

Pragmatic policy framework for supporting growth of local economy through protecting entrepreneurial artisanal firms: A case of Pakistan's Chiniot furniture cluster

Summary

This qualitative study contributes to literature by examining and the multi-level growth challenges faced by artisanal firms in Chiniot furniture cluster which carries great economic potential but has been neglected by the concerned policy circles in Pakistan - a county context which remains under-researched despite having rich presence of artisanal firms. An equally important contribution is the offering of a pragmatic policy framework that can help address the barriers to the growth of handcrafted furniture making small scale businesses which can support the development of local economy through serving both the local and international markets. The key growth barriers range from micro level (such as lack of access to finance) to meso (such as lack of wood market in the cluster, road and other basic infrastructure issues raw materials prices), and macro-level (such as institutional challenges including limited support for technical and vocational training, lack of political support leading to limited interest of provincial and federal governments in the development of the clusters and complex taxation system). The study suggest that these challenges can be addressed through collective and collaborative policy interventions engaging multilevel stakeholders.

Track: Entrepreneurship

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1. Introduction

Chiniot city in Pakistan is known for its intricate hand-carved furniture. This business activity can be traced back to almost 250 years (Kipling, 1888). Furniture making is one of the primary businesses of the citizens of Chiniot. There are almost 4000 furniture manufacturing units (micro, small, medium and large) employing around 40000 people directly or indirectly. Satellite images of the city show that furniture making firms are spread across the city. However, the growth of the cluster appears to have become stagnant in the recent past. It can be attributed to firms being entangled in a vicious cycle of a combination of internal and external constraints resulting in limited profit margins and negligible contribution to the export earnings for the country. There is hardly any policy program to foster the growth of small-scale firms in Chiniot. To offer evidence, policy programs of SMEDA have neglected this cluster, focusing on large-scale manufacturing units mainly in the Gujrat region¹. Thus, there is a need to examine the growth dynamics of firms operating in the furniture cluster of Chiniot and offer a pragmatic policy framework that aims at supporting the growth of the cluster, specifically focusing at micro and small-scale artisanal firms.

The work of the Chinioti artisans got attention in the British colonial period, when historians started to note it. It was very likely that the Chinioti artisans participated in the construction of the Taj Mahal in Agra, the Golden Temple of Amritsar and Wazir Khan Mosque Lahore. All these places carry unique historical value. While Chinioti artisans have been much appreciated for their refined and intricate designs (O'Dwyer, 1890), it is pertinent to mention that there is not much literature that looks into the growth dynamics of the Chiniot furniture cluster. So, we hope this is one of the leading studies that looks into the growth challenges of the entrepreneurial artisanal firms in this part of the country. Artisanal firms here refer to those enterprises that make handcrafted products in a traditional way in limited quantities, maybe sometimes on a one-off basis. Artisans carve using screws and draw to make intricate designs. Such firms undertake labour intensive work. For example, it usually takes more than one week for a manufacturer to make one bed. Simple designs can take less than a week whereas difficult and complex designs require more time. So, the growth of artisanal firms depends largely on the skill set of artisans, in addition to other contextual and structural factors. ***Thus, the main aim of this study is to identify the growth challenges that hinder the development of artisanal firms operating in the Chiniot furniture cluster in Pakistan and propose pragmatic policy interventions to address the challenges.***

Research Questions

The research questions that lead this study are

- Why has the growth of small-scale artisanal firms been constrained in the Chiniot furniture cluster?
- How can government intervene to help the artisanal firms overcome the growth barriers that they face in the Chiniot furniture cluster?

