



# **CRAFTING THE E-COMMERCE PATH FOR ARTISANS WITH THE OPEN NETWORK FOR DIGITAL COMMERCE**

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# Acknowledgements

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## Executive Summary

Despite the significance of handicrafts in India's rural economy and export sector, the crafts industry has been languishing due to policy neglect and poor earnings for those at the bottom of the value chain. Agents and traders in the traditional value chain have historically appropriated a large portion of the premium from handicrafts by squeezing margins for art creators. However, social enterprises and government agencies have emerged as trustworthy intermediaries by operating on the principles of transparency and cooperation. These contemporary intermediaries and artisans have catalysed an online presence for artisans to explore the next frontier of e-commerce in handicrafts.

Online selling can unlock an additional sales avenue for the handicraft industry. However, it is at a nascent stage due to the current siloed platform approach to e-commerce, which increases seller-side costs, limits organic discoverability, and restricts choices to avail value chain services such as logistics and last-mile delivery. These barriers hinder the exploration of direct online selling as a viable channel for generating revenue.

The network approach to e-commerce, which is at the core of the Open Network for Digital Commerce (ONDC), can incentivise artisans and cooperatives to explore digital selling as an additional revenue channel. The ONDC's unified search, unbundling, and interoperability features can boost reach and visibility while offering sellers a wider choice of ancillary services. These features would ease some of the barriers faced by artisans and social enterprises, allowing them to strengthen their digital commerce presence.

Artisans and craft cooperatives will need to be supported with the right skills and an enabling ecosystem to allow them to benefit from the ONDC's capabilities. Capacity building, promoting recognition of handicrafts and enhancing the ecosystem should be key priority areas for the government and philanthropic organisations to improve the e-readiness of artisans and prime the handicrafts sector for a strong digital presence.

## Handicrafts Contribute Significantly to the Rural Economy and the Export Basket, but are Languishing

Handicrafts are an important component of India's economy and cultural heritage. The craft sector is a recognised source of employment in the non-farm rural sector, providing livelihood opportunities to the landless, marginalised and vulnerable social groups (Ministry of Statistics and Programme Implementation [MoSPI] 2019). Nearly 4,000 traditional handicraft and handloom clusters employ more than 7 million artisans, according to official estimates (Banerjee and Mazzarella 2022). Due to the informal and unorganised nature of the crafts sector, though, unofficial sources place the artisan strength at almost 200 million (Empowering handicraft and handloom artisans 2016). The craft sector brings in substantial foreign exchange for India: in 2021-22, handicraft exports were worth US \$4.35 billion. In addition, the craft sector with its emphasis on environmental sustainability and ethical sourcing, directly contributes to the pursuit of the Sustainable Development Goals (SDGs) on poverty eradication (SDG 1), livelihood creation (SDG 8) and responsible production (SDG 12).

**Figure 1: The crafts sector is important in the pursuit of SDGs**



(UN SDGs)

Despite being a source of rural livelihoods and foreign exchange, Indian handicrafts and artisans are languishing due to policy neglect and a lack of targeted welfare schemes. Of the innumerable indigenous crafts, only about 200 enjoy Geographical Indication (GI) status, which is an Intellectual Property (IP) right that identifies a product originating from a specific geographical area (IpIndia 2022). Craft producers continue to be at the bottom of the socio-economic pyramid: for example, more than 60% of weavers earn less than US \$63 monthly (Ministry of Textiles 2019). Over the years, the budgetary allocation for the handloom weaving sector has been reduced from US \$75 million in 2014-15 to less than US \$50 million in 2018-19 (Bhowmik 2019). Accurate figures are available only for the handloom industry; meanwhile, the plight of other artisans remains unknown.

**Figure 2: Indian crafts with GI status**  
**Nearly 200 handicrafts in India enjoy GI status**



(IpIndia 2022)

A GI tag is a geographical indication that identifies items specific to a particular geographical territory. It is an Intellectual Property Rights (IPR) protection granted to unique products originating out of a location. To prevent knock-offs, only registered and authorised producers can market a GI-tagged product with a registered logo, indicating the product's authenticity. Nearly 200 out of the 4,000+ handicrafts in India have been granted the GI status.



### Traditional value chains in the handicrafts sector have failed to uplift artisans.

Inherent challenges faced by artisans place them in a vulnerable position. The traditional value chain within the craft sector is built on a network of middlemen, master artisans, traders and agents who have profited by squeezing margins for artisans (Guha, Mandal & Kujur 2021). A study covering 1,800 weavers reported that 90% of respondents got most of their sales from middlemen or master weavers, while, among 200 other surveyed artisans, 37% depend on middlemen for sales (Jha 2020). With limited capital or entrepreneurial skills, artisans remain dependent on intermediaries for finance, market access, design innovation and value chain services, thereby handing over a large portion of the premium to middlemen. Chronic poverty, illiteracy and lack of exposure have compounded this dependency. Due to the low-income potential of the craft sector, youth in artisan communities are losing interest in family traditions, and the number of craftspeople has declined over the years (Banerjee & Mazzarella 2022).

