therefore, efforts should be made to forge partnerships with online marketplaces; adapt to new presentation methods in trade shows; collaborate with socially responsible retail brands in this hour of crisis to bring out artisan stories for every product; encourage entry-level brands and tap the 'reduce, recycle and reuse' potential of the crafts sector, particularly for export.
- Creation of a centralized knowledge bank or information repository for free access, which details out standard operating procedures, tender advertisements, occupational health and safety measures, government schemes, etc. This would be a one-stop shop for all concerns of the artisan community.

Medium-term

- Infusion of capital, particularly to cater to the financial needs of individual artisans, through tax relief, subsidized raw materials and easy access to soft loans at minimal interest rates. AIACA has released a White Paper on fiscal recommendations particularly for craft enterprises, in this tenuous environment, keeping in mind the MSME outlays already announced.
- Provision for capacity building training, need-based handholding and equipment to empower individual artisans, collectives and enterprises, for smooth transition to e-commerce. AIACA, with extensive experience in outreach, community mobilisation and skill development training, could play an important role as an implementing partner.
- 3. Long-term
- Strengthening mechanisms to encourage greater institutional procurement of handmade products, to deal with the problem of a mounting inventory. This would naturally increase cash flow in the sector, helping it kick-start production activity, to bounce back.
- Strategize to repurpose products for the changed environment. While tapping into the ready national and international markets for products specific to the pandemic is critical at this point, individuals and enterprises must also re-think their long-term planning. Since the market for luxury goods has collapsed and continues to remain an uncertain investment

option, there is a pressing need to develop products on lowered price-points. For smaller artisans and groups, the pivoting to produce essential items during the pandemic (example, face masks, PPEs) has been a challenge, also keeping in mind questions of scale and quality.

- Greater exposure for artisans and enterprises to venture into government procurement. For this, they need orientation and handholding to walk through the complex and tiresome processes for tender applications. Such support must also take into account the need for re- skilling artisans for quality control and up scaling to meet strict procurement standards.
- As the new definition for micro, medium and small enterprises (MSMEs) stands reviewed, it must be noted that the raising of the upper limit of investments has almost completely thrown the handloom and handicrafts community out of this categorisation. If at all, they merely qualify as micro units. Besides, this has allowed the entry of bigger players, increasing competition. Therefore, the government must think of creating a special outlay category exclusive for the crafts sector, to address their needs in a focused manner.

Long-term

- Strengthening mechanisms to encourage greater institutional procurement of handmade products, to deal with the problem of a mounting inventory. This would naturally increase cash flow in the sector, helping it kick-start production activity, to bounce back.
- Strategize to repurpose products for the changed environment. While tapping into the ready national and international markets for products specific to the pandemic is critical at this point, individuals and enterprises must also re-think their long-term planning. Since the market for luxury goods has collapsed and continues to remain an uncertain investment option, there is a pressing need to develop products on lowered price-points. For smaller artisans and groups, the pivoting to produce essential items during the pandemic (example, face masks, PPEs) has been a challenge, also keeping in mind questions of scale and quality.
- Greater exposure for artisans and enterprises to venture into government procurement. For this, they need orientation and handholding to walk through the complex and tiresome processes for tender applications. Such support must also take into account the need for re- skilling artisans for quality control and up scaling to meet strict procurement standards.
- As the new definition for micro, medium and small enterprises (MSMEs) stands reviewed, it must be noted that the raising of the upper limit of investments has almost completely thrown the handloom and handicrafts community out of this categorisation. If at all, they merely qualify as micro units. Besides, this has allowed the entry of bigger players, increasing competition. Therefore, the government must think of creating a special outlay category exclusive for the crafts sector, to address their needs in a focused manner.