2. Growth challenges of artisanal firms

Various studies have looked into the socio-economic challenges that carpenters face in the South Asian region (Enzner, 2013). However, there are fewer studies that have analysed the factors that hinder the growth of artisanal firms associated with the furniture manufacturing industry. According to the Innovative Development Strategies Institute (2015) a key challenge that wooden furniture makers face in Pakistan is the deficit in the availability of skilled workers. Moreover,

¹ https://smeda.org/phocadownload/Cluster_Profiles/Cluster_Profile_Furniture_Gujrat.pdf

artisanal firms lack the ability to properly understand the quality standards of international markets (Imran and Khaliq, 2019) so they struggle to export which limits their growth. In addition, being smaller in size, artisanal firms remain less efficient in terms of managing their supply chains, mainly due to being resource deficient (Qadir and Ali, 2017). However, in other parts of the world artisanal firms have been seen to taking various measures to overcome their growth challenges. For example, Moodley (2001) note that South African small wooden firms try to boost their exports through learning how to e-commerce. According to Trigkas et al. (2012), wood and furniture enterprises of Thessaly have been successfully in increasing their sales volume by becoming innovative and improving the quality and therefore production of their products. Sellitto and Luchese (2018) have examined the positive impact of cooperative practices on decreasing the transaction costs and increasing the revenues of firms in the furniture cluster of Brazil. The study found that in the absence of cooperation in sales, marketing, logistics processes and innovation and technology, firms were operating individually with the suppliers and wholesalers. There was fierce competition between companies for having a reasonable market share. Moreover, firms had different production processes and production lines. However, through cooperation the firms managed to overcome these challenges and grow. In a different product sector, Blundel (2010) has explored the effects of networking on the performance of small artisanal firms in the UK cheese-making sector. According to this study, firms moved with the changing market patterns and networking flows to compete in the growing industry. They formed downstream linkages and various network relationships to sustain their businesses. Moreover, they adopted new production technologies to meet the requirements of multiple retailers. This helped the artisanal firms to develop idiosyncrasies in their processes making their products sustainable in the regulated supermarkets.

3. Theoretical underpinnings of this research

This paper is rooted in a hybrid theoretical framework. It draws on the Resource Based View of the firm (Penrose, 1959; Barney, 1991) and Institutional Theory (Scott, 2010; Oliver, 1991; DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Hannan and Freeman, 1977). The triangulation of these theoretical lenses is considered appropriate because the RBV can allow to examine the impact of firm level resources on the growth of artisanal firms in Chiniot, whereas the external factors shaping the business environment for firms and impacting their decisions and operations can be better investigated through the institutional theory.

Resource Based View of the firm (RBV)

While the development of the theoretical lens of RBV is attributed to Wernerfelt (1984), its roots can be traced in the seminal work of Penrose (1959) who described the firm as a pool of resources. She asserted that a firm acts as an administrative unit and its main role is to organise and utilise the available resources to generate economic rents. She also argued that resources are the determining factors of firm's growth. Therefore, in order to grow, firms would have to increase their resource stock. Later on, Wernerfelt (1984) discussed that resources could be used to create barriers to entry for earning better economic returns than the competitors. However, to sustain high returns, the barrier creating resources should neither be easily accessible to others nor tradable in the market. A key assertion of RBV is that these are the valuable, rare, inimitable and non-substitutable resources that can enable a firm to perform better and gain competitive advantage (Eisenhardt and Martin, 2000; Barney, 1991). According to Barney (1991, p. 102), 'a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors'. On the other hand, a

firm can experience ‘a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy’ (Barney, 1991, p. 102).

Institutional Theory

Institutional theory is one of the most widely used theoretical frameworks in the field of management. It is a useful theoretical lens to examine the influence of external forces on the structures and behaviours of organisations. In general, this theory asserts that in an organisational field different institutional actors can exert pressure on firms to change their behaviour, practices, processes and strategies to legitimise their existence (Scott, 2010; Oliver, 1991; Oliver, 1988; Scott, 1987; DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Hannan and Freeman, 1977). Therefore, firms are expected to conform to the expectations of an organisational field i.e. they are expected to modify themselves to become compatible with environmental changes in order to achieve social fitness and therefore survive and grow (DiMaggio and Powell, 1983).

Firms operate in an institutional environment (Zucker, 1987) and not in isolation. The institutional environment comprises on various external stakeholders such as the regulatory bodies, customers, trade associations, pressure groups, professional organisations, educational institutions and peers or incumbent firms. Collectively, these institutional actors form an organisational field for firms to operate in. According to DiMaggio and Powell (1983, p. 148), an organisational field consists of ‘those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products’. Hoffman (1999, p. 352) adds that fields are formed ‘around issues that bring together various field constituents with disparate purposes’.

