



INDEBTEDNESS AMONG WEAVERS AND ARTISANS IN HANDLOOM INDUSTRY: THE EMPIRICAL ANALYSIS

¹Neha Sharma, ²Dr. Devinder Sharma

¹Ph.D. Research Scholar, ²Professor & Chairman

Department of Commerce, Himachal Pradesh University, Shimla, India

Abstract: India's transition from an agrarian economy to one driven by industrialization and urbanization has significantly impacted rural livelihoods, including traditional occupations such as handloom weaving. Once a vital supplementary income source for agriculturists, the handloom sector now faces decline amid shrinking rural employment opportunities and increasing migration to urban areas. This study, conducted across the districts of Kangra, Kullu, and Kinnaur in Himachal Pradesh with a sample of 388 handloom weavers and artisans, investigates the extent of financial support received and the key factors contributing to their indebtedness. Using structured questionnaires and statistical analysis, including Chi-square tests, the study reveals a strong association between employment type and both borrowing behavior and repayment challenges. Independent weavers are found to be the most financially vulnerable due to irregular incomes and limited institutional support, whereas cooperative and master weavers demonstrate comparatively better repayment capacity. Indebtedness is largely driven by income insufficiency, dependence on high-interest informal credit, and borrowing for consumption needs, leading to persistent financial instability. The findings underscore the urgency of preserving the handloom sector through targeted policy measures such as access to affordable credit, financial literacy, and social protection mechanisms. Revitalizing traditional industries like handloom weaving is essential not only for safeguarding cultural heritage but also for promoting inclusive and sustainable rural development.

Key Words - Handloom Industry, Weavers, Indebtedness, Financial Assistance

INTRODUCTION

India's handloom weaving tradition dates back to ancient times, with evidence from the Indus Valley Civilization indicating early textile production.^[1] Handloom weaving is a traditional skill inherited across generations, representing the cultural identity and regional diversity of India. Each hand-woven product carries distinct techniques, designs, and colors that reflect its local origin. However, these traditional practices are under threat due to industrialization and changing market trends. Promoting the use of handloom products is essential to preserving these age-old crafts and ensuring their continuity for future generations.^[2] The handloom industry is primarily home-based, with family members jointly participating in the weaving process. This setup enables many women to earn a direct income, enhancing their financial independence and boosting their social confidence.^[3]

The handloom industry in Himachal Pradesh is an important traditional sector that plays a key role in preserving the state's cultural identity while supporting its economic growth. It involves the weaving of woolen and cotton fabrics, which are vital to both the local economy and the heritage of the region.^[4] Himachal Pradesh is renowned for its premium-quality shawls, particularly those from the Kullu region, which are popular among both domestic and international tourists. To protect their authenticity, Kullu shawls have been granted Geographical Indication (GI) status under the Geographical Indications of Goods Act, 1999. This ensures that only genuine producers within the region can use the name "Kullu shawl," with penalties in place for misuse. The brand 'BHUTTICO' has further enhanced the identity and recognition of these shawls.

Both state and central governments actively support the handloom sector through various financial and non-financial initiatives. The Himachal Pradesh State Handicrafts & Handloom Corporation Ltd plays a crucial role in promoting handlooms and handicrafts. Efforts to expand market access include promoting sales through e-commerce platforms. Skill development programs are regularly conducted in key handloom clusters, benefiting thousands of weavers.^[5]

LITERATURE REVIEW

Basir, Irfan & Hayyat(2014) ^[6] discovered that the majority of weavers perceive their occupation as a means of improving their socioeconomic status by supporting better health and enabling their children's education. Their close community living allows them to share concerns and experiences. **Rao, Sathyanarayana & Kamalakara (2014)** ^[7] identified key factors sustaining the handloom industry and revealed that, despite relying on outdated tools, weavers face major challenges such as low-quality finished products, limited access to finance and marketing, and raw material shortages. **Koley & Sana (2016)** ^[8] stated that the PWCSs in West Bengal are facing multiple challenges, including intense competition from cheaper power loom, mill-made, and imported products, along with inadequate working capital that hampers production and sales. Although

