Weaving Financial Resilience

Transforming Credit Access for India's Handloom Artisans

By National bank Staff College
Lucknow

NABARD

PREFACE

The handloom sector is an essential pillar in India's rural economy and heritage, preserving traditional artistry and providing livelihood to millions. Despite its historical and developmental significance, the sector continues to experience persistent socio-economic and financial challenges including low formal credit penetration, modest income levels, and the increasing pressure of mechanized textile production. As highlighted in the Fourth All India Handloom Census (2019-20), only a fraction of the 31.45 lakh handloom households have access to institutional finance, re-emphasizing the crucial need for focused support and innovative financial products.

The Department of Refinance (DoR), NABARD, recognizing these sectoral challenges and in alignment with NABARD's developmental priorities, commissioned this comprehensive study on Short-Term Weavers Product and credit support mechanisms. Undertaken by NBSC during 2024-25 under the guidance of senior management, the report draws upon extensive field studies and rich interactions with weavers, Primary Weavers' Cooperative Societies (PWCS), State Handloom Development Corporations (SHDCs), banks, and key policymakers in major handloom-dominated states—Assam, West Bengal, Jammu & Kashmir, Tamil Nadu, Telangana, and Uttar Pradesh.

This report is both timely and significant, providing a nuanced analysis of income and demographic patterns, institutional and cooperative coverage, credit flow dynamics, and the operational roles of SHDCs and OFPOs. The study uniquely benefited from a consultative and iterative process with valuable feedback and critical suggestions from the Off-Farm Development Department (OFDD), and other NABARD departments.

Special mention must be made of the persistent efforts by the National Bank Staff College (NBSC) study team and the guidance provided by the executive leadership in NBSC, as well as the weaver communities and institutional partners for sharing their insights. We extend our sincere thanks and appreciation to NBSC for capably conducting this study with scientific rigour and dedication, often in challenging field conditions.

The report adopts a holistic approach—not only reviewing financial bottlenecks, but also considering the broader socio-economic realities, infrastructural needs, and the emerging potential of digital and cooperative frameworks. The recommendations contained here aim to guide NABARD's future course in policy, refinance product design, and capacity building—so as to better serve the needs of weavers and further financial inclusion, modernization, and sector resilience.

We are confident that this report will inform stakeholders across the spectrum—policy, finance, and development—and catalyse impactful action on the ground.

We look forward to ongoing feedback from other departments, as well as continuous engagement with ground-level institutions and weaver communities for the sustainable development of this sector.

K.S. Mah

Dr. K S Mahesh
Chief General Manager
Department of Refinance, NABARD

Foreword

The handloom sector in India stands as a testament to the nation's vibrant tradition and craftsmanship, supporting the livelihoods of over 31.45 lakh households. Yet, as the Fourth All India Handloom Census (2019-20) reveals, only 1.25% of these households have access to institutional credit—underscoring the urgent need for deeper financial inclusion. In the post-pandemic era, vulnerabilities and opportunities in the sector have become even more pronounced, making a critical review of our support mechanisms imperative.

It is a matter of privilege and immense pleasure to present this comprehensive study, which examines both the challenges and prospects within the handloom sector, with a particular emphasis on short-term credit products and institutional support frameworks. This report is the outcome of extensive field studies across six major handloom-centric states—Assam, West Bengal, Jammu & Kashmir, Tamil Nadu, Telangana, and Uttar Pradesh—that together account for more than 70% of India's weaver population. From the intricate Kashmiri carpets to the renowned Banarasi silk sarees, these clusters embody the sector's diversity and cultural significance.

The study, undertaken by NBSC as advised by the Department of Refinance (DOR), draws upon in-depth consultations with individual weavers, State Handloom Development Corporations, cooperative societies, banking partners, and government departments. Importantly, the process was informed by valuable feedback and guidance from DOR and Rural MSME Department (RMSMED), ensuring the work is both comprehensive and actionable. The active participation of the weavers and the unwavering support of the study team—working even in the most challenging field conditions—have greatly enriched the findings under the constant guidance and encouragement of Dr. Surendra Babu, Vice Principal, NBSC.

The report adopts a holistic approach, addressing financial, socio-economic, technological, and institutional dimensions. Its recommendations span urgent corrective measures and long-term strategies—calling for policy reforms, targeted credit innovations, and fresh impetus to institutional frameworks and market linkages.

We express our deep gratitude to all contributors, especially the dedicated weaver communities, officials from SHDCs and cooperative societies, partner banks, government departments, regional offices, and DDMs of NABARD. Their invaluable insights, feedback, and steadfast collaboration have made this report possible. Special acknowledgement is due to the research team that undertook extensive field visits for stakeholder consultation and for a comprehensive handloom sector report.

We trust that this document will act as a catalyst for actionable interventions in the sector, furthering NABARD's mission to strengthen rural livelihoods while safeguarding India's rich handloom heritage.

Dr. M S Rao
Principal/CGM, NBSC
(March 2025)

Taking Rural India >>

National Bank Staff College

Core Team & Officers Involved in the Study

This report, Weaving Financial Resilience: Transforming Credit Access for India's Handloom Artisans, is the result of dedicated efforts and collaboration among the following officers:

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We gratefully acknowledge the guidance of NABARD Senior Management, the support of NBSC, and the contributions of all officers, field staff, and stakeholders involved in this study.

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Glossary of Abbreviations and Acronyms

1. BIRD - Bankers Institute of Rural Development
2. CAGR - Compound Annual Growth Rate
3. CGTMSE - Credit Guarantee Fund Trust for Micro and Small Enterprises
4. DEAR - Department of Economic Analysis and Research
5. DLF - Detailed Loan Form
6. DMFI - Department of Microfinance Innovations
7. DOR - Department of Refinance
8. FLCs - Financial Literacy Centers
9. GI - Geographical Indication
10. HH - Households
11. JLG - Joint Liability Group
12. JLGPI - Joint Liability Group Promoting Institution
13. KCC - Kisan Credit Card
14. KYC - Know Your Customer
15. MFI - Microfinance Institution
16. MFTC - Microcredit to Financing through Cards
17. MUDRA - Micro Units Development & Refinance Agency
18. NABARD - National Bank for Agriculture and Rural Development
19. NAFIS - NABARD All India Rural Financial Inclusion Survey
20. NBSC - National Bank Staff College
21. NCGTC - National Credit Guarantee Trustee Company
22. NEFT - National Electronic Fund Transfer
23. NGO - Non-Governmental Organization
24. NPA - Non-Performing Asset
25. OFDD - Off-Farm Development Department
26. OFPO - Off-Farm Producer Organization
27. PA - Promoting Agency
28. PLI - Promotional Linked Incentive
29. PMJDY - Pradhan Mantri Jan Dhan Yojana
30. PWC - Primary Weavers Cooperative Society
31. RLP - Realistic Lending Program
32. RO - Regional Office
33. RTGS - Real-Time Gross Settlement
34. SAO - Seasonal Agricultural Operations
35. SBI - State Bank of India
36. SCB - Scheduled Commercial Bank
37. SHC - State Handloom Corporation
38. SHDC - State Handloom Development Corporation
39. SHG - Self-Help Group
40. SHPI - Self-Help Group Promoting Institution
41. SIDC - State Industrial Development Corporation
42. SLBC - State Level Bankers' Committee
43. ST - Short Term
44. UAM - Udyog Aadhaar Memorandum
45. UPI - Unified Payments Interface
46. USP - Unique Selling Proposition
47. WCC - Weaver Credit Card

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Executive Summary

The Indian handloom sector is deeply embedded in the nation's cultural heritage and serves as a key source of rural livelihood, employing millions of families. Despite this, the sector is plagued by various structural and financial challenges that threaten its sustainability. These include socio-economic distress among weavers, limited access to modern technology, inadequate market reach, and an over-reliance on informal credit systems. Power looms and mechanized textile production pose a further threat, undermining the competitiveness of traditional handlooms. This study was carried out across six key states—Assam, West Bengal, Jammu & Kashmir, Tamil Nadu, Telangana, and Uttar Pradesh—representing 70% of the country's weavers. It examines the current state of the sector, evaluates institutional interventions, and provides recommendations to strengthen financial and operational linkages for handloom weavers.