Figure 3: Traditional value chain in the handicraft industry



(Modified from Singh et al. 2020)

## Contemporary Intermediaries have Shortened the Value Chain for Artisans

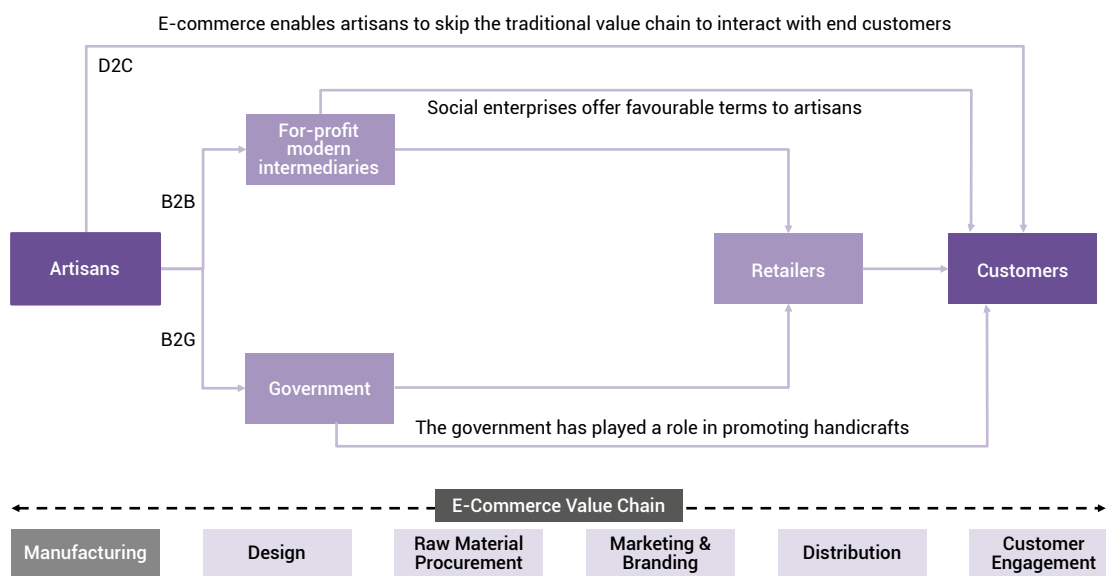
A shorter value chain with fewer intermediaries unlocks greater earning potential for artisans. Social enterprises and government agencies have adopted models of inclusive capitalism involving shorter value chains. These intermediaries have attempted to replace the dominance of traditional middlemen by leveraging collective action, fostering transparency and respecting the priorities of artisans.

Social enterprises such as RangSutra, FabIndia, Olha-O, Shilpkriti and many others take a cluster-based approach and liaise with artisan cooperatives to source products from them directly. This eliminates the dependence on traditional middlemen, thereby creating a shorter 'contemporary' value chain. Collaborating with these enterprises helps artisans secure regular orders and establish strong market linkages for business-to-business (B2B) selling. These social impact ventures take care of supply chain activities such as raw material procurement, design, marketing, client engagement and logistics. They also provide fair wages, safe working environments, and skills training to artisans to ensure sustainable, dignified livelihoods. For

example, nearly 20,000 weavers (of whom 70% are women) working with RangSutra have seen a fivefold increase in regular incomes, compared to the sporadic and low returns earned earlier, while more than 6,000 women artisans have witnessed an increase of 10-33% in earnings after joining Kadam Haat (Kapur, Subramanyam & Krishnamoorthy 2021).

Government intermediaries such as Khadi and Village Industries Commission (KVIC) and Central Cottage Industries Emporium (CCIE) were established to revive languishing crafts by assisting cooperatives and individual artisans with financial access, raw material procurement, design development, promotion and marketing of products. With the recent push from Vocal for Local and Make in India initiatives between 2015 and 2020, the KVIC created 281,000 new jobs in the Khadi sector and 80,000 livelihoods under the Kumhar Sashaktikaran Yojana, for the upliftment of weavers and potters, respectively (KVIC 2020).

**Figure 4: Contemporary value chains for handicrafts**



(Sattva 2022)

## Online Selling Will Unlock an Additional Channel for Handicrafts Growth

E-commerce provides opportunities for craftspersons to tap into new markets and expand existing ones. Online selling will boost the recognition of personal brands and family traditions of artisans. This will grow the reach of the crafts, ensuring that the next generation views handicrafts as a viable economic opportunity.