4. RESEARCH METHODOLOGY

Interpretivism research philosophy led to adopting qualitative research methodology (Saunders et al., 2019; Denzin and Lincoln, 2011) to explore the growth barriers faced by the artisanal furniture making firms. This research approach design was considered prudent to explore the meanings, opinions, and interpretations of people via words and stories they had lived through, and which had shaped their arguments (Taylor et al., 2015). Study was mainly concerned with the meanings and words that artisans attached to their businesses, i.e., mainly the experiences of the artisans who were working in the Furniture Cluster of Chiniot. Snowball sampling approach was adopted to recruit study participants. First, access to two carpenters was gained through existing contacts. One of these two participants then connected the research team to the association head of the furniture making workshops. With the help of the association head, access was gained to the representative artisans of all the Mohalla’s and small pockets of the cluster. Semi-structured interviews were conducted to collect primary data from the artisans of the furniture cluster of Chiniot. Fifteen respondents participated in this research. 13 were the artisans who were owner-mangers (*Appendix 1*), and two respondents were the industry associate representatives including the Chairman of Furniture Workshop Associations. Data were thematically analysed (Braun and Clarke, 2006) classifying the growth constraints into micro, meso and macro level barriers.

Table 1: Profile of sample firms

Sr. No.	Age of firm	Employees	Status of Firm	Education level of owner-manager	Legal Status of Firm	Product Range	Business Inherited or Not	Market of Operation	Membership with Industry Associations	Website
Firm 1 (R1)	12	7	Informal	Primary	Sole Proprietorship	Bed, Dowry	Yes	Local	Nil	Nil
Firm 2 (R2)	35	4	Informal	Matric	Sole Proprietorship	Window, Showcase	Yes	Local	Nil	Nil
Firm 3 (R3)	35	2	Informal	Nil	Sole Proprietorship	Bed, Window	Yes	Local	Nil	Nil
Firm 4 (R4)	20	6	Informal	Matric	Sole Proprietorship	Bed Set	Yes	Local	AFKMM ²	Nil
Firm 5 (R5)	22	5	Informal	Middle	Sole Proprietorship	Bed, Chairs, Window	No	Local	AFKMM	Nil
Firm 6 (R6)	28	15	Informal	Nil	Sole Proprietorship	Dining & Sofa Set, Bed	No	Local	AFKMM	Nil
Firm 7 (R7)	19	4	Informal	Middle	Sole Proprietorship	Bed Set, Window, Settee	No	Local	AFKMM	Nil
Firm 8 (R8)	22	4 including owner	Formal	Nil	Sole Proprietorship	Beds	No	Local	AFKMM	Nil
Firm 9 (R9)	20	4 (2 brothers)	Formal	B.A.	Sole Proprietorship	Beds	Yes	Local	AFKMM	Nil
Firm 10 (R10)	35	4 (2 part time)	Informal	Matric	Sole Proprietorship	Beds	No	Local	AFKMM	FB Page
Firm 11 (R11)	25	15 (7 Seasonal)	Informal	Primary	Partnership	Polishing Work	No	Local	Nil	Nil
Firm 12 (R12)	25	5	Informal	Middle	Partnership	Sofa set, Dining Set, Tea Set	No	Local	WMFAC	Nil
Firm 13 (R13)	20	2 brothers	Informal	Nil	Sole Proprietorship	Tazia, Dowry	Yes	Local	Nil	Nil

² Anjuman Furniture Karegar Mazdoor Mahaz Chiniot (AFKMM)

5. Findings

Multilevel barriers impede the growth of artisanal firms in the Chiniot furniture cluster in Pakistan. These barriers were identified using the theoretical lens of RBV and institutional theory while analysing the data.

Micro level growth constraints

At the micro level the major growth challenges was related to financial matters, not just limited finance but delays in receivables also.