various government schemes exist to support these societies, most members are either unaware of them or unable to meet the eligibility criteria. **Goswami, Hazarika & Handique (2017)** ^[9] asserted that limited resources and low-value production restrict the growth of female micro-entrepreneurs in the handloom sector, who tend to be more risk-averse than males. It also emphasized that education reduces risk aversion by enhancing productivity, income, and access to credit, thereby lowering the chances of business failure. **Bhattacharya & Sen (2018)** ^[10] concluded that the handloom industry is undergoing a transitional phase due to the slower expansion of the power loom sector. It also revealed that the industry has historically shown high levels of labor mobility and skill development, which continue to be evident today. **Sasikala M. S. (2019)** ^[11] examined the living conditions of weavers and found that despite producing fashionable textile products, many live below the poverty line and lack access to basic necessities like proper clothing. This situation is worsened by exploitation from certain proprietors and the failure of government benefits to effectively reach the weaver community. Additionally, middlemen often underpay weavers, taking their labour without fair compensation. **Parvin, Fatema & Haque (2020)** ^[12] emphasized that limited access to credit is a major barrier to shifting from traditional manual production to modern technology-based methods. Factors such as family size, land ownership, work experience, personal savings, and the flexibility of loan terms influence weavers' ability to secure loans.

SCOPE AND RESEARCH METHODOLOGY

The study was carried out across three districts of Himachal Pradesh—Kangra, Kullu, and Kinnaur—with a total sample size of 388 handloom weavers and artisans. The sampling strategy was designed to capture a diverse representation of employment types and weaving practices within the region. Data collected from the participants were analyzed using a Five-Point Likert Scale along with appropriate statistical tools to ensure robust and meaningful insights. The findings have been presented in accordance with the analytical results.

OBJECTIVES

Following are the objectives of the study:

- 1 To evaluate the extent of financial support received by weavers and artisans in the handloom sector, and to assess their overall level of indebtedness.
- 2 To identify and analyze the key factors contributing to the indebtedness of weavers and artisans within the handloom industry.

ANALYSIS AND INTERPRETATIONS

table 1: Relationship between employment type & indebtedness

Association	Chi-Square Value	P-value
Reasons for Seeking Loans	168.492	0.001
Problems in Loan Repayment	29.422	0.001
Income is not sufficient to recover loan repayments	4.311	0.828
High interest rates	10.149	0.255
Unexpected expenses make it difficult to repay loans	15.365	0.052
Lack of financial planning	10.381	0.239
Multiple outstanding loans	3.995	0.858
Health problems cause missed loan repayments	15.31	0.053

Table 1 presents the combined district-wise analysis of the relationship between employment type and various aspects of indebtedness among handloom weavers in Kangra, Kullu, and Kinnaur.

A highly significant relationship ($\chi^2 = 168.492$, $p = 0.001$) was observed between employment type and the reasons for seeking loans. Independent weavers predominantly borrowed for business expansion, master weavers for operational needs, and cooperative members primarily for personal expenditures such as education and healthcare. This highlights how employment structures influence financial priorities within the handloom sector.

Similarly, employment type significantly affected loan repayment challenges. Independent weavers faced the highest repayment difficulties due to irregular income streams, while master weavers, benefiting from organized networks, showed stronger repayment capacity despite occasional challenges with large repayments. Cooperative members experienced moderate stress but often managed repayments through collective support systems. These findings underline how income stability and formalization levels impact debt servicing capabilities.

In contrast, no significant relationship was found between employment type and perceived income sufficiency for repayment ($p = 0.828$), indicating that repayment difficulties persist across all employment categories, irrespective of income levels. This suggests the presence of systemic issues such as inadequate loan structuring or emergency expenses.

Likewise, high interest rates, multiple outstanding loans, and financial planning challenges did not show significant variation across employment types. These factors appear to be sector-wide concerns, affecting all weavers uniformly. Over-indebtedness, in particular, was identified as a common coping mechanism for managing cash flow and unforeseen needs, regardless of the nature of employment.

