

Analysing the Consumption and Production Dynamics in the Local Handicrafts Industry

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Abstract

This research project is a take on the rich history of ancient Indian handicrafts and artefacts. It aims to explore how centuries of invasions and colonial rule and the roadmap of policymaking of independent India have influenced and impacted the industry. The research paper has tried to provide valuable insights into the complex dynamics between consumption and production patterns and the market demand and supply of the products sold. Moreover, this project analyses the export and import ratio of the industry, the revenue and employment it generates, and its contribution to the nation's GDP. It also aims to answer several essential questions: What are the key hurdles and challenges faced by the industry? How has the government responded to these problems? Have the policies and incentives introduced by the government gained momentum? What are the current trends in the industry, and can we expect to see potential expansion in the domestic market and an increase in exports? Will the sector attract foreign investment and finally see foreign countries as potential markets?

Keywords: Traditional Techniques and Styles, Globalisation, Consumption and Production Dynamics, Export and Import Ratio, Revenue and Employment, Foreign Trade, Expansion of Domestic Market

Introduction

Recently, there has been a growing interest in the handicraft industry across various sectors. Handicrafts refer to goods made by hand, using traditional techniques and materials. They offer a glimpse into their cultures and can provide a stable source of income for local communities. However, the consumption and production trends of the local handicraft industry can impact its sustainability. Therefore, analysing these dynamics can assist in identifying areas where improvements should be made to ensure the industry's long-term viability. This paper aims to explore the consumption and production dynamics of the local handicraft industry and provide insights into how somebody can sustain it in the long run.

History of the Handicraft Industry in India:

The rich heritage of Indian handicrafts and handlooms has endured time, remaining deeply rooted in tradition. These crafts date back to the Indus Valley Civilization when they were held in high esteem, and archaeological evidence reveals the use of spindles and whorls to spin cotton and yarn. From humble beginnings as a household chore, the industry grew into a flourishing cottage industry and eventually gained recognition in the West. The Silk Route further attests to the Indo-Roman trade along the path. In the Mughal era, India was renowned for its exquisite textiles, such as Mulmul Khas, Jamdami, and Banarasi brocades. By the 17th century, India produced 25% of the world's textiles. However, the advent of the British marked the replacement of handmade goods and crafts with cheaper machine-made

products. This shift resulted in many skilled artisans suffering from poverty. The introduction of machines that aimed to mass-produce goods further threatened to undermine traditional techniques and styles.

Following India's independence in 1947, the government developed new policies and incentives to promote the local handicraft industry further and restore it to its original glamour. In the early 1990s, India saw the introduction of globalisation, which marked a significant shift in the country's economic policies. Removing certain trade restrictions was crucial in opening up the Indian market. It paved the way for increased foreign investment and competition, significantly improving India's economy, with many sectors experiencing growth and development. In the past two decades, the Indian economy has seen a substantial boost in foreign trade, leading to a sustained increase in GDP. With the opening up of the economy, Indian exports have skyrocketed by 17 times, while imports have surged by 19 times over the last 25 years. This remarkable increase in trade has brought innumerable benefits to the country, contributing to its overall economic progress and development.

Overview of Consumption and Production Dynamics:

Several factors affect consumer consumption patterns. One such factor is sustainability, which is beneficial for the industry. As people become more conscious of environmental issues, sustainable handicrafts are gaining popularity as they help reduce carbon footprint. These crafts offer flexibility as craftsmen and artisans can customise them according to individual preferences and tastes. Whether it is personalised jewellery or handicrafts, the possibilities are endless.

Thanks to social media, local artisans and their work have gained a global platform to showcase their talents. The DIY trend has also helped people learn new techniques and indirectly become involved in the handicraft industry. It has allowed local artisans and craftsmen to gain exposure and market and sell their products domestically and worldwide, with some companies considering it a potential foreign investment market.

There has been a significant increase in focus on cultural identity, with consumers preferring to spend more on rare artefacts to preserve their culture and identity. All these ultimately tend to fund the local economy. As handicrafts are unique to a specific region and often limited in number, supply shortages due to excess demand can occur, resulting in higher consumer willingness to pay and profits for local artisans.

