COVID-19 IMPACT ASSESSMENT ON HANDLOOM INDUSTRY

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UNIDO provided overall technical support on designing of the questionnaire, conducting the study and reviewing the report

Cover photo source: internet

ABOUT THE PARTNERS

SR Asia | Social Responsibility Asia

SR Asia (Social Responsibility Asia) is an international networking organization promoting CSR and Sustainable Development. SR Asia provide technical assistance to the different spectrum of organization and has provided support more than 400 organizations globally in research, policy development, project designing & implementation, sustainability reporting & assurance, community development. SR Asia is now operating in Bangladesh, India, Indonesia and Malaysia and it has footprint in Sri Lanka, Vietnam.

UNIDO | United Nations Industrial Development Organization

UNIDO is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability. The mission of UNIDO is to promote and accelerate inclusive and sustainable industrial development (ISID) in Member States. It is headquartered at the UN Office in Vienna, Austria and has a permanent presence in over 60 countries. As of April 2019, UNIDO has 170 member states, which set the organization's policies, programs, and principles through the biannual General Conference.

আলোকিত কালিহাতি (Alokito Kalihati)

Alokito Kalihati is a voluntary organization based in Kalihati, Tangail to support in community development. The organization works to leverage local assets and resources for the general benefit of local residents. It has a range of practices which aim to work with local communities to improve the quality of life, ranging across many areas, including housing, employment, help, and social connection.

BACKGROUND

SR Asia Bangladesh has conducted several webinars and studies to understand the situation of business, human resources and the impact on them due to COVID 19. SR Asia conducted a situational study on RMG employees and workers in April 2020 and later, conducted another impact assessment in end of May 2020 to understand the actual impact of COVID 19 on the employees of RMG employees. It has conducted several webinars among RMG, Plastic, Banking sectors' professionals and low-income generator community to understand the current situation and impact of COVID 19 on the economic sectors.

This study on handloom business is a joint effort of SR Asia and UNIDO to identify the present scenario, economic and social impact due to COVID 19. The handloom industry in Tangail is one of the oldest cottage industries of Bangladesh. The weavers of this Tangail cloths are the successors of the famous Muslin weavers and also famous for cotton saree. To conduct the study, SR Asia and UNIDO selected Kalihati Upazilla in Tangail district. Kalihati is one of the famous upazilas for production of Tangail sharee. The weavers sell the saree in temporary bazaars that sit only twice a week in Bazitpur and Korotia. Traders come to these bazaars to purchase saree. UNIDO supported to conduct the study and Alokito Kalihati volunteered to collect data from ground level.

JUSTIFICATION OF THE STUDY

Handloom industry is the biggest handicraft industry in Bangladesh; it is the largest nonfarm economic activity in Bangladesh and important source of rural employment after agriculture. But now-a-days, handloom industry in Bangladesh has been facing many challenges. Numbers of handlooms closed over the years due to various reasons. In 1990, when the first census was conducted, the total number of handlooms in Bangladesh was 212,421. According to a preliminary report of Handloom Census 2018 conducted by Bangladesh Bureau of Statistics (BBS), the industry has witnessed a drastic fall in the recent days and the number of handlooms has declined by about 45.39 per cent to 1.16 lakh and total numbers of workers also slumped to 301,757 (133,444 male and 168,313 female workers) from 888,115 workers in 2003. The number of handloom workers was 10,27,407 in 1990[1].

The sector contributes more than BDT. 10 billion annually to the national exchequer as value addition. It shares 63% of the total fabric production in the country designed for home consumption, meeting 40% of the local demand for fabrics. Besides, it provides employment opportunities to a million rural people, 50% of which are female[2].

The handloom industry of Tangail is one of the oldest cottage industries of Bangladesh and has a glorious history. Tangail is famous for cotton sarees. The sarees produced by the local handlooms' weavers are very famous and have a great demand to the buyers across the country. Tangail Sadar upazila, Delduar upazila and Kalihati, upazila are well known for Tangail sarees. The study selected Balla union of Kalihati upazila for the study. The weavers at Balla produce famous Tangail cotton sarees, Benarasi and Jamdani. Likewise other districts, many weavers at different villages in Kalihati upazila have been facing various problems and they were considering closing their business, as it is no longer profitable enough to sustain[3].