Some variables showed marginally significant relationships. Unexpected expenses and health-related problems were more likely to disrupt loan repayment among independent weavers and cooperative members than master weavers. Although not statistically significant at conventional levels, these trends suggest that informal employment types are more vulnerable to financial shocks due to the absence of institutional or organizational support.

In conclusion the analysis of Table 1 reveals that employment type plays a crucial role in shaping the borrowing purposes and repayment capacity of handloom weavers, with independent weavers being the most financially vulnerable. However, sector-wide challenges such as high interest rates, inadequate financial planning, and multiple loan dependencies cut across all categories of employment. These findings point to the need for a dual approach—targeted safety nets for vulnerable

table 2: Major Causes of Indebtedness among Weavers

Hypothesis	Chi-Square Value	P-value	Significance	Association	Interpretation
H₀ : There is no relationship between income sufficiency and borrowing behavior. H₁ : There is a significant relationship between income sufficiency and borrowing behavior.	250.81	0.001	Significant	Income Sufficiency & Borrowing Behavior	Weavers with low income are more likely to borrow money, showing that financial instability is a major cause of debt.
H₀ : The source of debt does not influence repayment problems. H₁ : The source of debt significantly affects repayment problems.	20.75	0.001	Significant	Loan Sources & Repayment Difficulties	Those who borrow from moneylenders or master weavers face more trouble in repaying loans compared to those who borrow from banks, suggesting that informal loans increase financial pressure.
H₀ : Reasons for taking loans are independent of the outstanding debt levels. H₁ : Reasons for loans significantly impact outstanding debt levels.	80.418	0.001	Significant	Reasons for Borrowing & Total Debt Outstanding	Weavers who take loans for business purposes, like working capital or equipment, tend to have more unpaid debt, showing that such loans add to long-term financial burden.
H₀ : The amount borrowed does not affect repayment difficulties. H₁ : Higher loan amounts lead to greater repayment difficulties.	4.171	0.383	Not Significant	Loan Amount & Repayment Difficulties	The size of the loan does not strongly affect repayment problems; factors like high interest rates and poor financial planning are more important.
H₀ : Interest rate levels do not influence whether borrowers take loans to repay old debt. H₁ : Higher interest rates increase the likelihood of borrowing to repay old debt.	33.31	0.001	Significant	Interest Rates & Borrowing for Old Debt	Weavers paying high interest rates often need to take new loans just to repay old ones, showing a pattern of rising debt.

Table 2 reveals a concerning trend among weavers with persistently low incomes, who are frequently forced to borrow money to meet their basic daily needs. The data suggests that a significant portion of this borrowing occurs through informal sources, often at exorbitant interest rates. Importantly, these loans are largely used for consumption rather than income-generating purposes, which contributes to a vicious cycle of debt. As interest payments accumulate, they further erode the weavers' already limited income, perpetuating a state of financial vulnerability. This pattern underscores a structural challenge; wherein short-term coping mechanisms compromise long-term financial stability. The table thus points to the critical need for policy interventions, such as ensuring living wages, facilitating access to affordable credit, and implementing social safety nets to support weavers' economic resilience.

CONCLUSION & FINDINGS

The study comprehensively highlights the intricate relationship between employment types, borrowing behavior, and indebtedness among handloom weavers in Himachal Pradesh, particularly in the districts of Kangra, Kullu, and Kinnaur. Findings indicate that the type of employment significantly influences both the reasons for seeking loans and the ability to repay them. Independent weavers emerged as the most financially vulnerable due to irregular income and limited institutional support, while master weavers and cooperative members benefit from more structured networks that aid repayment.

However, several systemic challenges such as high interest rates, poor financial planning, multiple loans, and emergency health or household expenses cut across all employment categories. These sector-wide problems highlight that while targeted measures for specific groups are necessary, broader reforms are equally essential to stabilize the handloom sector.