Direct-to-Consumer (D2C) online selling also helps artisans achieve the objective of shortening the value chain, as has been done by Utthan. This online marketplace works with

artisans from Kerala and claims to deliver up to 95% of the profits directly to the makers (Kedia 2019). Such models can be replicated with other handicraft clusters to allow artisans gain better control over their sales and revenue. However, to benefit from the online channel, artisans will need the right mix of entrepreneurial skills and a conducive ecosystem.

**Figure 5: E-commerce landscape for handicrafts: multichannel, marketplaces, government portals**



(Sattva 2022)

**Contemporary value chain models have catalysed a digital presence for handicrafts.**

Contemporary intermediaries are tapping into digital technology to widen the reach and discovery of Indian handicrafts, thereby unlocking value for artisans. Many social enterprises and government enterprises are making handmade products visible to patrons across India and the world by selling on their websites or through online marketplaces.

Recognising the potential of e-commerce and e-marketing as tools to revive the handicrafts industry, government initiatives have reoriented their focus toward online promotion and sale of handmade products (Ministry of Textiles 2016). The KVIC, which launched its e-portal in 2020 to sell handmade products sourced directly from artisan clusters and cooperatives, reported selling to 10,000 customers with an average order value of US \$135 within eight months of going online (Press Information Bureau [PIB] 2021a). Similarly, the CCIE and The Handicrafts and Handlooms Export Corporation of India (HHECI) also maintain online portals to sell handmade products. Further, the Government e-Marketplace (GeM), launched in 2016,

allows artisans to sell their products directly to government departments. As of August 2021, more than 28,000 artisans and 149,000 weavers were registered on the online marketplace, which provides direct market access to the producers (PIB 2021b).

### **Online direct-to-consumer selling for handicrafts is still at a nascent stage.**

Direct-to-consumer (D2C) e-commerce offers a unique opportunity for artisans to shorten the value chain. Artisans, cooperatives and social enterprises can sell directly through the online channel in three different ways. One is by building digital storefronts, such as Paljor Bodh's online store for handmade shawls and stoles and Kadam Haat's website for handmade home decor items. The second way is by utilising social media platforms. For example, Karan Leather Crafts uses its Facebook page to market and sell handmade leather items, while Sanjay Chitara from Gujarat sells his paintings online through Instagram. And finally, artisans can sell their products directly by listing their products on online marketplaces.

Our research reveals that online stores independently managed by artisans are few and far between, although social enterprises are taking the plunge and selling through their own websites. Nevertheless, social media platforms are becoming increasingly popular D2C channels for handmade items. For example, a study of Indian artisans and weavers finds that over 90% of respondents are interested in learning about social media marketing (Jha 2020).

Online marketplaces provide a readymade web portal for handicraft sales and offer end-to-end services, including logistics and delivery, at an additional cost. Established e-marketplaces such as Amazon Karigar and Flipkart Samarth provide e-selling capabilities to artists in return for commissions. Social enterprises targeted toward the artisan community, like My E-haat, Gaatha and GoCoop, also charge a fee and provide an online platform for artisans to sell to consumers directly. Other ventures such as Respect Origins and Direct Create help buyers commission customised orders directly from artisans, facilitating a connection with the original creators. Many of these marketplaces also have a global presence, thus unlocking the world market for artisans.

While e-commerce has the potential to equalise opportunities for small-scale nano-entrepreneurs such as artisans, the true benefits of B2C have not yet been realised by the handicrafts industry. Since only a handful of e-marketplaces can neither cater to the large Indian market nor showcase the diverse and lesser-known crafts, the D2C e-commerce penetration is yet to mature in India. For example, the Handloom Census (2019-20) reports that e-commerce contributes to only 0.2% of the sales of handloom weavers. This slow uptake of online selling among artisans, cooperatives and social enterprises can be attributed to the existing siloed platform approach to e-commerce and other barriers. We identify and explore these challenges arising out of the siloed e-commerce ecosystem.

### **Multi-platform onboarding and reduced seller autonomy**

Sellers should have proprietorship details, identity documents, bank account, Goods and

Services Tax (GST) registration and Permanent Account Number (PAN) card to register on most e-marketplaces. Successful registration takes place after the verification of documents and due diligence. Moreover, listing on multiple platforms for better reach involves duplication of these tedious processes and multiple time- and energy-consuming formalities.

Further, many marketplace platforms impose unfavourable terms on sellers. Lengthy registration contracts filled with legal jargon place unlimited liability on the artisans in many cases. Several marketplaces follow long 30-45 day cycles to pay sellers. The high commissions charged by seller platforms make e-selling unattractive to artisans.

### **Incomplete linkages with value chain services**

Direct selling through online channels involves several ancillary activities, such as invoicing, shipping, marketing and logistics. With limited entrepreneurial skills and weak market linkages, managing these components is forbidding for small home-based enterprises. While contemporary intermediaries are better placed to manage these activities, they have limited control over service providers and costs when selling through e-marketplaces (that offer bundled logistics services at an additional cost).