COVID 19 further aggravated problems of weavers of Kalihati upazila, and it, would have a big impact on the handloom business because the people have no other skill to manage their livelihoods except working in this field. Most of the entrepreneurs doesn't have any legal entity and operate as family business. The customer of these micro entrepreneurs are from different corners in Bangladesh. Major customers are from Dhaka, Narshangdi, Sylhet, Chattagram, Rajshahi, Khulna, Rangpur and various locations of Tangail districts.

Due to the continued interferences and uncertainty of COVID-19, the handloom sector is already under pressure and closed its primary operation. Existing product for EID and Pohela Boishakh festivals are in stock and huge investment has already been made for these two big events and upcoming festivals. This lockdown demonstrates the shattering circumstances for micro entrepreneurs in Bangladesh; especially for handloom business. The collapse of this sector would cause imminent poverty among the f workers in the industry. SR Asia and UNIDO aim to identify the key challenges faced by the handloom micro entrepreneurs during the Covid-19 crisis and suggest possible solutions which can lead to quicker salvage from this crisis.

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[1] https://www.daily-sun.com/printversion/details/398978/2019/06/14/Handloom-Industry-:-Dooming-Not-Booming

[2] https://www.slideshare.net/AbdurRahmanNasim1/handloom-industry-in-bangladesh

[3] https://www.thedailystar.net/news-detail-35390

SURVEY FINDINGS

METHODOLOGY

Both qualitative and quantitative data were collected for this study. The primary respondents for this study were the micro entrepreneurs in handloom sector of Kalihati. Fifty respondents were randomly selected for face-to-face interview between May 10 and May 20, 2020.

FACTORY CONDITION

Total 50 entrepreneurs participated in the study. Among them, *88%* own family business which doesn't have any legal paper and started business by tradition, 8% is sole proprietor and 4% have partnership business (Figure 1). 100% businesses are run by male owners. The average tenure of their business in Handloom is *16* years where the average initial investment was *BDT. 3,06,500.00*. Yearly average turnover of these entrepreneurs was *BDT. 15,26,800.00* before COVID-19. Business pick time is Pohela Boishakh, Two Eid Festivals and Puja. Total Average employee in 2019 was 16 where male and female worker ratio is 3:1. Family members are also engaged in working at factory and school going children from class IV to class IX are also working in these factories. Right now all the factories are closed due to COVID 19. ***39*** factory owners said that average 8 workers are working from home[4] and ***11*** factory owners do not have provision for workers to work from home. Most of the factories were closed since mid-March and then from April. During this one-month time, they had some existing orders, and because of this they did some work at home as these businesses mostly are run by family members and local people. Home based work, for example: spinning and dying fibres which are in stock now, packaging, delivering some orders.

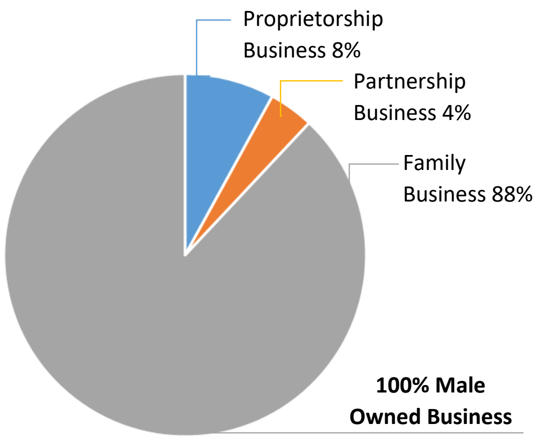

Figure:1 – Business Type

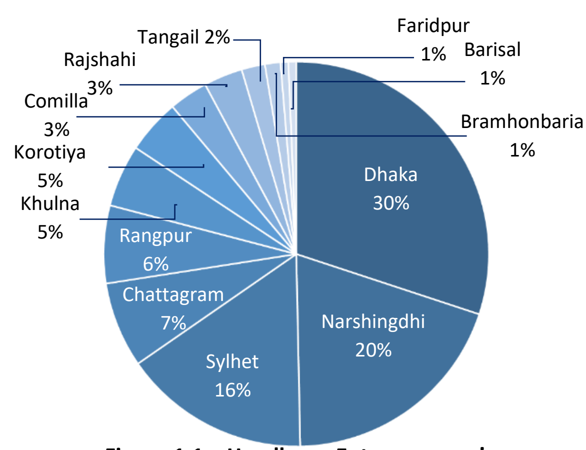

Figure:1.1 – Handloom Entrepreneurs' Customer in Bangladesh

Mainly retailers from various parts of Bangladesh buy products from them during the weekly hat, which is now closed due to COVID-19. Of the total customers, 30% are from Dhaka, 20% from Narshingdi, 16% from Sylhet and others are from Chattagram, Rangpur, Khulna, Kortiya, Comilla, Rajshahi, Tangail, Bramhonbaria, Faridpur and Barisal (Figure 1.1). 39 factory owners said that average 8 workers are working from home and 11 factory owners don't have provision to let the workers to work from home and the operation is closed now.