Financial barriers rooted in intracity trade

This was the issue of almost every small workshop in the cluster. The workers who have low capital for investment prefer to trade with showrooms in the city, and showrooms exploit the small manufacturers as they don't make on-time payments to the manufacturers and make payments in instalments. Moreover, in the summer season, showrooms exploit the small manufacturers by paying low prices for their products and increase their profit share in the revenues. For instance, R1 shared that:

"We sell our products to the owners of the showroom who are operating in the city ... [they] are working with using our money and investments. He uses 50% of our investments and 50% of his own investments and remains in the business...." R1

Small manufactures also do not engage in intercity trade as the risk of losing capital in the cluster is high because sometimes dealers do not pick up their orders and also pay lower price to the carpenters. R12 narrated:

"Sometimes there comes issues as parties don't pick their orders and even, they don't pay their amount some time, so such kind of issues always continues with our business..." R12

Artisanal firms also suffer from the debt issues. For instance, one head of the Mohalla (R9) said that majority of the workers are trapped in debts due to the insignificant demand in the off-season period.

"According to my estimate, there are almost 75% workshop owners under debt in the Chiniot city. They are under debt of even 2 to 3 million." R9

"Showrooms exploit the small manufacturers during the off-season period"
R6

The above evidence suggests that financial barrier take various forms and undermine the productivity and growth of artisanal firms.

Meso level growth constraints

Meso level constraints were faced by almost all the firms that participated in this study.

Fluctuations in seasonal demand of products

All the respondents shared that the summer period was challenging for them, and it was regarded as the off season. Unlike large size firms, they did not have enough storage capacity, so they had to stop production during that period. The off-season period posed challenges for the firms as sales dropped to nearly zero. This results in underutilization of their skills and resources.

Claims of the artisans about the off-season period demonstrate that

“.... summer season is offseason in terms of sales... R4

“Main season is of four months and later is just routine work” R6

“Summer season is very tough for small manufacturers while large manufactures have the capacity to store in summer ... they do not sale their furniture in the summertime.” R14

Lack of wood market in the cluster

One of the key issues regarding the Chiniot furniture cluster is that it does not have any wood bank or wood market in the city. Respondents shared that the lack of wood market was one of the major reasons behind the declining quality of the furniture. The cluster had huge demand for wood as furniture making was the primary business of the Chiniot city. However, absence of wood market increased the prices of inputs and therefore of the manufactured furniture. It undermined the competitiveness of the products that artisans crafted.

“There is a dire need of wood market in the Chiniot City as there is a great demand of wood in the city...” R4

“There is no wood market in the city, and we have to purchase wood from the traders...” R5

“Wood is very expensive in the city, and the government is not paying much attention to this issue as there is no wood market in the city...” R8

Poor infrastructure

Chiniot city is worse in terms of infrastructure as the main roads and interconnected roads are not at all in good shape. On the second day of data collection, it rained, and researchers had to stop the data collection as the water was overflowing across the streets due to poor sanitation facilities. Customers did not prefer to go to the workshops because of poor access and bad sanitation system and ended up visiting the showrooms of large size firms. For instance, one of the respondents shared that

“Main roads which are connecting Chiniot with Faisalabad, Lahore, Gujranwala and Sargodha are in a precarious condition, and these raise the commuting times manifold. When we used to go to Faisalabad for purchasing hardware and other inputs for production, it took around 30 minutes and now this takes about two hours, and chances of accidents are also very high.” R1

Workforce Issues

Furniture making business is labor-intensive, and workers determine the fate of the business of workshops. There was no formal contract system between owners and workers in the cluster, and workshop owners hired workers by paying them an advance amount within the range of Rs.50,000 to Rs.200,000. If workers left the workshop after taking the advance, it was very difficult for manufacturers to take the payment back. So, labour management was a considerable challenge limiting the growth potential of artisanal firms. For instance, as some of the respondents shared that

“At the time of hiring, we pay advance amount, and if workers left us, then our advance amount is also lost ...” R4

“...If someone left us, it is very difficult for us to recover that amount, and there is no contract system in the city....” R5

“...workers leave us without returning the advance and ultimately half the payment is lost, and they return half or one-third amount in instalments....” R8

It is clear that while availability of labour force is a challenge, it is also linked with the financial challenges that arise from labour not fulfilling their commitments.