### **Limited investment capacity to boost reach and visibility**

Due to a decline in the popularity of handicrafts over the years, artisans have experienced loss of income. The fourth All-India Handloom Census reports that nearly two-thirds of handloom weavers in India earn less than US \$63 a month (2020). Moreover, access to formal sources of finance is curtailed due to the inability of poor artisans to offer collateral or low access to banking institutions. For example, over 75% of the weavers do not possess bank accounts, making them ineligible to avail of the low-interest Micro Units Development and Refinance Agency (MUDRA) loans (Bhowmik 2019).

Low earnings result in insufficient capital to explore non-traditional channels such as D2C selling through e-commerce, since these ventures involve paying commissions and require marketing expenditure for customer acquisition and visibility. For-profit social enterprises, which often raise capital from artisans and cooperatives, are also not in a position to undertake marketing activities on a massive scale, limiting their reach and visibility. Shortage of capital feeds into a vicious cycle which limits further revenue expansion.

### **Threat from substitutes and unfavourable listing**

Without markers of authenticity, genuine crafts face attacks from cheaper knock-offs or mass-produced products. Online marketplaces that list handmade and factory-made items together do not have any incentive to boost the visibility of handcrafted items or showcase their authenticity. Unable to distinguish between the original and its imitation, especially on online shopping portals, consumers favour knock-offs due to their lower prices. As a result, artisans cannot earn fair prices for their goods, limiting their incentive to sell online.

## The ONDC's Digitisation Push will Unlock Additional Value for Artisans

The ONDC's capabilities will incentivise and support e-selling for artisans, thereby providing an opportunity to improve their incomes. By boosting the growth of existing contemporary intermediaries through the online channel, the ONDC will incentivise artisans to forge vertical linkages with these social enterprises. This could also provide them the economic capital and market knowledge needed to facilitate upskilling. By easing barriers to online D2C selling, the ONDC will encourage artisans to form relationships among themselves, through cooperatives for instance, which can help them overcome the barriers of size and skills to venture more confidently into, and benefit from D2C channels.

**Figure 6: ONDC has the potential to bridge existing gaps in the adoption of online D2C for handicrafts**

	Current gaps in the system	Corresponding solutions in ONDC
Multi-platform onboarding and unfavourable terms	<ul style="list-style-type: none"> <li>Registration on multiple platforms involves duplication of efforts and costs.</li> <li>Aggregator platforms impose unfavourable terms on sellers, such as lengthy payment cycles and unlimited liability.</li> </ul>	<ul style="list-style-type: none"> <li>Single registration will drastically decrease the time and cost of establishing and maintaining online presence.</li> <li>Sellers can maintain an independent online storefront and have greater autonomy and flexibility.</li> </ul>
Incomplete linkage with value chain services	<ul style="list-style-type: none"> <li>E-marketplaces offer bundled value chain services, thus restricting seller autonomy and flexibility</li> <li>Limited choice for value chain services increases costs for sellers.</li> </ul>	<ul style="list-style-type: none"> <li>The ONDC unbundles the value chain services, allowing a wider choice of service providers.</li> <li>Sellers can get better control over the value chain and choose the best affordable combination of services to fulfil orders.</li> </ul>
Limited investment capacity to boost reach and visibility	<ul style="list-style-type: none"> <li>Registrations on multiple non-interacting aggregator platforms are needed to reach a wide customer base, resulting in higher costs in the form of listing fees and other charges.</li> <li>Low earnings restrict the capacity to incur additional marketing expenditure for visibility.</li> </ul>	<ul style="list-style-type: none"> <li>ONDC's unified search and multicasting gateway enables cross-platform visibility for sellers, reducing the need to register on multiple marketplaces.</li> <li>ONDC's integration with the Open Credit Enablement Network (OCEN) can enable artisans to avail credit through loan service providers, by leveraging their digital financial trail</li> </ul>

(Sattva 2022)

### Use case for contemporary intermediaries

Social enterprises with an active online presence will be best positioned to capitalise on the ONDC's capabilities in the short and medium term. Cross-platform listing and selling, enabled by the ONDC's architecture, will boost the online presence of these enterprises, resulting in greater revenues. Lower costs and higher sales will translate into enhanced incomes for artisans through this indirect channel.