Objective of the Study

The objectives of the study included assessing the socio-economic conditions of weavers, suggesting measures to improve access to formal credit, and effectiveness of government and institutional support mechanisms like cooperative societies, State Handloom Development Corporations (SHDCs), and self-help groups (SHGs). It also aimed to recommend policy modifications to enhance the scope and delivery of NABARD's credit products and development initiatives.

Methodology

The study relied on a mix of field visits, stakeholder interactions, and extensive data analysis. It evaluated clusters such as Sualkuchi in Assam, Vishnupur in West Bengal, Pochampally in Telangana, Basauli in Jammu & Kashmir and Banarasi saree cluster in Varanasi Uttar Pradesh covering financial needs, technological gaps, and institutional frameworks. The literature review was primarily based on the Fourth All India Handloom Census (2019–20), alongside government records and NABARD refinances. Inputs from weavers, cooperatives, SHDCs, and banks enhanced the findings.

Key Findings

1. Socio-Demographic Profile and Weavers' Livelihoods

- **Education**: Over 23% of weavers have no formal schooling, and only 3.63% have graduated.
- **Income**: Nearly 64% earn <₹10,000/month, with clusters in Assam and Uttar Pradesh reporting the lowest incomes. Most weavers operate at subsistence level.
- **Technology**: More than 70% of looms remain outdated, while financial constraints hinder the adoption of modern frame looms.
- **Female Participation**: In Tamil Nadu, 60% of the workforce is female, while other states like Telangana see less than 30% female involvement.

2. Financial Challenges and Institutional Gaps

- **Reliance on moneylenders**: Nearly 74% of households depend on informal loans, often at exorbitant interest rates (18–24%).

- **Limited access to credit schemes**: The Weaver Mudra Scheme has a low uptake due to lack of awareness, complex documentation, and insufficient customization. Only 1.25% of weavers are linked to formal credit facilities.
- **Defunct Cooperatives**: Around 50% of Primary Weaver Cooperative Societies (PWCS) are inactive or financially weak, reducing their potential role in production and credit integration.
- **SHDC Challenges**: SHDCs play a minimal role in yarn supply (1.65%) and employment creation (6.3%). Corporate partnerships for marketing are slowly emerging but remain underutilized.

3. Cluster-Based Observations

- In **Assam**, weavers face seasonal unemployment and heavy dependence on middlemen. Despite some progress in cluster-based models like Sualkuchi, restricted adoption of e-commerce tools undermines profitability.
- In **Jammu & Kashmir**, geographical isolation hinders market access and freight logistics for Pashmina artisans.
- In **Tamil Nadu**, cooperatives like Co-optex play a vital role but suffer from delayed government subsidies and liquidity issues.
- In **West Bengal**, apex organizations like Tantuja have attempted to help weavers but face high NPAs and outdated technology.

4. Cross-Sectoral Issues

The handloom sector also suffers from:

- Seasonal unemployment and irregular income patterns, which discourage younger generations from entering the trade.
- Poor utilization of GI tags and branding, with most benefits captured by retailers or middlemen.
- Low awareness of modern financial products and digital marketing opportunities.

Recommendations

1. Financial Inclusion and NABARD's Role

- **Revamp Refinance Policies:** Simplify and revise NABARD's refinance policies to make loans more accessible to cooperatives, SHGs, and handloom clusters—expanding eligibility to weaver groups and not just established co-ops. Open product schemes to private buyers as well as government entities.
- **Support under Section 27 of NABARD Act:** Promote term loans to State Governments for Primary Weavers' Cooperative (PWC) share capital infusion, as practiced in West Bengal. Increase the refinance quantum (e.g., from 60% up to 80-90%) and relax the sales-based conditions for refinance limits.
- **Interest Subvention and Reduced Margin Money:** Create concessional refinance products (3-5 years) to induce higher, timely credit flow to the sector; consider reducing margin money requirements for loans from 10% to 5%.

- **Support for MUDRA Scheme:** Include loans sanctioned under the Weaver Mudra Scheme, utilizing the Credit Guarantee Fund for Micro Units (CGTMSE) to reduce lender risk. Simplify documentation and dedicate facilitation roles ("Bunkar Facilitators").

2. Institutional and Ecosystem Reforms

- **Revive Dormant PWCs:** Infuse state support and liquidity to revive and operationalize dormant PWCs, leveraging capital infusion schemes.
- **Promote Mini-OFPOs:** Focus on promoting smaller, targeted weaver organizations (Mini-OFPOs, 75-199 members) for customized support, especially in UP and West Bengal.
- **SHG/JLG Promotion:** Implement targeted Self-Help Group (SHG) and Joint Liability Group (JLG) schemes in weaving clusters, and pilot new models for cluster-specific credit support (such as in Assam).
- **Strengthen SHDCs & Corporate Partnerships:** Enhance market access and branding for State Handloom Development Corporations by developing partnerships with private firms.

3. Technology, Data, and Awareness

- **Loom Upgradation:** Subsidize modern frame looms and link this support with capacity-building and digital marketing training. Encourage use of QR codes/GI for traceability and premium branding.
- **Financial Literacy & Capacity Building:** Launch targeted literacy drives via Financial Literacy Centres (FLCs). Build capacity among banks, co-ops, and weavers through institutions like BIRD/NBSC.
- **Sector-Specific Data Collection:** Integrate weaver-specific data (socio-economic, financial needs) in nationwide surveys like NAFIS to enable evidence-based policy-making.

4. Policy Advocacy & Monitoring

- **Exclusive Handloom Financing Code in CBS:** Advocate for a dedicated code in banking systems for handloom sector monitoring and focus.
- **Region-Specific Scale of Finance:** Push for state-specific scales of finance that also address seasonal consumption needs.
- **Regular Monitoring:** Leverage digital Core Banking Solutions (CBS) and periodic beneficiary sensitization programs to ensure sustained outreach and scheme effectiveness.

NABARD's role as a financial and developmental institution will be crucial in bridging institutional gaps, increasing credit availability, and fostering partnerships for modernization and sustainability. The recommendations presented here emphasize collaborative efforts among government bodies, banks, cooperatives, and private players to uplift this vital sector and secure the livelihoods of millions of weavers.

Chapter 1

Introduction

Background and Significance of the Study

The handloom sector in India stands as a cornerstone of the nation's cultural heritage and economic fabric. This sector not only preserves traditional crafts but also provides livelihoods to millions of weavers and allied workers. Despite its significance, the handloom sector faces numerous challenges, including socio-economic distress among weavers, operational inefficiencies, and competition from power looms. Field visits to key clusters in states such as Assam, West Bengal, Jammu & Kashmir, Tamil Nadu, Telangana and Uttar Pradesh reveal specific issues like limited access to credit, the need for modernization of looms, and the critical role of cooperatives and producer organizations in addressing these challenges. This study aims to provide a comprehensive analysis of the current state of the handloom sector, focusing on these key clusters and the broader issues affecting weavers' livelihoods. Among the measures to address the weavers' challenges are changes required in financing production to increase credit flow.