Table 2 reinforces these observations by establishing that insufficient income, dependence on informal credit sources, and high interest rates are primary drivers of chronic indebtedness. The tendency to borrow for consumption rather than productive investment deepens the debt trap, severely affecting long-term financial stability.

Overall, the research points to an urgent need for policy-level interventions that not only address immediate credit needs but also build long-term economic resilience among handloom weavers through structural reform and institutional support.

SUGGESTIONS

Based on the findings and conclusions of the study, the following suggestions are proposed:

- Introduce minimum income standards or wage support programs for handloom weavers to reduce dependency on borrowing for daily sustenance.
- Expand access to institutional credit through cooperative banks, microfinance institutions, and government schemes with borrower-friendly terms.
- Monitor and regulate informal lenders and master weaver credit systems to curb exploitative interest rates and improve borrower protection.
- Implement community-based financial education programs to improve planning, budgeting, and awareness of safer credit options.
- Establish health insurance, emergency funds, and social safety nets to reduce the financial burden of unexpected expenses.
- Provide incentives for loans used in productive investments like looms, raw materials, or training, along with technical guidance to ensure profitability.
- Support and expand cooperative structures that offer both economic and social security to their members.
- For over-indebted weavers, initiate schemes for debt restructuring, interest waivers, or one-time settlements to break the debt cycle.
- Strengthen marketing infrastructure and digital platforms to help weavers' secure fair prices and stable demand for their products.
- Integrate handloom sector support with existing rural employment and skill development programs (like NRLM, MGNREGA, etc.) for holistic upliftment.

REFERENCES

- [1]Anjana Attri (2017). Handloom Industries in Himachal Pradesh: An overview. *International Journal of Advanced Research and Development*, Vol. 2, Issue 5, page 276-282)
- [2]Bhattacharya, R., &Sen, S. (2018). Pride and prejudice: The condition of handloom weavers in West Bengal. Working Paper
- [3]Chattopadhyay, K. (1995). *Handicrafts of India*. Wiley Eastern Limited.
- [3]Ghosh, G. K. (2000). *Handicrafts of India*. APH Publishing.
- [4]Goswami, K., Hazarika, B., &Handique, K. (2017). Determinants of Financial Risk Attitude Among the Handloom Micro-Entrepreneurs in North East India. *Asia Pacific Management Review*, 22(4), 168-175.
- [5]Himachal Pradesh Tourism Development Corporation. (n.d.). *Himachal handicrafts and handloom*. Retrieved April 6, 2025, from <https://hptdc.in/index.php/himachal-handicrafts-and-handloom/>
- [6]Koley, J., & Sana, A. K. (2016). Financing Problems of Handloom Industry: A Study with Reference to Primary Weavers' Cooperative Societies of Some Select Districts in West Bengal. *Indian Accounting Review*, 20(2), 74-90.
- [7]Ministry of Textiles, Government of India. (2020). *Fourth All India Handloom Census Report (2019–2020)*. Office of the Development Commissioner for Handlooms. Retrieved from <https://handlooms.nic.in>
- [8]Muhammad, A.B., Muhammad, I., &Hayyat, M.F. (2014). Role of Handlooms in the Socio-Economic Conditions of Handlooms Workers in Cholistan. *Applied Sciences and Business Economics*, 1(4), 09-22.
- [9]Parvin, M. T., Fatema, K., & Haque, S. (2020). Factors Determining the Credit Accessibility by the Small-Scale Entrepreneurs: A Case of Handloom Weaving in Bangladesh. *International Journal of Business and Management*, 15(8), 93-100.
- [10]Rao, M. S., &Sathyanarayana, M. J.(2014). An Empirical Study on Problems of Weaver in Dharmavaram Town. *International Journal of Business and Administration*, 1(7), 152-157.
- [11]Sasikala, M. S. (2019). A Study on Analyzing Social Status of Handloom Weavers in Tiruvannamalai District. *International Journal of Advance Research, Ideas and Innovation in Technology*, 5(3), 317-319.