### Cross-platform listing enables low-cost discoverability while reducing duplication of onboarding efforts.

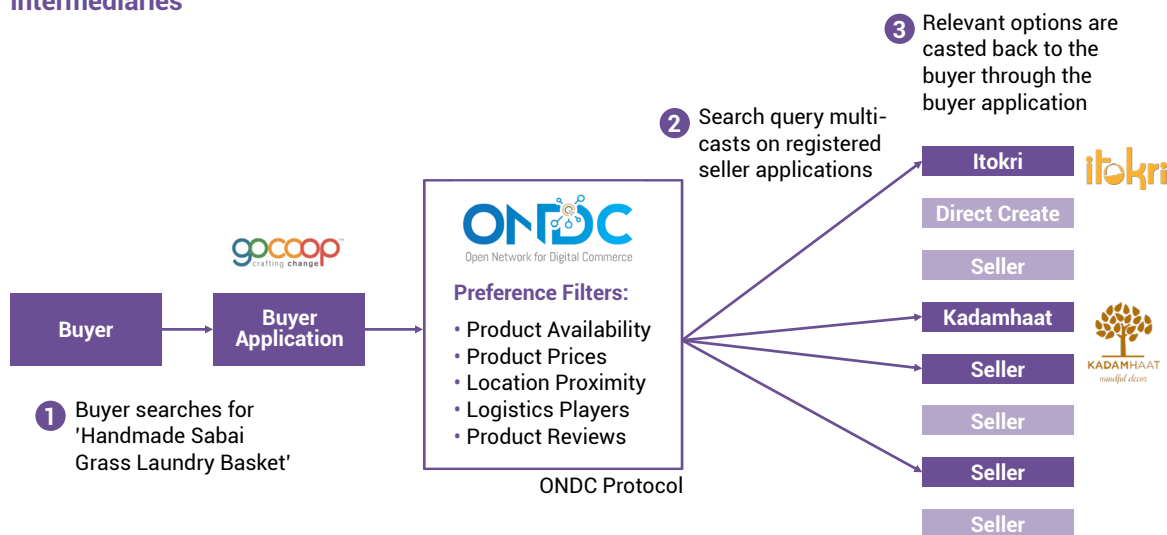
Kadam Haat is a social enterprise working with artisans who create handmade home decor and functional products, such as laundry baskets, using eco-friendly raw materials like grass and bamboo. The for-profit enterprise sells items through its website and selected online marketplaces such as Amazon, Okhai and iTokri.

Ashok is looking to purchase a plastic-free laundry basket for his home. He searches for an 'eco-friendly laundry basket' on Flipkart, his shopping platform of choice. Even though Kadam Haat has an online presence, it is not registered on Flipkart, hence its products are not visible to Ashok. To boost its visibility on Flipkart, Kadam Haat needs to list on this particular marketplace, which involves undertaking additional outlay and onboarding formalities. Thus, in the current siloed system, it is impossible for a consumer shopping on Flipkart to view KadamHaat's listing, restricting the seller's reach and access to the market.

The unified search and gateway features of the ONDC strengthen market access for Kadam Haat by making it easier for buyers to discover listed products. The ONDC gateway multicasts the search request received from any buyer application to all registered seller applications, ensuring the discoverability of all sellers in the network. Thus, Ashok can now search for an eco-friendly laundry basket through Flipkart (a buyer application) and will be shown results from Kadam Haat (through the seller application, say iTokri), assuming both Flipkart and iTokri are registered on ONDC.

This functionality allows Kadam Haat to reach a wider customer base without registering on Flipkart. In fact, Kadam Haat need not register on any marketplace for visibility. Instead, it can simply digitise its catalogue and sell through its online storefront linked to the ONDC, saving on registration fees and commissions. This cost saving can trickle down to the artisans working with Kadam Haat, boosting their incomes.

**Figure 7: ONDC's network approach gives enhanced discoverability to craft-based social intermediaries**



(Sattva 2022)

Logos and brand names used for illustration purposes.

**Cross-platform selling through interoperability improves seller autonomy and boosts earnings.**

Since Kadam Haat's products are not visible on Flipkart, Ashok decides to search Kadam Haat's website to view the range of items. He chooses a few products to purchase but

finds that he needs to register on Kadam Haat to complete the transaction. He is unwilling to share his address, contact details, and credit card information on an additional website, hence does not proceed with the purchase.

The interoperability feature and the gateway functionality allow Ashok to overcome this challenge. Due to the gateway feature, Ashok can now view Kadam Haat products on Flipkart itself. He chooses his preferred items and adds them to the e-cart. Due to the interoperability feature, Ashok can complete the checkout process on Flipkart without needing to register on Kadam Haat's website or any other marketplace where Kadam's products are listed. Similarly, Kadam Haat can now sell to Ashok without registering on Flipkart. Thus, Ashok can complete the online transaction seamlessly, as his address and payment information is already entered on the Flipkart app, which he uses frequently.

This enables Kadam Haat to reduce the problem of cart abandonment, thereby achieving higher sales and revenue, which boosts income for artisans associated with it. Observing these benefits, other artisans in the community attach themselves to Kadam Haat (or other social enterprises) and get an opportunity to monetise their crafts in a sustainable manner. The enhanced income prospects also incentivise the next generation to join the family tradition and view the crafts as viable livelihood options.