[4] Most of the factories were closed since mid-march and then from April. During this one-month time, they had some existing orders, and because of this, they did some work at home as these businesses mostly are run by family members and local people. Home based work, for example: spinning and dying fibres which are in stock now, packaging, delivering some orders.

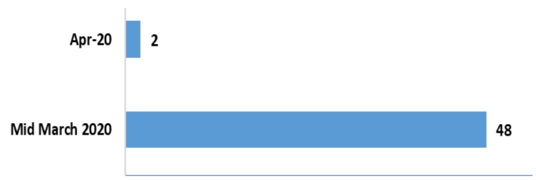

Figure:2 – Factory Closed Since

48 factories are closed since mid-March, 2020 and ***2*** factories are closed since April 2020 due to COVID - 19 lock down. Factories were required and compelled to close factories to maintain the physical distance advised by the Government and for their safety concern.

WORKERS' CIRCUMSTANCE

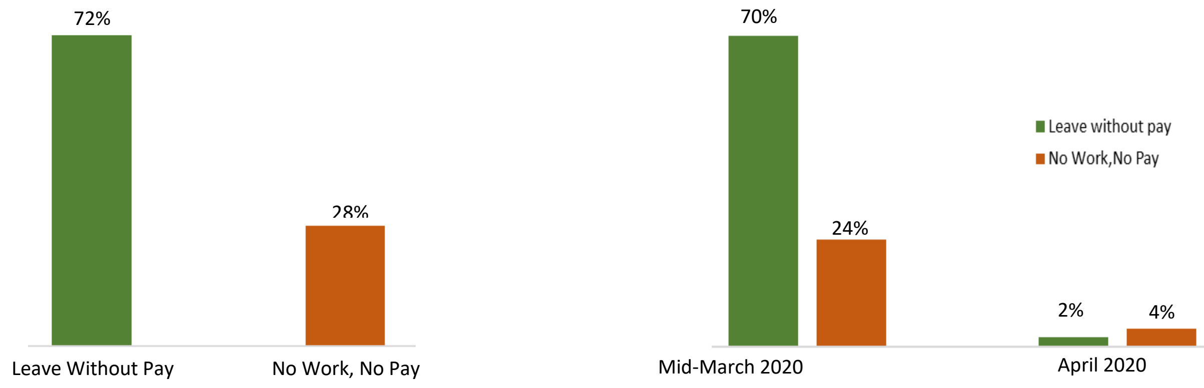

Figure:3– Salary/Wage Condition

72% factory workers are now on leave without pay and 28% factory workers are with the condition of no work, no pay. 70% factory owners started leave without pay since middle of March 2020 and 2% since End April 2020. On the other hand, 24% and 4% factory owners started no work, no pay system since middle of March and April 2020, respectively.

The study reported that 62% participants said that all workers can work after opening of factories, 32% can't comment at this moment and 6% said that there is 80%-90% possibility to terminate some workers. 15 workers in average have lost job due to COVID 19