Handloom weaving is more than an economic activity; it is a preservation of art and skills passed down through generations. However, declining incomes, limited access to credit, and the threat from power looms have plagued the sector. This report identifies critical factors affecting weavers' livelihoods, evaluates the effectiveness of cooperative and institutional support systems, and examines the financial requirements of different weaver groups.

Objectives and Scope of the Study

The study aims to provide a detailed understanding of the socio-economic conditions of handloom weavers in India, the challenges they face, and the support systems available to them. The study aims to:

- Identify key issues affecting the handloom sector, such as socio-economic conditions, effectiveness of credit schemes, and market outreach.
- Evaluate the role of State Handloom Development Corporations, Cooperative Societies, Producer Companies, and their effectiveness in addressing weavers' needs.
- Assess the impact of various government schemes and interventions on the sustainability and competitiveness of the sector.
- Offer recommendations to address the challenges faced by the handloom sector and enhance the livelihood of its workforce.
- Examine constraints faced by RRBs, StCBs, and Commercial Banks in availing refinance from NABARD against outstanding loans to weavers and others.
- Suggest measures and changes required in NABARD's ST product design for weavers and weavers' groups to improve credit flow and refinance.

The scope of the study includes extensive field visits to various handloom clusters, interactions with stakeholders such as master weavers, cooperative societies, government officials, and financial institutions, and a detailed analysis of the financial and operational challenges faced by the weavers.

The study encompasses detailed analysis of:

- Financial needs and credit flow patterns across different weaver clusters
- Operational models of successful cooperative societies and producer companies
- Market linkage mechanisms and value chain integration
- Technology adoption and modernization requirements
- Policy implementation at state and cluster levels

Methodology and Data Sources

This report is based on extensive field studies conducted across various handloom clusters, including Sualkuchi in Assam, Vishnupur in West Bengal, Basholi in Jammu & Kashmir, Pochampalli in Telangana, handloom clusters in Tamil Nadu and Varanasi cluster in Uttar Pradesh. The study incorporates literature reviews and feedback from stakeholders such as master weavers, cooperative societies, government officials, and financial institutions. The study closely examines key issues facing the sector, such as low socio-economic conditions, ineffective implementation of credit schemes, and limited market outreach. It also sheds light on initiatives and measures introduced by Central and State Governments, including their impact on the sustainability and competitiveness of the handloom sector.

Aligned with NABARD's objectives, this report specifically caters to the development of new products and support strategies for weavers. By providing targeted analysis and insights, it aims to suggest policy modifications that NABARD can adopt to enhance the effectiveness and accessibility of its products for weavers. The intent is to create tailored financial solutions that meet the distinct needs of various weaver clusters, ultimately driving greater product uptake.

Through a detailed analysis of clusters in Assam, West Bengal, Jammu & Kashmir, Telangana, Tamil Nadu, and Uttar Pradesh, this report aims to provide a comprehensive understanding of regional variations in challenges, opportunities, and needs of weavers. The insights derived from the study are used to test hypotheses surrounding credit availability, financial inclusion, market linkages, and institutional support. Furthermore, the report offers policy recommendations and action points to address the persistent challenges faced by the handloom sector and to enhance the livelihood of its workforce.

This report primarily analyses and studies the Short-Term Weavers product of NABARD while also serving as a valuable resource for NABARD, policymakers, financial institutions, and other stakeholders. It aims to provide a deeper understanding of the complexities within the handloom sector and to chart a roadmap for its development and empowerment. By combining data-driven insights with field observations, this report aspires to make a significant contribution to the discourse on revitalizing one of India's most vital cultural and economic pillars.

Chapter 2

Present Status of Weavers and their Support institutions

Present Status of Weavers in India

The handloom sector in India is a significant source of employment and cultural heritage, providing livelihoods to millions of weavers and allied workers. Despite its importance, the sector faces numerous challenges, including low wages, limited access to modern technology, and restricted market reach. The socio-economic condition of handloom weavers is generally poor, with many earning modest incomes that do not ensure financial security.

Literature Review: According to the Fourth All India Handloom Census, the total number of households in India engaged in handloom activities (weaving and allied activities) is 31.45 lakhs. This is an increase over the Third census where the count was 27.83 lakhs.

Socio-demographic profile of Weaver Households

Sample Selection

Four States of India account for 18 lakhs of all weaver households in the country. These States are Assam (12.6 lakhs) households, West Bengal (5.4 lakhs), Manipur (2.1 lakhs) and Tamil Nadu (2.09lakhs).

Further to have an all-India perspective & zonal representation as mentioned in scope & coverage of study, Utter Pradesh (Central India), Telangana (South-east) & Jammu & Kashmir (North India) were identified. Therefore, sample selection for study includes Jammu & Kashmir, Assam, West Bengal, Telangana, Tamil Nadu and Utter Pradesh. These states combined covers 70.07 % of total Weavers household of India.

Geographic Location

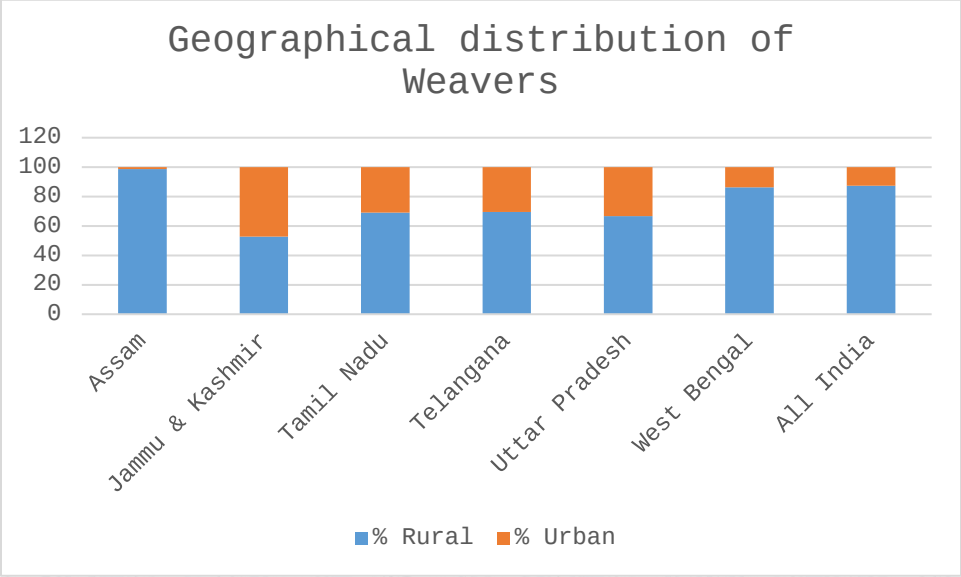
The geographical distribution of rural and urban populations of weavers throughout various states in India, alongside a national perspective. Key observations reveal significant insights into the demographics of rural and urban dwellers across states

Table 2.1

State	Rural (No.)	Urban (No.)	Total (No.)	% Rural	% Urban
Assam	1252188	17318	1269506	98.64	1.36
Jammu & Kashmir	12173	10895	23068	52.77	47.23
Tamil Nadu	144573	65009	209582	68.98	31.02
Telangana	19417	8499	27916	69.56	30.44
Uttar Pradesh	87412	43708	131120	66.67	33.33
West Bengal	467728	74829	542557	86.21	13.79
All India	2748445	396394	3144839	87.4	12.6

(Source: Handloom census 2019-20)

Chart 2.1



For instance, All India exhibits a pronounced rural majority, marked by an extensive blue bar, similarly Assam reflects a parallel trend with a high proportion of rural inhabitants. Jammu & Kashmir shows a substantial rural demographic, although urban percentages are also noticeable. In contrast, Tamil Nadu and Uttar Pradesh present slightly reduced rural proportions, suggesting an increasing trend towards urbanization. West Bengal strikes a balance but still leans towards a higher rural populace.