### Use case for artisans

Over time, e-commerce channels for handicrafts will mature and allow artisans to benefit directly from investing in digitisation and upskilling. The ONDC architecture will reduce some barriers faced by artisans, by providing them with better linkages and access to the market and value chain services. For example, the intended integration of the ONDC with OCEN will help meet the working capital requirements of artisans, and the wide choice of service providers will allow craftspersons to outsource ancillary services at a low cost. The registry, a network service on the ONDC can enable artisans to enhance their pan-India discoverability and facilitate collaborations with ecosystem participation for design innovation and process upgradation.

### **Wider choice of value chain services through unbundling reduces go-to-market efforts.**

In the existing e-commerce ecosystem, sellers have restricted choice for value chain services. For example, Amazon India offers three options for storage, packaging and shipping: Fulfillment by Amazon (FBA), EasyShip and Self-ship. While the Easy Ship and Self-ship options seem to give autonomy to sellers, the closing fees (charged by Amazon for each product sold on the platform) are higher with these alternatives, especially for high-value items. This leaves sellers with a limited choice: either they lock themselves into the Amazon ecosystem by choosing the bundled services with FBA, or manage logistics and delivery themselves while simultaneously paying higher fees to Amazon. This constrained access to value chain services increases 'go-to-market' efforts for artisan groups already operating on thin margins.



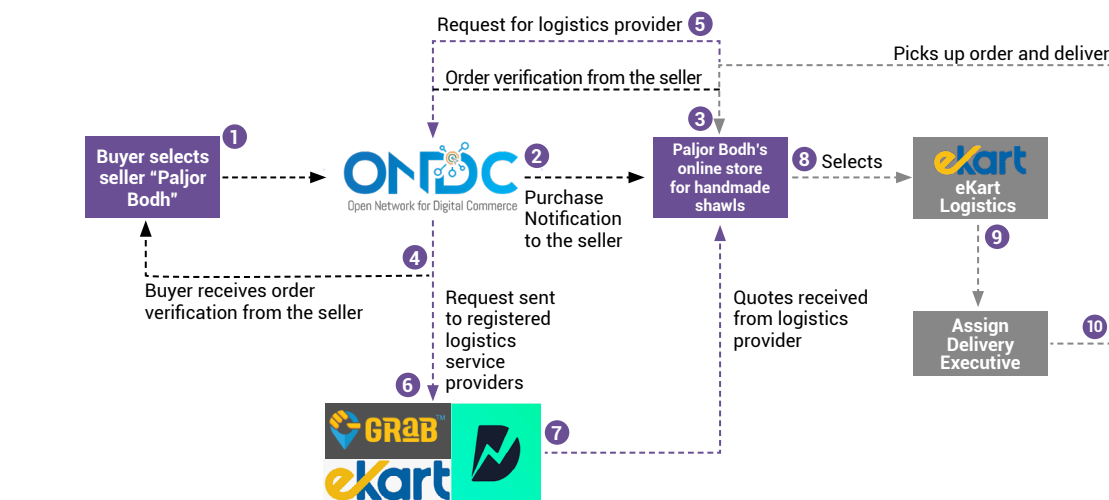
Figure 8: Amazon India's order fulfilment options



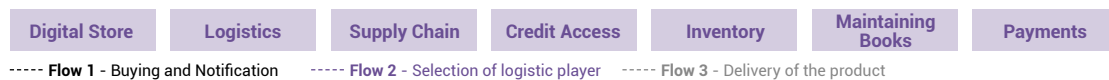
(Sattva 2022)

The ONDC unbundles the e-commerce value chain by delinking allied services from the platform. Artisans can 'purchase' allied services such as warehousing, logistics and delivery from the service providers registered on ONDC. Thus, sellers can choose a viable and affordable combination from a wide variety of providers, thus getting better control over the value chain. The reduced barriers for D2C incentivise digitisation and encourage horizontal linkages in the form of cooperatives and self-help groups, enabling division of labour and entrepreneurial innovation.

Figure 9: The ONDC offers access to a wide range of logistics partners for artisans



Other value added services on ONDC



(Sattva 2022)

Logos and brand names used for illustration purposes.

## Ecosystem Drivers are Essential to Strengthen Access to e-Commerce Channels

The ONDC promises to boost e-commerce penetration for handicrafts. Artisans, when empowered with the right skills and an enabling ecosystem, can benefit from the ONDC's capabilities and truly ride the e-commerce wave. Multiple stakeholders, including the government, donor agencies and civil society organisations, will be crucial in building capacity, promoting recognition of handicrafts and enhancing the ecosystem.