Rising prices of raw materials

The prices of raw material were increasing day by day, and there was no one to act against the retailers and whole sellers. Retailers and wholesalers did not show the rate list to the manufacturers. One reason for the rising prices of raw materials was that the absence of a factory for manufacturing raw materials and other such items in the city. So, workers were left with the only option of purchasing from retailers in the city. For example, as an artisan shared that a major growth constraint was

“Increasing prices of the raw materials with slight or no increase in the prices of our products ... We purchase wood from the city, and now the situation is not well, so we prefer to purchase pillar pawa sets...” R4

Poor quality wood and export issues

As good quality wood was very expensive, manufacturers could not afford to buy that. With cheaper wood the quality of furniture also declined not meeting the standards of the export markets. At the cluster level, it deterred the export potential of the cluster. For example, one of the artisans said that

“Some showroom owners pay less price to the workshops, and they purchase Kachi [Raw] wood for manufacturing furniture, but the life of that furniture is less than good quality furniture, and this affects the name of Chinioti furniture and customers do not like to visit Chiniot for the next purchase. Poor quality furniture affects the sales of the upcoming period, so this poses a threat to the sales.” R9

Macro level growth constraints

These were mainly the institutional barriers that were affecting the growth of artisanal firms.

Multiple taxes

Artisans whether home-based or workshop based, all were paying taxes. The challenge was that for micro level businesses the diversity on taxes was quite burdensome. Moreover, they were not happy with the support that was expected from the district government which could help them grow. Artisans asserted that

“Professional tax, labor tax, property tax is already imposed on us, and now the government has imposed income tax on us.” R5

“Tax collectors often visit us for tax collection, but no attention is given to our issues...” R7

“.... Municipal committee, FBR representatives also visit us for tax collection....” R9

Microfinancing issues

There was only one existing microfinance scheme for which workshop owners and workers could qualify for a loan amount of Rs.70,000. This amount of loan was too low to meet the needs of artisans. Second, they were required to open bank accounts in the Bank of Punjab (BOP) for applying a bigger amount of loan. However, BOP was not cooperating with them, and they were unable to procure the loan. Moreover, recently a loan scheme “DASTKAR” was launched to support the carpenters, but carpenters were illiterate, and they did not have android phones for installing and filling forms on that app. This was considered a barrier in the procurement of loans and thus the growth of artisanal firms.

“We provide number count of the machine when applying for loan. The one with the least number of machines will not be able to get a loan....” R1

“Loans from Government organizations require paperwork and requires signatures of grade 16 government servants... which we are unable to get done” R3

Vocational training challenges

Respondents also shared that Technical Education and Vocational Training Authority (TEVTA) was training workers. However, that training was not regarded adequate, and carpenters trained by TEVTA did not possess the key skills compared to those artisans that were trained via apprenticeship (informal learning from a skills artisan). For example, one of the respondents shared that

“We only hire those carpenters who are trained locally by Ustads and TEVTA trained workers do not possess enough skills....” R11

Absence of social security hospital in the cluster

Handcrafting and carving work carried greater chances of causing injury to carpenters. In case of emergency there was not a social security hospital that could look after the injured carpenters. This resulted in the loss of working hours and therefore undermined the growth of artisanal firms. For instance, one of the carpenters said:

“There is no social security hospital in the city, so all the injuries or other issues are managed by owners of the workshops.” R8

Lacking an exhibition platform

There was no exhibition point of micro and small-scale carpenters to display their skills and products. Exhibitions were mainly organised in Lahore (capital city of Punjab Province and far from Chiniot), and this costed too much to carpenters to participate in exhibitions. So, they always missed the opportunity to attract interest buyers directly. There was no support from the district administration and provincial government regarding the furniture valley for exhibition of manufacturers. Furniture Manufacturer Head of the Association said:

“We requested for the furniture valley in the city for exhibition of our handmade furniture so that customers directly visit that valley and order items according to their purchasing power ...” R14

Limited interest of the provincial and federal governments and district administration

Heads of the association said that we tried to approach provincial and federal governments and visited Lahore and Islamabad to meet them but got no response from them. Their comments are below:

“Association heads visited Islamabad, Faisalabad and Lahore to approach the political representatives but there is no proper attention given to the issues which are existing in this cluster...” R8