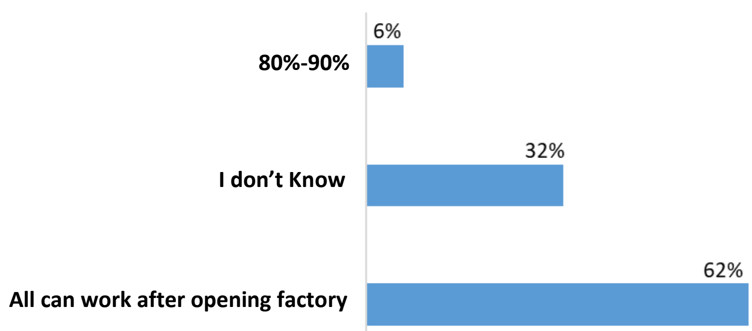

Figure:4 – Possible % of Worker Termination

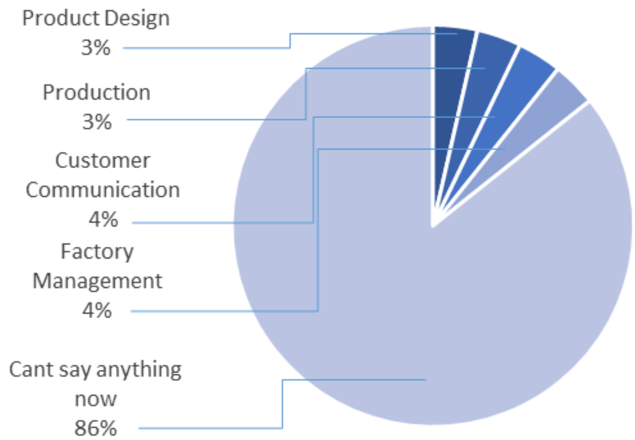

Figure:5 – Impact over Working Section

BUSINESS AND FINANCIAL IMPACT

The participants were asked that how the layoff are distributed over different working sections (eg: research & development, product design, manufacturing, customer service, administration etc). 86% replied that this is difficult for them to answer on this, but 4% said that it impacts on customer communication and factory management, and 3% said that it impacts on product designing and manufacturing.

Workers of these factories are with the combination of technically skilled and semi-skilled where 34% of workers are technical skilled and 66% semi-skilled workers who are now with no job. Among those workers, 64% workers acquire Technical skill working at factory and 36% are skilled during hiring in the factories.

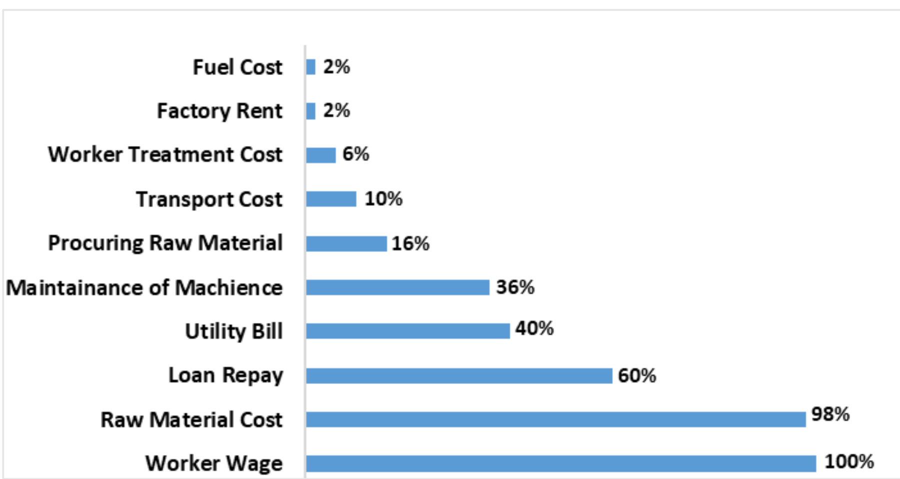

Figure:6 – Financial Impact

Major financial impacts of this sector are on workers' wages, raw material cost, loan repay, utility bill and maintenance of machineries (Figure 6).

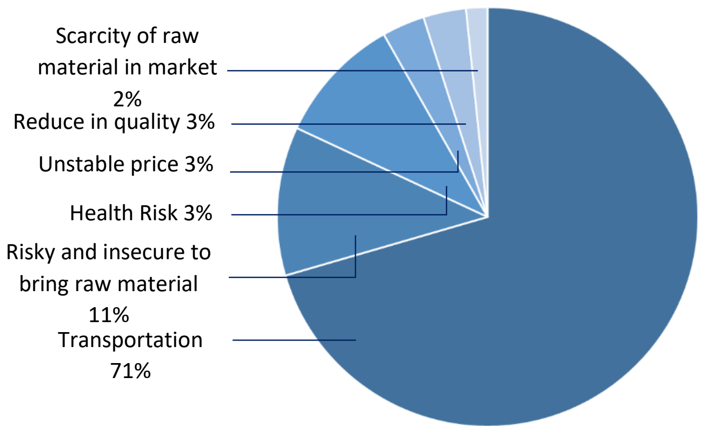

Figure:7 – Challenges to Procure Raw

CHALLENGES IN PROCURING RAW MATERIALS

All participants procure raw material from local retail markets. They are facing a big challenge in transportation to procure raw materials. 71% participants are facing to procure raw materials due to unavailability of transports. There is also risk associated in bringing raw materials from market; 11% said due to robbery they feel insecure to carry raw materials. 3% replied that the quality of raw materials has been decreased (we need to explain why quality of raw materials decreased) as well as the price is unstable. Health issue is another concern in procuring raw materials (Figure 7).