### The government's role

The government has a key role in facilitating access to the e-commerce ecosystem for artisans. The government's priority should be to leverage policy, regulation, financial support, and ecosystem enhancement to strengthen the digital commerce channel for handicrafts.

### Targeted policies to promote e-commerce for handicrafts

Mainstreaming indigenous products and crafts from the rural heartlands will require a well-designed strategy with ample focus on e-commerce. The One District One Product (ODOP) scheme, launched by the Uttar Pradesh government in 2018, and later adopted by the central government, is one such policy measure in the right direction. The scheme aims to provide a global market for products from local artisans to improve their socio-economic condition. Through its partnership with the e-commerce giant Flipkart, ODOP sold goods worth US \$1.25 billion from Uttar Pradesh in 2020-21 (Free Press Journal 2021). Similar policies focused on marrying e-commerce and handicrafts will pave the digital path for artisans.

### Regulating the e-commerce sector for inclusive participation

The ONDC has been launched to invite greater participation from non-digital traders, including artisans and craftspersons. Supplementing this massive exercise with relevant regulation will ensure inclusive participation of smaller sellers and protect their interests.

- **Equitable norms:** For example, stipulating a 'model registration contract' with fair partnership terms between marketplaces and artisans can prevent unreasonable conditions from being imposed on the vulnerable party. Other regulations governing data privacy, grievance redressal and online dispute resolution must also be implemented to foster an enabling business environment.
- **Stamp of authenticity:** Providing legal protection to traditional crafts through patents, trademarks and GI status and instituting other authenticity markers such as the CraftMark, Handloom Mark, Woolmark, and Silk Mark will help genuine handicrafts gain traction in the digital space.

### Financial support to kickstart e-commerce participation

- **Access to subsidised credit:** Artisans will need financial incentives to test the

e-commerce waters in a low-risk manner. The government can institute targeted welfare schemes wherein artisans and cooperatives can avail subsidised loans to set up online storefronts or onboard with e-marketplaces.

- **GST exemption:** Recently, the government announced an exemption on GST for intra-state e-commerce for enterprises with an annual turnover less than US \$49,000. Similar fiscal incentives for handicraft items will enable artisans to create a thriving online presence.

### **Institutional support to develop the ecosystem**

An enabling ecosystem is crucial for artisans to integrate successfully into the e-selling channel. Establishing an environment for skills development and a robust network of support infrastructure are some of the areas the government can focus on.

- **Facilitating collaborations:** In 2015, the Ministry of Electronics and Information Technology (MeitY) brought together weavers from Varanasi and researchers from academic institutions, including the Indian Institute of Technology, Delhi (IIT-D), to create DigiBunai, an open-source, computer-assisted designing tool. This software helps weavers create digital artwork and optimise pre-production times. More such collaborations can facilitate digital skilling initiatives for artisans. These collaborations between traditional skills and modern guidance can be formalised by introducing apprenticeship or experiential modules in the curriculum of design and business schools, wherein students support artisans through innovative ideas for digital marketing, e-business models and design techniques.

Advisory bodies such as the KVIC and Development Commissioner (Handicrafts) can catalyse further liaisons by serving as interfaces between artisans, government entities and industry. These institutions will also have an important role to play in collecting reliable data on artisans and handicraft clusters to design targeted policies.

- **Enhancing connectivity and ancillary services:** Since network connectivity and logistics services remain pain points for artisans located in remote areas, the government can resolve these issues by utilising existing public services and infrastructure. For example, the widespread post office network has been leveraged to set up Common Service Centres (CSC) in areas with limited internet and computers to deliver e-services at a centralised yet accessible location. Using the postal network for last-mile inbound and outbound logistics services can be another solution to the supply chain problems in handicrafts.

### **Role of philanthropy and civil society organisations**

Strengthening market linkages to artisans, providing grant capital for online selling and improving market-readiness of artisans by upskilling them should be the focus areas for donor agencies and civil society organisations.

### **Improving organisation, demand creation and market linkages for artisans**

Philanthropic capital and civil society organisations can support demand creation for handicrafts, thus widening the client base for artisans. Further, donor agencies and grassroots organisations can enable bottom-line efficiency by facilitating organisational models grounded in transparency and cooperation.