Distribution of handloom worker households by type of dwelling units

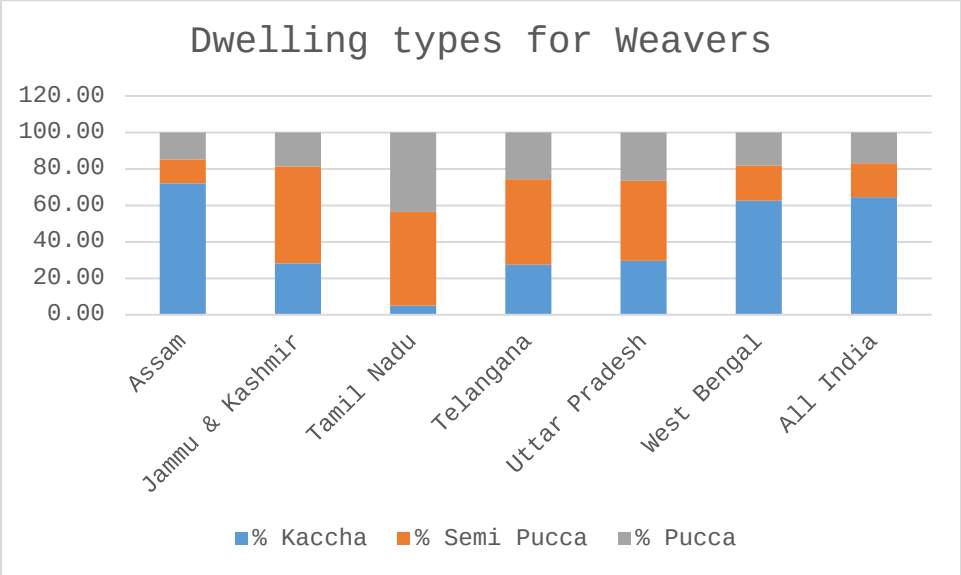
The housing landscape across Indian states reveals stark disparities in living conditions, with Kaccha dwellings dominating in states like Assam, Uttar Pradesh, and West Bengal. These temporary structures reflect socio-economic challenges and a lack of infrastructure, particularly in rural and economically underdeveloped areas.

Table 2.2

State	Kaccha (No.)	Semi Pucca (No.)	Pucca (No.)	Total (No.)
Assam	915658	166567	187281	1269506
Jammu & Kashmir	6492	12290	4286	23068
Tamil Nadu	10564	107636	91382	209582
Telangana	7654	13096	7166	27916
Uttar Pradesh	38716	57663	34741	131120
West Bengal	339053	105099	98405	542557
All India	1773151	510925	464369	2748445

(Source: Handloom census 2019-20)

Chart 2.2



The States like Tamil Nadu and Jammu & Kashmir exhibit a higher proportion of Pucca housing, indicating better living standards and more robust infrastructure. This mixed scenario underscores the uneven distribution of development across the country, with some regions lagging significantly in providing stable and permanent housing solutions.

The findings also shed light on the living conditions of weavers, who often reside in simple or inadequate housing. The decline of cooperative societies and the shift towards power looms, suggest that many weavers lack access to proper infrastructure and housing support. However, there are signs

of progress, particularly through government initiatives like the Pradhan Mantri Awas Yojana (PMAY). Some weavers have benefited from these schemes, receiving Pucca houses, which marks a significant step toward improving their living conditions. While challenges persist, these efforts indicate a gradual move toward addressing housing inadequacies and enhancing the quality of life for vulnerable communities.

Gender Distribution

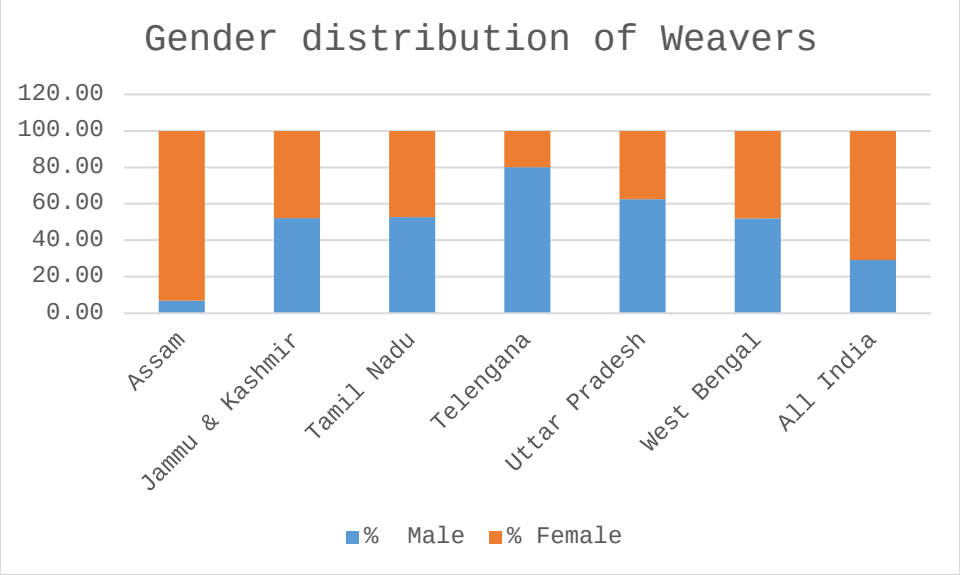
The gender distribution across Indian states reveals notable disparities, with some regions exhibiting significant imbalances while others maintain a more balanced ratio. In Uttar Pradesh, males clearly outnumber females, reflecting broader gender disparities prevalent in certain parts of the country. Assam, on the other hand, shows a higher percentage of females compared to males, creating a distinct gap. States like Tamil Nadu and West Bengal present a more balanced gender distribution, with a closer ratio of males and females. The All-India averages further indicate a slight predominance of males, underscoring the persistent gender imbalances in various regions.

Table 2.3

State	Male (No.)	Female (No.)	Total(No.)
Assam	75587	1031717	1107304
Jammu & Kashmir	8249	7533	15782
Tamil Nadu	104369	93448	197817
Telangana	18542	4626	23168
Uttar Pradesh	81744	49032	130776
West Bengal	190899	175751	366650
All India	789149	1914499	2703648

(Source: Handloom census 2019-20)

Chart 2.3



The field visit and analysis provides a detailed analysis of gender distribution among weavers in various States, focusing on the handloom sector. It reveals significant disparities; for instance, in Telangana, the Pochampally Handloom Weavers Cooperative Society has a predominant male membership of 786 compared to just 133 females, indicating a male-dominated workforce. Conversely, Tamil Nadu exhibits a more balanced gender dynamic, with women constituting 60% of the workforce. In Assam, the Sinleima Weaver Cooperative predominantly involves female members, mobilizing 200 weavers from local villages. Jammu & Kashmir also emphasizes female participation, with companies like the Basholi Pashmina Artisans Producer Company comprising 133 female and 86 male members. Overall, the report highlights the varying levels of female participation across states and underscores the need for enhanced gender equity in the handloom industry.