10% respondents found major health risk associated

in procuring raw materials due to COVID - 19

POSSIBLE BUSINESS IMPACT IN FUTURE

Possible business impacts of this sector in near future due to COVID – 19 are projected as labour crisis, losing market opportunity financial crisis, market unrest and factory shut down. 96% participants said there will be labour crisis if the situation continues. People from adjacent villages or same village will be afraid to come to factory. 36% said there would be a huge crisis over managing the entire handloom market (Figure 8).

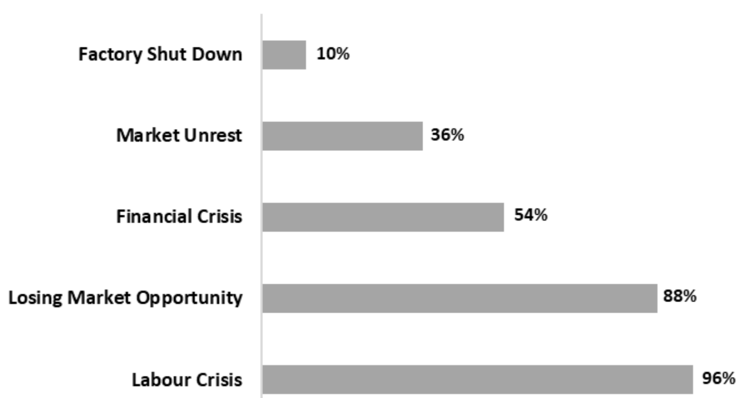

Figure:8 – Possible Business Impact in Near Future

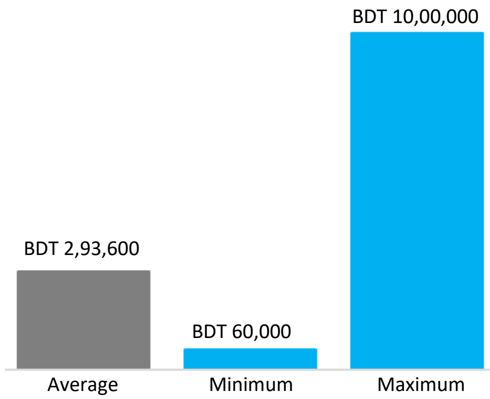

Figure:9 - Required investment to bring the business back to usual

Respondents think that they need to invest to bring the business back to the previous status. Average ***BDT. 2,93,600*** is required for re-investment where minimum is ***BDT 60,000*** and maximum is ***BDT. 10,00,000 (Figure 9)***.

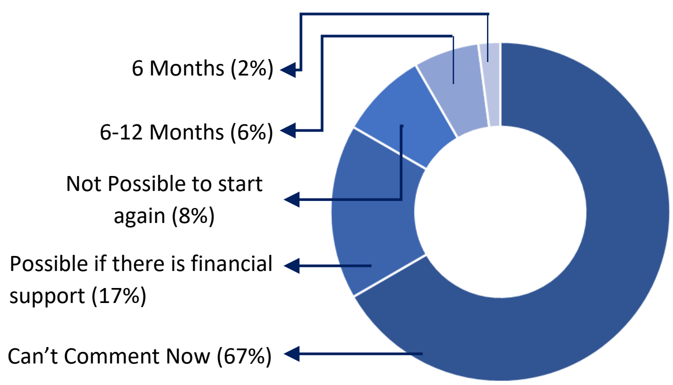

Figure:10 – Duration required for bringing business back to the usual form

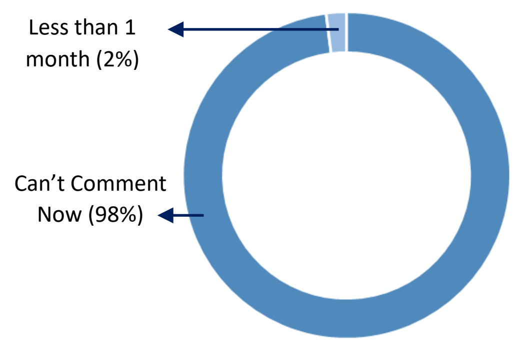

Figure:11 – Present Financial Back up for Business Operation

Participants were asked that how long they can maintain their business operations with the cash flow they have, if the government restriction continues. 98% respondents said that it is difficult for them to comment now and 2% responded that they can manage less than one month. (Figure:11)