“... we have written many letters to the Chief Minister but still there is no response from the CM office.” R9

Artisans also revealed that the district administration was more concerned with collecting taxes rather than providing service. District Administration and Local government did not respond to their queries and that was the reason of poor infrastructure of the city. For example, two of the respondents stated that

“District administration is also not facilitating us, and they impose taxes every time on us and in return they do not provide us any support...” R4

“The District Administration is more concerned with their taxes, and they have no other concern whether we are alive or dead.” R5

Issues of Furniture City Project

An industrial city is being made near Faisalabad on M-4 Motorway and government has approved Chiniot Furniture City of 200 acres in this industrial city. Government was offering land to the carpenters, but they did not have the purchasing power to buy land. Carpenters urged that they should be provided with land in smaller allotments which should match their purchasing power. Artisans were willing to move to this new cluster if they were provided with basic infrastructure connecting Chiniot with the industrial city, as the following responses show

“200 acres are being offered for the Chiniot furniture city and we demanded for the one-way road and street lighting as the road which connects us with the furniture city is not good.” R5

“... there are very few chances that the workshop owners will be there and benefitting from that project.” R7

No proper representation in Chamber of Commerce

Chiniot Furniture Cluster has only one registered furniture manufacturers association with chamber of commerce, but this association has not proper representation in the chamber. They were not invited for discussions on issues regarding furniture production in Pakistan. So, they were losing the opportunity to raise their voice and get their issues heard and resolved. This was also limiting their growth potential. For instance, as one of the artisans shared that

“Our labor issues, manufacturers issues, infrastructure issues, raw material availability issues are not discussed, and chamber of commerce have not

given us proper representation. We should be given proper membership and representation so that we can join hands with each other for the promotion of this sector.” R14

Higher costs of electricity

This issue was largely shared by home-based firms employing 2-3 workers. These firms had to paying higher electricity bills. They were not given any subsidy despite being micro-level units. So already resource starving micro firms were being challenged in term of the utilizing their growth potential as two of the respondents shared:

“All the meters at these workshops are commercial meters, and there is not any subsidy in electricity provision...” R11

“.... load shedding [power shortage] occurs mainly on Tuesday and Wednesday and during that time we have to wait for electricity and prices of the electricity are also very high....” R12

External shocks – COVID-19

COVID-19 pandemic was the worst external shock that artisanal firms that to face in the Chiniot Furniture Cluster. Carpenters had to shut down their firms. Lockdowns were imposed and there were disruptions in supply chains. Demand for furniture declined to zero because public gatherings were banned, and marriages cancelled. Wood and raw materials supply chain got disrupted which raised the costs of the raw materials and firms had to stop their production. All this badly impacted on the growth of artisanal firms which were already hardly receiving any support from the government. According to the Economic Survey of Pakistan (2020-2021), wood products growth declined by 45.77%. This shows the declining growth trend of the furniture sector. So, overall performance of the sector remained poor due to COVID-19.

“Government has imposed lockdowns and these lockdowns are severely affecting the lives of the artisans as the sales are affected and demand is declining as well so owners move to lay off their workers.” R1

6. Conclusions and policy recommendations

Chiniot furniture cluster is the oldest cluster in Pakistan, but its artisanal firms are facing multilevel (micro, meso and macro) growth challenges risking the livelihood of many craftsmen who are carrying forward the skills they have been learning over the years from their ancestors and through experience. In order to help these craftsmen, sustain and grow there is a need to revive the Chiniot furniture cluster in such a way that it not only meets the needs of the local markets but also play a vibrant role in generating export earnings. Table 2 presents the pragmatic policy suggestions anticipating their possible positive outcomes resulting from addressing the growth challenges of artisanal firms in the Chiniot Furniture cluster. In the first Column of Table 2 the identified growth barriers are mentioned, and in the corresponding Column 2 policy measures are proposed to overcome the identified barriers, Column 3 outlines the imagined outcomes and long term expected positive outcomes are presented in Column 4.