Age Distribution of Weavers

The age distribution of a population segmented into five distinct groups, revealing key demographic trends. The largest segment, 18 to 35 years, accounts for 42.6%, highlighting a youthful population dominated by young adults. Other groups show varying proportions: 46 to 60 years (23%) and above

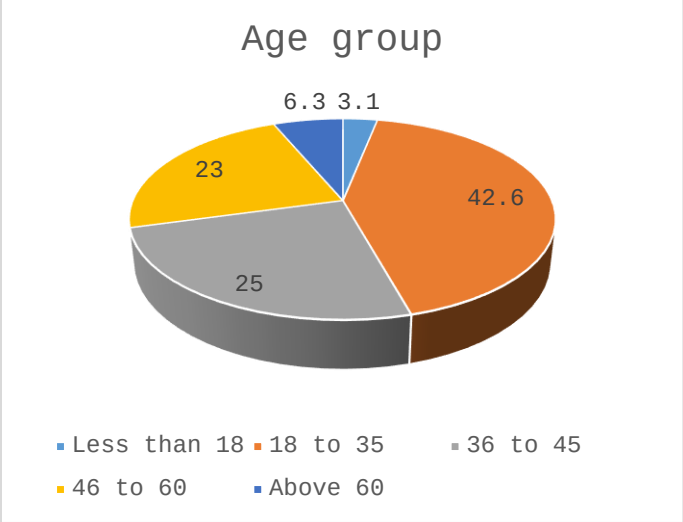
60 years (6.3%) represent a significant presence of older individuals, while the 36 to 45 years (25%) and less than 18 years (3.1%) categories are notably smaller. The visual representation underscores the dominance of young adults and the relative scarcity of younger and middle-aged individuals

Table 2.4

Age Group	%
Less than 18	3.1
18 to 35	42.6
36 to 45	25
46 to 60	23
Above 60	6.3

(Source: Handloom census 2019-20)

Chart 2.4



The field visit reports reveal a concerning trend of an aging workforce in the handloom sector across various regions. In Assam and West Bengal, the average age of weavers is over 50 years, indicating a significant lack of younger individuals entering the profession. Similarly, in Tamil Nadu, the industry is struggling to attract second-generation entrepreneurs, as the children of current weavers are not interested in continuing the tradition. This aging demographic poses a challenge for the sustainability

and future of the handloom industry, highlighting the need for initiatives to attract younger generations and ensure the continuity of this traditional craft.

Education status of Weavers

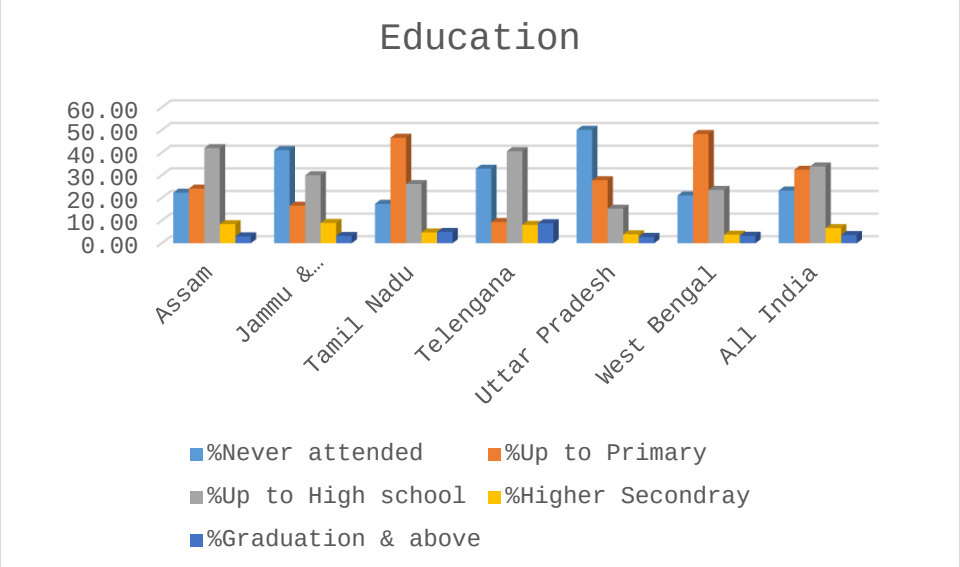
The State-wise analysis reveals varying education levels across India, with "Up to Primary" education being the largest segment in most states. Uttar Pradesh stands out with 50% of weavers never attending school and minimal representation in higher secondary or graduation-level education. Assam shows a similar trend, with around 40% having primary education and ~30% never attending school. Jammu & Kashmir exhibits relatively better schooling levels, with fewer weavers in the "Never Attended" category and a notable proportion achieving secondary education.

Table No 2.5

State	%Never attended	%Up to Primary	%Up to High school	%Higher Secondary	%Graduation & above
Assam	22.35	24.13	42.04	8.45	3.03
Jammu & Kashmir	41.15	16.61	30.05	8.97	3.23
Tamil Nadu	17.41	46.62	26.18	4.77	5.03
Telangana	32.94	9.38	40.70	8.12	8.86
Uttar Pradesh	50.08	27.83	15.28	3.98	2.83
West Bengal	21.12	48.25	23.54	3.78	3.31
All India	23.29	32.47	33.92	6.69	3.63

(Source: Handloom census 2019-20)

Chart 2.5



Tamil Nadu demonstrates progress in higher education, with the lowest percentage of people never attending school and a steady rise in higher education attainment. West Bengal shows a balanced distribution, with substantial achievements in primary and high school education and fewer individuals in the "Never Attended" category. The All-India average mirrors these trends, highlighting the dominance of primary education and limited representation in higher education,

The findings of the field study also confirms that the education level of weavers is generally low, with many lacking formal education or modern training. While traditional weaving skills are prevalent, there is a significant gap in knowledge regarding contemporary techniques and market trends. The need for skill development programs and vocational education in schools underscores the lack of educational frameworks that support the handloom sector. Additionally, many weavers are unaware of government schemes and benefits, which may be linked to lower education levels. Overall, the education level of weavers is a critical factor affecting their ability to innovate, compete, and sustain their livelihoods in the handloom industry.

Distribution of weavers by Social Group

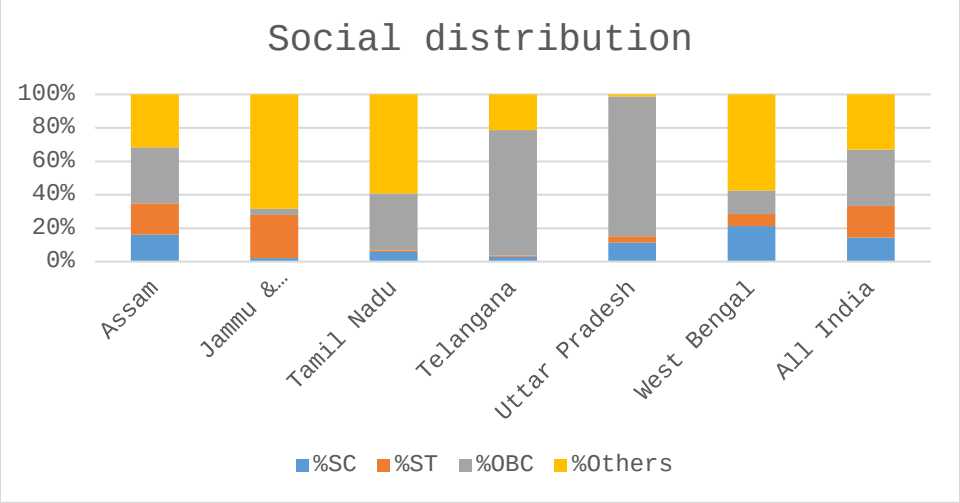
The broader trends and findings based upon census data & filed visits shows the distribution of weavers by social groups are such as SC (20-25%), ST (15-20%), OBC (40-50%), and General (10-20%). Tribal weavers (ST) are more concentrated in regions like Assam and Jammu & Kashmir, while OBC and SC weavers form the backbone of the weaving workforce in Tamil Nadu, Telangana.