The production process is intricately linked to various factors such as market demand, consumer behaviour, income levels, and government taxation policies. As mentioned earlier, consumers are naturally inclined towards novel and bespoke handmade goods, thus making market demand a crucial determinant of production. To appeal to their target audience, producers invest significant effort in crafting a marketing strategy highlighting their products' uniqueness and eco-friendliness. It is crucial to acknowledge that marketing local handicraft goods can often be challenging without the proper support of the government or non-profit organisations.

When indigenous culture and storytelling are incorporated into marketing strategies, they generate customer interest and increase revenue. By providing customers with authentic and culturally appropriate information about their product or service, vendors can establish a deeper connection with their customers that extends beyond the transactional.

Additionally, narrating stories about the product or service can make it more memorable and engaging for customers, leading to increased positive reviews, regularity with customers and ultimately, higher profitability for the vendor.

While local artisans may produce high-quality and unique products, they may need help accessing the resources required to promote and sell their goods. Communities must recognise and support the work of these artisans to help them succeed. By doing so, we can help preserve local cultural traditions and support the livelihoods of these talented artisans.

Analysis of Market Demand and Supply:

According to a report by Expert Market Research, the global handicrafts market is expected to reach USD 2,149.93 billion by 2032, with a CAGR of 11.8% over the forecast period of 2024- 2032. Businesses must choose a niche, which means selecting a target audience based on market demand. In the Indian handicraft industry, the target audience includes three main groups:

1. The upper-middle-class Indians prefer high-quality luxury items.
2. The middle-class Indians want to showcase their love for the country's culture and traditions.
3. The lower-middle-class Indians value their culture and are willing to spend on it.

The Indian handicraft industry is competitive, especially after removing trade restrictions and introducing globalisation. Due to industrialisation and globalisation, the sector faces intense competition from machine-made products. These products are cheaper and not necessarily of better quality than craft products. The fact that factory products are more affordable and available in huge quantities makes it difficult for the handicrafts sector to sustain itself.

As a result, leading companies have been implementing various strategies such as mergers and acquisitions, partnerships, product launches, innovative approaches, and promotional campaigns to stay ahead of the competition. These tactics help businesses maintain their competitive edge and drive growth in their respective industries. Some of them are:

- The Handloom Exports Corporation of India is under the Ministry of Textiles, Government of India. HHEC showcases India's exceptional and authentic artwork. For over five decades, the company has been nurturing rich Indian craftsmanship and recognising the efforts of Indian artisans.
- Sakura Handicrafts is a prominent name in the Indian handicraft export industry. Established in 1990, this company has significantly impacted the handicraft sector.
- Salar Overseas, based in Uttar Pradesh, produces handmade lighting fixtures. The company has earned ULCE certification for the quality of its products.
- M/s Finesco International is an Indian export house that manufactures brass, iron, and aluminium products. The company has gained recognition globally for its premium decorative and gift items range.

AFFECT OF TOURISM ON MARKET DEMAND AND SUPPLY:

"The industry is expected to contribute around \$250 billion to the GDP by 2030, generate 131 million jobs, \$56 billion forex earnings and \$25 million foreign travels." – Economic Times.

Tourism has played a pivotal role in the betterment of India's economy. The effective utilisation of India's soft power and each handicraft's uniqueness to its origin has offered visitors diverse options. Tourists often look for authentic and memorable souvenirs to take back home, which has led to growth in the handicraft industry. This growth has given artisans and craftsmen more opportunities to showcase their skills and sell their products. Additionally, tourism has helped preserve traditional handicrafts by creating awareness and appreciation for them. The establishment of Ram Mandir in Ayodhya has led to the introduction of 200 development projects in the vicinity, increasing market demand and generating employment for thousands.

Evaluation of Export and Domestic Markets:

The handicraft industry boasts a workforce of over 7 million individuals, with approximately 56% being female workers. This economically viable sector requires low capital investment, a high-value addition ratio, and immense export potential. Across the country, 744 handicraft clusters employ over 212,000 artisans and offer an impressive selection of over 35,000 products. Significant clusters are in Surat, Bareilly, Varanasi, Agra, Hyderabad, Lucknow, Chennai, and Mumbai. Most manufacturing units are in rural and small towns. However, significant domestic and international market potential exists.

India exports to several countries, mainly the USA, the UAE, the UK, Germany, the Netherlands, and France, with shares of 37%, 6%, 6% and 5% respectively.