- **Demand creation:** Considering the role of handicrafts in achieving the Sustainable Development Goals, they can be positioned as a key to sustainable fashion and eco-friendly home decor, to tap into a new-age consumer base who is willing to pay for sustainability and ethical production processes. Showcasing the health and environmental benefits of traditional products, such as terracotta pots, copper utensils, plastic-free toys, and trinkets, can help push handicrafts onto the global stage. Using funded research to support the documentation of sustainability benefits can help policy advocacy.
- **Consumer awareness:** Investments are needed to enable buyers to view the true value of rare, unique, handmade products as compared to mass-produced commodities. Distinguishing between handmade and factory-made products is especially important in online retail. Thus, philanthropic efforts should be directed toward the digital marketing of handicrafts to raise awareness about their unique features.
- **Organisational efficiency:** The creation of handicrafts can benefit from economies of scale, and this can be achieved by moving away from home-based production towards a centre-based or cluster-based production. Civil society organisations can engage local community leaders as last-mile change agents to facilitate trust-building and enable artisans to organise as communities and cooperatives. Providing B2B collaboration opportunities with for-profit social enterprises can further generate sustainable livelihoods for the cooperative's members, as has been achieved by Kadam Haat and Rangсутra.

### **Access to cheaper credit**

Recognising the limited avenues to avail finance that artisans have, philanthropic investments could prioritise access to grant capital for artisans. Interest-free loans or affordable credit can enable artisans to access digital infrastructure and supplement their working capital requirements, even as they invest in digital marketing and branding to boost online D2C sales.

- **Working capital:** Interest subsidies on working capital loans can enable artisans and cooperatives to fulfil orders seamlessly.
- **Initial set-up:** Philanthropists can provide capital for technological setup such as electronic devices, designing software, digital cataloguing and building online storefronts.

- **Branding and recognition:** Grants can support artisan communities to obtain authenticity markers (for example, the membership fee for a Craftmark application starts at US \$37 for two years) and participate in craft fairs or exhibitions.

### Upskilling and improving the e-readiness of artisans

The Digital Empowerment Foundation's survey of more than 2,000 handicraft workers across India found that around 33% of weavers and just over 40% of artisans use mobile phones for business (Jha 2020). Language barriers and lack of digital literacy contribute to the low adoption of e-selling tools. Additionally, lack of confidence and limited entrepreneurial skills hinder the integration of artisans into the e-commerce ecosystem. Finally, the slow pace of innovation in design makes traditional handicrafts lose out to contemporary art. Philanthropic agencies and civil society organisations can lead capacity-building initiatives in these areas to accelerate the adoption of digital commerce for handicrafts.

- **Training for digital skills, financial literacy and business compliance:** Functional technical skills such as basic English, smartphone usage, photography for digital catalogues and social media marketing can make artisans market-ready for seamless integration into the e-commerce channel. Additionally, they can be equipped with financial and compliance literacy, such as awareness of GST norms, PAN card requirements and Know Your Customer (KYC) rules. Foundations can deliver these skills through micro-training programmes and engage other stakeholders as well, as done by the Mon Ami Foundation, which collaborated with Sharda University to train women artisans in social media marketing and leadership skills.
- **Developing entrepreneurial skills:** Online selling requires managing various aspects of the value chain, such as logistics, warehousing and marketing. Thus, artisans need to be equipped with multiple facets of entrepreneurial knowledge such as value chain activities, business management and strategy. Contextualising these skills and delivering them in an accessible manner is crucial. WomenWeave and Craftizen foundations, supported by the South Asia Institute and Tata Trusts, have accomplished this in recent years. WomenWeave's Handloom School Project educates and trains the younger generation of artists in understanding weaving's economic, socio-cultural, environmental and aesthetic values, while Craftizen employs an interactive, game-based approach to teach business skills, production planning, marketing, storytelling and design thinking to artisans.

## Conclusion

Handicrafts are integral to the rural economy in India, providing productive employment in the non-farm sector. Handcrafted products also form an important part of the country's export basket and are vital in bringing in foreign exchange. However, traditional value chains have failed to deliver value to handicraft artisans, capping their earnings, and resulting

in languishing crafts. While modern intermediaries such as for-profit social enterprises and government agencies are shortening the value chain for artisans and strengthening their access to consumers and skills, the online selling channel is not yet fully explored as an additional avenue to tap into the national and global markets. A handful of online marketplaces cater exclusively to handcrafted products, and artisans are restricted in their ability to fully utilise these platforms. Challenges such as multi-platform onboarding, inadequate access to value chain services, limited investment capacity and threats from factory-made substitutes have contributed to the slow uptake of online D2C selling among artisans, cooperatives and social enterprises. We hypothesise that the ONDC's capabilities will incentivise and support e-selling for artisans, thereby providing an opportunity to improve their incomes. While social enterprises with an active online presence will be best positioned to capitalise on the ONDC's capabilities in the immediate term, over time, the maturity of e-commerce channels for handicrafts will allow artisans to explore this avenue directly. The ONDC's architecture will enable cross-platform listing and selling, along with wider access to value chain services which will reduce some of the barriers artisans face and boost their online presence, resulting in lower costs and greater revenues. The true benefits of the ONDC will be realised by artisans with the support of the government, donor agencies and civil society organisations, who will be crucial in upskilling, promoting handicrafts recognition and enhancing the ecosystem.

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