Table No 2.6

State	SC (No.)	ST (No.)	OBC (No.)	Others (No.)	Total (No.)
Assam	204433	237286	425986	401801	1269506
Jammu & Kashmir	470	5977	818	15803	23068
Tamil Nadu	11977	2209	71206	124190	209582
Telangana	793	208	20972	5943	27916
Uttar Pradesh	14925	4991	109677	1527	131120
West Bengal	115260	39521	76142	311634	542557
All India	448737	601661	1055882	1038559	3144839

(Source: Handloom census 2019-20)

Chart 2.6



The bar graph highlights the social distribution of various communities across states like Assam, Jammu & Kashmir, Telangana, Tamil Nadu, Uttar Pradesh, West Bengal. The All-India average reveals a significant OBC share and balanced SC, ST, and "Others" categories, illustrating a generalized yet diverse social structure.

Historically marginalized groups like SCs and STs may face additional challenges in accessing resources, education, and government schemes, while OBCs, being the largest segment, play a dominant role in the weaver population. These patterns reflect the deep-rooted linkage between traditional weaving occupations and social hierarchies in India.

Weaver Household with Possession of Looms

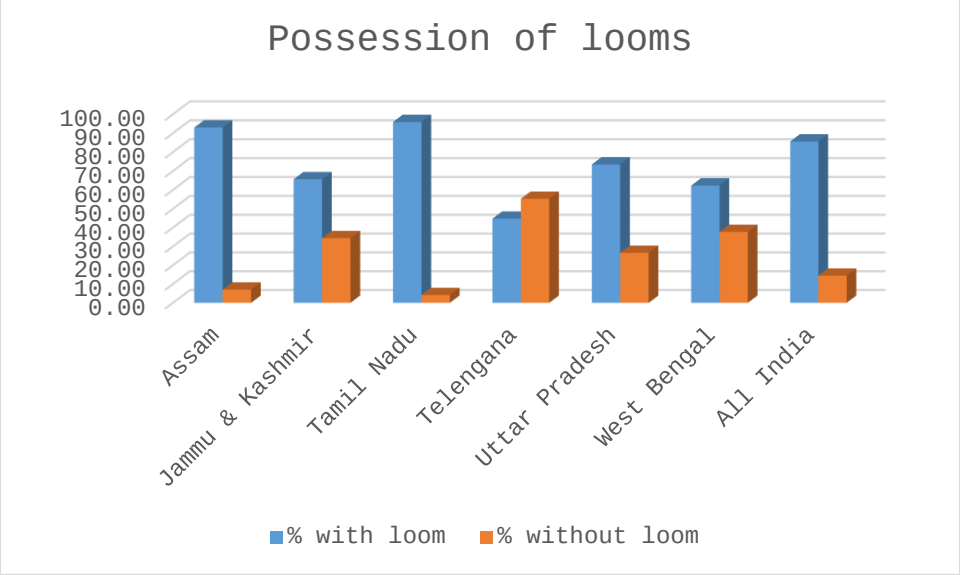
The possession of looms among households across various states in India reflects their ability to work as well as need for capital investment in handloom sector.

Table 2.7

State	% with loom	% without loom
Assam	92.99	7.01
Jammu & Kashmir	65.64	34.36
Tamil Nadu	95.89	4.11
Telangana	44.74	55.26
Uttar Pradesh	73.46	26.54
West Bengal	62.30	37.70
All India	85.58	14.42

(Source: Handloom census 2019-20)

Chart 2.7



Assam demonstrates significant loom ownership. However, most of the tribal women use either the loin loom or the backstrap loom. The simple loin loom, or back strap loom, is a device crafted mostly from bamboo and wood which is cheap & easy to carry.

Jammu & Kashmir has a moderate percentage of looms, indicating reliance on other income sources. Uttar Pradesh and West Bengal exhibit balanced distributions, with substantial loom ownership but also significant numbers without. The All-India average reinforces the trend of higher loom possession, highlighting the cultural and economic importance of weaving across the country.

The insight from field study highlights the types of looms used, including traditional pit looms, modern frame looms, and advanced dobby, jacquard, and power looms. Pit looms, prevalent in Tamil Nadu are associated with occupational hazards like joint and back pain, while frame looms are seen as healthier alternatives. The traditional looms face challenges such as low productivity and resistance to modernization due to financial constraints and lack of awareness.

The modernization of looms is essential to address these issues. Converting pit looms to frame looms costs approximately ₹50,000 per loom, while adding lifting motors and other upgrades can cost up to ₹65,000. Such modernization reduces health risks, improves productivity, and enhances product quality. The Government schemes like the Weaver Mudra Yojana provide financial support, including subsidies and low-interest loans, to assist weavers in upgrading their looms. However, many weavers struggle to access these benefits due to limited awareness and stringent loan requirements.

Financial challenges further complicate loom ownership. Weavers require substantial working capital (around ₹84,000 annually per loom) for raw materials and maintenance, and additional consumption credit (around ₹30,000) during lean periods. Despite government efforts, many weavers remain financially strained, relying on moneylenders or master weavers for support.

Income Level of weavers

The income distribution across various states in India, including Assam, Jammu & Kashmir, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal, and the overall All India average highlights disparities in income levels, with most states showing a concentration of households in the lower income brackets.

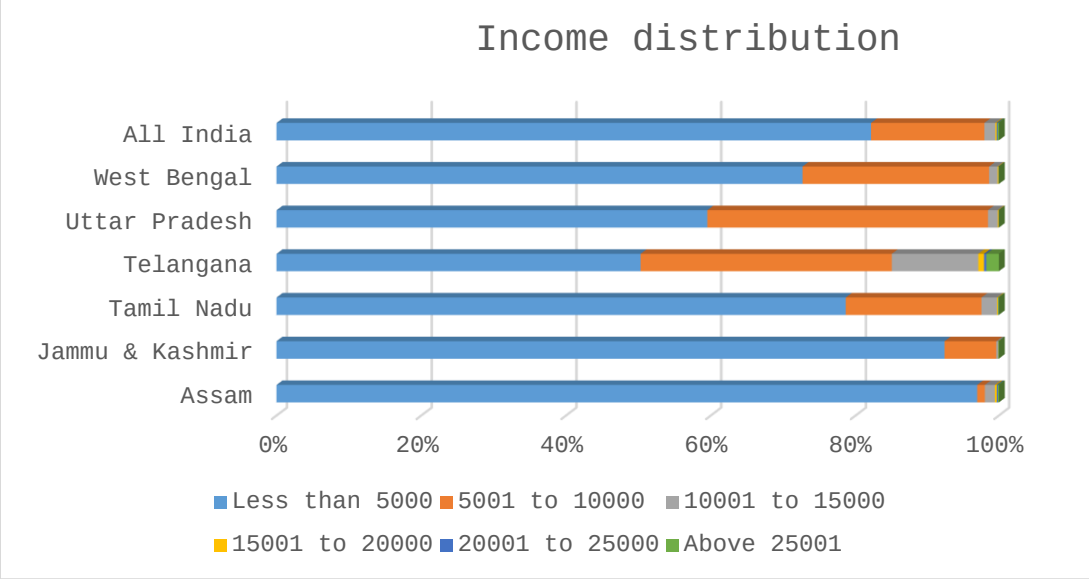
Assam exhibits a high proportion of households earning below ₹5,000. Most weavers in Assam earn between ₹4,600 and ₹32,000 per month, with common income levels around ₹12,000–₹16,000 monthly, depending on weaving type and market access. This suggests widespread economic difficulties in the region, with a substantial number of households facing financial constraints.