Export trend:

"During April-September 2023, the total exports of handicrafts were valued at Rs. 14,791 crore (US\$ 1.77 billion). In FY23, the total exports of handicrafts stood at Rs. 30,019 crore (US\$ 3.60 billion). In 2021-22, the total exports of Indian handicrafts were valued at US\$ 4.35 billion, a 25.7% increase from the previous year"

India accounts for roughly 40% of global exports of handmade carpets. In FY23, its carpet exports stood at US\$1.36 billion; in FY22, they reached US\$1.79 billion. In FY20, they totalled US\$1.37 billion.

Handicraft exports of various segments in FY23 stood as follows: woodwares at US\$ 915.6 million, embroidered and crocheted goods at US\$ 459.5 million, art metal wares at US\$ 522.4 million, handprinted textiles and scarves at US\$303.3 million, imitation jewellery at US\$ 186.5 million, miscellaneous handicrafts at US\$ 1.04 billion. – EACH

On a regional level, the market is divided into four regions: North India, West and Central India, South India, and East India. The Indian handicrafts market is expected to see a CAGR (Compound Annual Growth Rate) of 10.7% from 2023 to 2028.

Policies such as the Customs Tariff Act and the Central Excise Tariff Act dictate the procedures for imposing Customs and Excise duties on trade, respectively. In the fiscal year 2022-23, India's total exports (including Merchandise and Services) grew by 13.84% over the previous fiscal year to reach \$770.18 billion in exports. As of December 2023, India's exports are \$38.45 billion. However, the trade deficit still widens.

Identification of Key Challenges and Opportunities:

Increased competition and the availability of cheaper machine-made mass-produced goods have made it challenging for local artisans to survive. Handmade goods require significant time and work, making it difficult to scale production. They may need to invest in advanced equipment or hire more artisans to meet rising demand. Many of these artisans migrate to cities in search of better living opportunities. Also, sourcing high-quality raw materials can take much work, further limiting production.

Additionally, the lack of design inputs and exposure to trends and the domestic market has made it difficult for artisans to create new and unique artefacts that appeal to the next generation. The alienation of artisans also hinders their ability to connect with potential big buyers. There is increased competition as machine-made goods are still cheaper. In some cases, they might be unable to safeguard their work.

Examination of the Role of Government Policies

The Ambedkar Hastshilp Vikas Yojna collaborates with Dastkar Shashktikaran Yojna. The scheme aims to support artisans with infrastructure, technology, and human resource development. It mobilises artisans into self-help groups and societies to facilitate bulk production and economies procuring raw

materials. The government gives them upgraded technology and regular training to suit people's tastes and preferences.

Mega cluster scheme – Under this scheme, the government promises to improve the standard of living of various artisans, specifically in remote locations. It offers a cluster-based approach to scaling infrastructure and development.

Research and Development Scheme

This initiative generates feedback on various aspects of crafts and artisans to support relevant schemes. The R&D team conducts surveys and studies on production challenges, which plug into relevant schemes under the National Handicraft Development Programme.

The *Marketing Support and Services Scheme* provides financial assistance to artisans for domestic and international trade fairs, exhibitions, and other social and welfare needs. The program also emphasises brand visibility through craft awareness programs, buyer-seller meets, and print and electronic media promotional activities.

Recommendations for Future Growth of the Handicraft Industry

With India's economy growing steadily, the handicraft industry has the potential for future growth. Therefore, there needs to be an increase in raw materials, high-end technology supply, employment generation, and fair income distribution among artisans. Additionally, setting up industries in local and run-down areas can help prevent migration due to increased foreign investments. However, the government's support for the artisans will depend on various factors. A more robust approach towards sustainability must be adopted to ensure long-term growth and sustainability.

- For artisans, an improved understanding of trends in the domestic market through market research and analysis can help businesses stay up-to-date with the latest trends and adapt accordingly.
- Coordination among people can help businesses operate more effectively. It can be easily achieved through improved communication, collaboration and teamwork.
- The government should establish direct connections with potential buyers and secure a stable position in the domestic market. Efficient marketing and branding strategies can help businesses attract and retain customers.

Conclusion

It is crucial to recognise the potential of India's handicraft industry and its significant role in employing millions of artisans and earning them a sustainable livelihood. With proper support and investment, India has the potential to become a global leader in the handicraft and textile industry, just like it was in the past.

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