Table 2: Policy suggestions and possible outcomes

Growth barriers	Policy suggestions	Imagined outcomes	Expected final outcomes
Technological Barriers	Research and Development for efficient and cheap machines Loans to unemployed workers for purchasing machinery	Unemployed workers will be able to earn their livelihood Quality of furniture will improve	Overall production of the furniture will increase Quality furniture will be produced to meet the demands of importers
Intracity Trade Issues	District Administration and Revenue Department Facilitation in trade inside city with showrooms	Trade issues will decrease Workers will be able to produce more for trading inside the city	Showrooms and workers both will participate in increasing exports
Inter-city Trade Issues	District Administration should facilitate in resolving intercity issues Mitigation of intercity trade policy with the help of SMEDA and Chamber of Commerce	Encourage Manufacturers to participate in intercity trade	More demand for products which encourage manufacturers to produce more
Workshop Debt Issues	Microfinancing Schemes Cooperative trade with showrooms with the help of district administration	Manufacturers will be able to produce more during off season period Stress of debt will be eased	Manufacturers will earn profits, and this will incentivize them to produce more
Seasonal Demand Issues	Utilization of this period in increasing exports This underutilized time period can prove miracle in terms of exports	No losses in off season period Higher profits in off season period	Increase in exports Increasing Foreign Reserves and help in balance of payments
Lack of Wood Market	Establishment of Wood Bank with the help of provincial government and Forest Department	Availability of wood at lower prices Better Quality wood will be available in the cluster at lower prices	Quality of the furniture will improve as quality wood will be available
Road and Other Basic Infrastructure Challenges	Intercity roads should be made in 1 st priority Provincial and Federal Government should allocate funds for that Sanitation and Intracity roads should also be made with the help of District Administration	Connectivity with Lahore, Sargodha and Faisalabad Brokerage of furniture will decrease as infrastructure will be improved	More customers Increase in Demand More Production Growth of Firms will increase
Workforce Issues	Establishment of labor court bench in the district court Local Level Association Negotiation with workers Enforcement of Contract System	Better management of Workforce Minimization of Workforce disputes Contract system will increase the effectiveness of workers and they will work for longer time period	Workforce will be more efficient Owners of workshops will be at ease as they have no fear of labor force Overall production will increase
Rising prices of Raw Materials	Establishment of Factories for Raw materials and Machinery through Public-Private Partnerships Price Regulatory mechanism	Decrease in Prices of Raw Materials No Artificial Shortages	Cost of Production will decrease due to availability of Raw materials at Lower Prices Economies of Scale Production Will increase
Poor Quality and Export Issues	Total Quality Management and special trade courses for owners of Workshops	More focus on quality More Export incentives Lower illiteracy	Boost Exports Quality will improve
Tax Issues	One size cannot fit all workshops	Small Workshops will receive relief Medium sized firms will be taxed according to their scale and production	Lower taxes More incentives for increasing production

	Small and Medium Sized firms should be taxed and provided subsidies according to their scale of operation		
Microfinance Issues	Workers friendly Micro-financing Schemes No interest on loans within the range of Rs.100,000 to 500,000	Incentivize workers to take loan and meet their demands Workers will be able to purchase raw materials in bulk	Expansion of workshops More employment generation Improved quality of furniture
TEVTA Training Issues	Revision of TEVTA training courses with consultation with traditional carpenters Apprenticeship schools in workshops	Skill set of workers will improve More skilled workers according to the demand of carpenters	Labor will be easily available according to the demand of Manufacturers
No R&D	Clusters Study should be conducted of this cluster	Growth potential of this cluster will be determined, and policy framework will be devised accordingly	Labor force , Raw Materials trade issues will be highlighted, and proper framework will be made for addressing these challenges
Lack of Social Security Hospital in Chiniot Cluster	Improvement of services in DHQ Hospital Establishment of Social Security Hospital for Carpenters and other labor class	Workers will be better off as they will have more incentives to work efficiently	Workers will be better off and work efficiently to increase production
No Furniture Valley for Exhibition	Establishment of Furniture Valley in the Cluster Small Exhibition points in each Mohalla	Customer's time will be saved as they only visit the furniture valley and order products according to their likeliness	Increasing sales More Revenues
Lack of Political Support	Elected representatives should support the cluster and manage grants from government for infrastructure Development	Better infrastructure development	More customers visit this cluster Brokerage of furniture will decrease
Lack of Provincial and Federal Government Support	Government Officials and Ministries should support this cluster in establishing wood bank, Raw materials factories, and labor courts	Establishments of labor courts, raw material factories and wood bank	Availability of raw material at cheaper prices Quality wood will be available Reduction in labor force disputes
Issues of Furniture City Project	Availability of Land at in short plots of 5 Marla, 10 Marla and 1 Kanal to the manufacturers Adequate Infrastructure Development	Migration of Workers towards Industrial City	More Economies of Scale Efficient Production Higher Demand
No Proper Representation in Chamber of Commerce	Proper Representation of local Association in Chamber of Commerce	Discussion on Labor force, raw materials, wood bank and Infrastructure Issues	Mitigation of Strategies for addressing these issues
Higher Costs of Electricity	Mitigate strategy for provision of electricity according to the size of the firms	Small manufacturers will receive subsidies, and this will incentivize them to boost production	Cheaper electricity will reduce the input costs and workers will be better off and will start increasing production
COVID-19 Impact	Special tax Relief to ease the effect of external shock of COVID-19 Special Loan Schemes	Relief from Tax Burden Loans for continuing production and paying off debts	Normalizing effect of COVID-19