Table 2.8

State	Less than 5000 (₹)	5001 to 10000(₹)	10001 to 15000(₹)	15001 to 20000(₹)	20001 to 25000(₹)	Above 25001(₹)
Telangana	14041	9703	3369	226	92	485
Assam	1122383	12441	16235	3014	1785	1648
Jammu & Kashmir	10068	788	25	4	3	7
Tamil Nadu	164833	39673	4534	281	70	191
Uttar Pradesh	78057	51075	1764	168	39	18
West Bengal	394350	140804	6325	706	222	150
All India	2583311	498159	47552	5847	4536	5434

(Source: Handloom census 2019-20)

Chart 2.8



In Jammu & Kashmir, the income distribution is more balanced compared to other states, though a considerable percentage of households still fall within the lower income brackets. Artisans in Pashmina and carpet weaving earn around ₹6,000 per month for full-time work. This indicates a mix of economic conditions, with some households managing better than others.

Tamil Nadu shows a relatively better income distribution, with a notable share of households in the mid-range income categories (₹5,001–₹15,000) compared to other states. Plain silk saree weavers earn ₹5,000–₹7,000 per month, while those creating intricate designs can earn ₹15,000–₹20,000 per month. This suggests a healthier economic environment with more households reaching middle-income levels.

In Telangana, a significant percentage of households earn less than ₹5,000, with very few in higher income brackets. For example, basic weaving work earns weavers around ₹5,000 per month, while those involved in intricate designs or working with master weavers can generate ₹15,000–₹20,000 per month. This indicates a large portion of the population belongs to lower income segments, highlighting economic challenges within the state.

In Uttar Pradesh, a substantial portion of households fall in the lower income range, though there is a modest presence of families in higher income brackets. For instance, average weavers in Varanasi earn ₹5,000–₹8,000 monthly, while skilled weavers producing intricate silk work can earn higher amounts. This indicates that while many households face economic challenges, there are some that are better off.

West Bengal has an income distribution resembling that of Tamil Nadu, with a stronger presence of middle-income households and fewer households in the lowest income categories. Rural cooperative-linked weavers earn ₹3,000–₹6,000 monthly, while those working on high-end products and accessing direct market sales earn significantly more. This suggests a relatively healthier economic environment compared to states with higher concentrations of low-income households.

The overall distribution across India shows a significant percentage of households in lower income categories, with many earning less than ₹10,000. This reflects widespread economic challenges and lower wages. However, states like Tamil Nadu and West Bengal demonstrate a healthier income distribution, with more households reaching mid to upper income levels. This highlights the economic disparities across different regions and underscores the need for targeted interventions to improve income distribution and economic stability nationwide.

Master Weavers: Economic Influence and Challenges in the Handloom Sector

Master weavers are experienced artisans who often employ other weavers and manage larger production units. They play a key role in maintaining quality and traditional techniques. However, they also face challenges such as financial constraints and competition from power looms.

According to the Handloom Census, master weavers are identified as households based on specific criteria. To qualify as a master weaver, an individual must not only employ workers (including weavers and allied workers) but also ensure that more than 50% of these workers are hired and not members of the master weaver's own household.

Findings of the study indicates Master Weavers as intermediaries, middlemen, and traders who dominate key aspects of production and market access.

Central Role in the Handloom Sector

Master weavers function as pivotal links between individual weavers, markets, and retailers. They coordinate raw material procurement, provide designs, and sometimes offer financial advances, ensuring continuity in the production of finished items.

In many clusters visited, they control the entire supply chain, from sourcing raw materials to overseeing design and production quality, often collaborating with traders and exporters to reach national and international markets.

Economic Power & Income Levels

Compared to regular weavers, master weavers typically earn more (e.g., ₹15,000–₹20,000 per month for intricate designs in Telangana & Uttar Pradesh) due to their capacity to capture a greater share of profits.

By acting as middlemen, they can influence market prices and subsequently pay weavers. While master weavers usually offer higher wages than cooperative societies as was case in Uttar Praadesh, they also maintain a degree of control over raw material pricing and production decisions.

Financial Influence & Challenges

Master weavers provide informal credit to weavers who lack access to banks, which can create a cycle of debt and dependency. However, Master weavers themselves face difficulty obtaining formal credit as banks often struggle to understand specialized weaving processes (e.g., IKKAT)as well as assessment of credit requirements.

Some master weavers invest in power loom units to stay competitive(Common practice in Banarasi saree production), which can further marginalize traditional handloom weavers but simultaneously expand master weavers' production capabilities.

Regional Variations

In Telangana & Tamil Nadu, master weavers produce premium silk sarees and other high-value textiles but grapple with the seasonal nature of demand and limited credit options.

In Assam, master weavers depend heavily on traders for raw materials, reducing their profit margins. More direct market linkages and cluster financing could enhance stability.

In Kashmir, they manage high-value Pashmina and carpet products but face raw material shortages and require certification support. OFPOs provide some benefits, but financial and marketing barriers remain.

In West Bengal, master weavers tap into government initiatives like Tantuja and subsidized yarn but still need better input supply and market opportunities.

In Uttar Pradesh, master weavers are the main source of inputs to individual weavers. The major source of finance for master weavers is big retail houses. It was also observed that Master Weavers are key stake holder for Weavers service center like participating in fairs & exhibitions, imparting training to other weavers with financial support from Handloom department.

Overall Impact

Master weavers' dominance ensures steady work for many weavers but also creates dependency relationships. Ensuring fair profit distribution remains a critical challenge. Simplifying credit processes and providing direct market access can help master weavers and individual weavers alike. Investing in design innovation, maintaining quality, and exploring niche markets (premium silk or heritage crafts) can sustain traditional handloom practices and secure better incomes for both master weavers and weavers.

The Present membership Status of Primary, Apex, and Regional Weavers' Cooperative Societies including Individual Weavers

The distribution of institutional coverage across various states in India, including Assam, Jammu & Kashmir, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal, and the overall All India average highlights the extent of coverage by different institutions such as cooperative societies, Self-Help Groups (SHGs)/Joint Liability Groups (JLGs), and producer companies.

Table 2.9

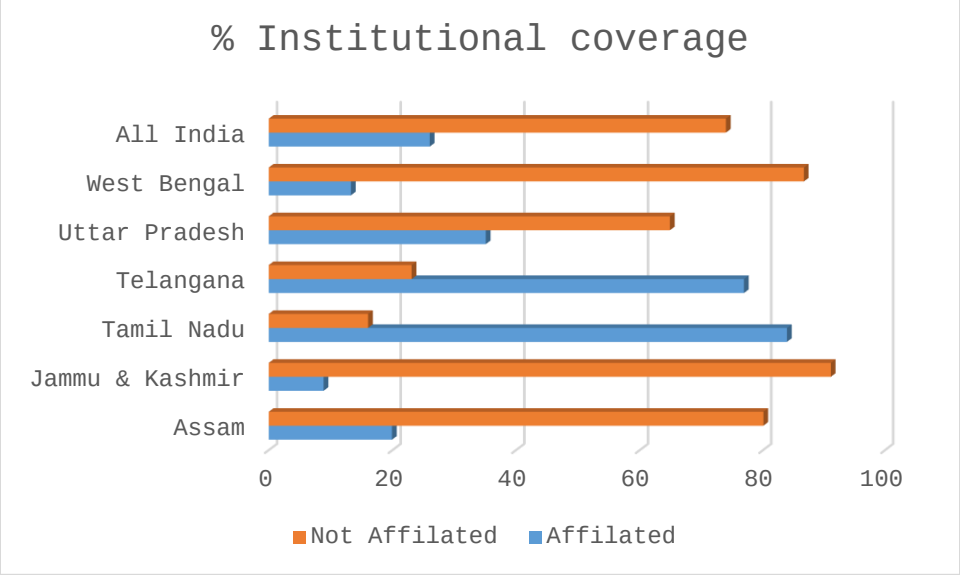
State	No of HH (No.)	Member of Co Soc (No.)	Member of SHG\JLG (No.)	Member of Producer Company (No.)	Total no. affiliated to any institution (No.)
Assam	1269506	54809	165500	32767	253076
Jammu & Kashmir	23068	1134	802	110	2046
Tamil Nadu	209582	127993	17144	30770	175907
Telangana	27916	15135	3489	2836	21460
Uttar Pradesh	131120	40549	2281	3199	46029
West Bengal	542557	30954	29618	11586	72158
All India	3144839	397399	303959	117859	819217