Average SALE during two Eids and Pohela Boishakh is BDT 2,65,000.00

Average BDT 85,500.00 during Puja

8% participants replied that they cannot bring back the business to usual if the international COVID-19 crisis were to end today, 17% said that it is possible if there is financial support, 6% said that they may take 6-12 months and 2% said only 6 months to get back to the business and 67% couldn't answer. (Figure:10)

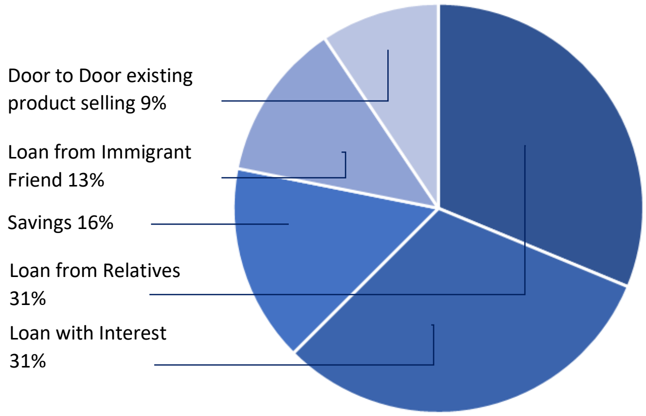

Figure:12 - Way to Manage Finance for Livelihood during COVID-19

Average BDT. 14,470 is required to manage the respondents' livelihood during this crisis period, where minimum BDT. 7,500 and maximum BDT. 30,000 is required.

31% respondents said that they manage the money by getting loan with interest, 31% said that they borrowed from their relatives, 16% replied that they are using their savings, 13% took loan from their immigrant friends and 9% said that they are selling their existing products door to door (Figure 12).

RECOMMENDATIONS

Though handloom sector is the biggest handicraft industry of the country, the sector has been passing through various challenges, as a result many entrepreneurs have left this business and many are planning to leave. Employment in the sector has declined sharply since 1990. The total number of workers also slumped to 301,757 (133,444 male and 168,313 female workers) in 2018 from 888,115 workers in 2003. The number of handloom workers was 10,27,407 in 1990. Recent effect of Covid-19 has further put the sector and entrepreneurs in difficult situation. It requires urgent attention from the policy makers to save the sector and prevent rural unemployment.

Study findings suggested that the respondents have shut their handlooms since last week of March 2020 and they are not in a position to reopen their business due to financial crisis and other problems. These entrepreneurs have not heard about government declared stimulus packages declared for the CMSMEs. Skilled and semi-skilled workers who were working in these handlooms are now unemployed. They do not have other skills to get new jobs. Similar situation is prevailing for the entire handloom sector in Tangail and other districts. The study recommends the following policy options for Government of Bangladesh for consideration.

1. Handloom workers who are unemployed due to COVID-19, must be brought under the social safety net programme until handloom owners can restart their business under the government support package. Tentatively, government will require BDT 75.5 (assuming 2,500 Taka per person) crore monthly to support 301,757 workers under the social safety programme.

2. According to study findings, respondents have already lost substantial business during Eid and Pohela Boishakh, due to Covid-19. The study findings further revealed that the respondents are managing their current monthly family expenditure by lending money from relatives, immigrant friends, money lenders at high interest rate, using previous savings, etc. As handloom is an important source of rural employment after agriculture in Bangladesh, if owners of the

handlooms cannot get necessary support to restart their business immediately, it will further increase rural unemployment. Increased unemployment in the rural areas will force unemployed people to migrate in the urban areas for employment. This will create additional burden to the capital city and other urban areas. The study findings suggested on an average the respondents will require additional BDT 294,00 to restart their business. At present, about 116,000 handlooms are operating in Bangladesh, according to BBS 2018 data. The sector will require additional BDT 3,410 crore for revival of the sector. Immediate support for revival of the sector will not only reduce government cost for social safety net programme in the long run, but it will also support handloom entrepreneurs to retain its skilled and semi-skilled workers. Retention of employment is important under the current scenario. In order to support the sector, Government should develop a mechanism to locate these entrepreneurs and prepare a database through its network, so that government support packages can reach to these entrepreneurs on urgent basis.

3. It is the right time for government to implement its' plan to establish 'Loom Zones' in designated areas to save the sector and improve the socio-economic condition of the people involved. Development partners can come forward and provide support for building necessary technical skills to make the sector competitive in the local and international markets.

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