(Source: Authors)

Implementing the proposed policy framework

Table 3 refers the concerned government departments which can work together towards the development of strategies and ensure their implementation to support the growth of artisanal firms in Chiniot. The key stakeholders (Column 1) include the district administration, provincial and federal government authorities and various other regulatory and support institutes. The scale and scope of the roles of each stakeholder in helping artisanal firms to overcome growth barriers is outlined in Column 2. Finally, the possible positive outcomes or incentives of having successful policy intervention are presented in Column 3. The key incentives range growth of artisanal firms to regional development, better employment opportunities, higher tax revenues and better export earnings the development of craft-oriented furniture industry in Pakistan.

Table 3: Coordinating actors to implement the proposed policy

Concerned Stakeholders	Roles	Incentives
District Government	Infrastructure development Planning and development of this cluster at local level	Growth of Cluster and more taxes will be generated in the form of tax revenues
Provincial government	Issuance of Grants for infrastructure Development (Planning and Development Board) Establishment of wood bank	Increased Production, More Sales and Exports, Increasing Export earnings
Federal Government	Facilitation in Mitigation of Strategies for Export promotion and their effective Implementation	Growth of the Cluster Boost to Economy Employment Generation GDP Growth
SMEDA ³	Conduct Cluster Study of this Project	Identification of Growth Potential of This cluster
PSIC ⁴	Interest Free Loans	Expansion of Businesses
Ministry of Industries and Production	Facilitation in Growth of this sector by Facilitation in Establishment of Industrial city	Economies of Scales, More Growth, More taxes for the Government
Custom Department	Issuance of Exports Licenses to the Manufacturers	Export revenues Revenues from tax duties
TEVTA ⁵	Standardized training of experts by consultation with carpenters and experts	Skilled Workforce Boost to Cluster
Commercial Banks	Facilitation in Opening of Bank Accounts Ease in documentation in Acquiring Loan	Expansion of Business
Faisalabad Chamber of Commerce	Discussions on Challenges in Furniture Production and its opportunities with Association Heads and Government Representatives	Assistance to Government in Policy Formulation

³ Small and Medium Enterprises Development Authority

⁴ Punjab Small Industries Corporation

⁵ Technical Education and Vocational Training Authority

CPEC ⁶ Authority FIEDMC ⁷	Division of one-acre plots into small sizes of 5 Marla, 10 Marla and 1 Kanal Installation of Infrastructure connecting Chiniot with M-4 Industrial City	Industrial City Development
FBR ⁸	Tax relief and tax exemptions Imposition of taxes on the basis of the scale of the business	More Growth of Businesses Increasing Revenues in Long Term
Forest Department	Facilitation in Development of Wood Bank	Efficient Usage of wood Increasing Production of Furniture

(Source: Authors)

⁶ China Pakistan Economic Corridor

⁷ Faisalabad Industrial Estate Development & Management Company

⁸ Federal Board of Revenue

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