(Source: Handloom census 2019-20)

In Assam, out of 1,269,506 households involved in handloom activities, 19.9% (253,076 households) are affiliated with institutions. This means that 80.1% are left out of institutional coverage. The major agencies for coverage include SHGs/JLGs (13.0%), cooperative societies (4.3%), and producer companies (2.6%). Jammu & Kashmir has 23,068 households engaged in handloom activities, with 8.9% (2,046 households) affiliated with institutions. This leaves 91.1% (21,022 households) without institutional coverage. Cooperative societies cover 4.9%, SHGs/JLGs cover 3.5%, and producer companies cover 0.5%.Tamil Nadu stands out with 209,582 households involved in handloom activities, and 83.9% (175,907 households) affiliated with institutions. However, 16.1% (33,675 households) remain unaffiliated. Cooperative societies are the major agency, covering 61.1%, followed by producer companies (14.7%), and SHGs/JLGs (8.2%).

In Telangana, 27,916 households are engaged in handloom activities, with 76.9% (21,460 households) affiliated with institutions. This means 23.1% (6,456 households) are left out. Cooperative societies cover 54.2%, SHGs/JLGs cover 12.5%, and producer companies cover 10.2%.

Chart 2.10



Uttar Pradesh has 131,120 households involved in handloom activities, with 35.1% (46,029 households) affiliated with institutions. This leaves 64.9% (85,091 households) without institutional coverage. Cooperative societies are the major agency, covering 30.9%, followed by producer companies (2.4%), and SHGs/JLGs (1.7%). West Bengal has 542,557 households engaged in handloom activities, with 13.3% (72,158 households) affiliated with institutions. This means 86.7% (470,399 households) are left out. Cooperative societies cover 5.7%, SHGs/JLGs cover 5.5%, and producer companies cover 2.1%.

Across India, there are 3,144,839 households involved in handloom activities, with 26.1% (819,217 households) affiliated with institutions. This leaves 73.9% (2,325,622 households) without institutional coverage. Cooperative societies cover 12.6%, SHGs/JLGs cover 9.7%, and producer companies cover 3.8%.

However during field visit all the societies of Uttar Pradesh were dormant\defunct. Similarly in West Bengal the health of Producer company was weak & they were planning to liquidate the company.

Though the census data highlights the significant role of cooperative societies, SHGs/JLGs, and producer companies in providing institutional coverage to handloom households the health of Cooerative societies and producer organizations were not satisfactory. Further, a considerable segment of the population remains unaffiliated, indicating the need for expanding institutional coverage. Enhancing access to these institutions can provide better support, financial stability, and market access for handloom weavers.

The key observations made during filed visits are as under:

Assam

Assam has 4,012 Primary Weavers' Cooperative Societies (PWCS), each with a minimum membership of 100 weavers. The Assam Apex Weavers and Artisans Cooperative Federation Ltd. (ARTFED) oversees marketing and procurement. The state has more than 2.5 lakh individual weavers, with major clusters in Sualkuchi and Kamrup. Societies face challenges in accessing affordable credit due to strict eligibility criteria and low awareness of schemes like Mudra loans. Cluster-based financing models, such as the Sualkuchi silk cluster, have shown promise but require scaling. Limited adoption of digital tools for credit delivery and market access is also a concern. Dependence on traders for raw materials and market access reduces weavers' earnings. Seasonal unemployment and lack of working capital hinder productivity, while limited infrastructure and outdated looms affect quality and efficiency.

Jammu and Kashmir

Jammu and Kashmir have approximately 140 registered Primary Weavers' Cooperative Societies (PWCS), focusing on traditional crafts of wool and pashmina. These societies are crucial for supporting smaller clusters of weavers across the state. Cooperative societies in J&K are supported by state and central initiatives, though no designated apex body functions exclusively at the state level. Over 40,000 individual weavers are involved in handloom activities, producing specialized products like silk and Pashmina shawls. The region focuses on niche markets, such as Pashmina wool products and traditional shawls. However, geographical isolation affects freight logistics and market access. Neelam Valley Pashmina has garnered attention for its quality, boosting hopes for cooperatives to tap into premium pricing. Government schemes like the "Skill Development Program" and "Mudra Loans" have shown varied success due to prevailing instability and logistical challenges. Societies often face constraints regarding working capital, primarily due to a high reliance on informal credit sources.

Tamil Nadu

Tamil Nadu has 1,114 Primary Weavers' Cooperative Societies (PWCS) with 2.59 lakh members, of which 1.18 lakh are active weavers. The Tamil Nadu Handloom Weavers Cooperative Society Ltd. (Co-optex) handles marketing and procurement. The state has 2.44 lakh individual weavers and allied workers, with 60% being women. Utilization of credit limits by District Central Cooperative Banks (DCCBs) is low, at 34.8% in 2023-24. Societies depend heavily on government procurement, with limited private market access. Rising input costs and delayed government rebates impact liquidity. The declining number of weavers is due to low wages and lack of interest among younger generations. Seasonal unemployment and low productivity compared to power looms are also issues. There is resistance to adopting modern technology and design trends.

Telangana

Telangana has 527 Primary Weavers' Cooperative Societies (PWCS) categorized into cotton (259), silk (40), wool (35), power looms (78), and garments/tailors (115). The Telangana State Handloom Weavers Cooperative Society Ltd. (TSCO) serves as the apex body, focusing on marketing, procurement, and welfare schemes. Many PWCS are dormant or defunct, with only 30-40% of members actively engaged in weaving. Societies face liquidity issues due to delayed payments from TSCO and inadequate working capital limits. Interest rates on loans (14-15%) are considered high, despite state government subsidies. TSCO's financial health is constrained due to pending audits and

unresolved bifurcation issues. Low wages (₹5,000-₹7,000/month) drive weavers to work for master weavers. Seasonal unemployment (3-4 months/year) forces weavers to rely on informal credit sources. There is a lack of modernization of looms and limited awareness of government schemes.

Uttar Pradesh (Varanasi)

Varanasi in Uttar Pradesh has 220 Primary Weavers' Cooperative Societies (PWCS), primarily focused on Banarasi silk weaving. The Banaras Apex Cooperative Society supports marketing and procurement. Varanasi has more than 1.5 lakh individual weavers, many of whom operate outside the cooperative framework. Societies rely heavily on government schemes like the National Handloom Development Programme (NHDP) for financial support. High rejection rates for Mudra loans (e.g., 2,530 applications rejected in 2023) indicate gaps in credit delivery. Limited access to composite loans and working capital affects operational sustainability. Low wages and competition from power looms discourage younger generations from entering the sector. Dependence on middlemen for market access reduces profitability. There is a lack of modernization and limited awareness of government schemes.

West Bengal

West Bengal has 496 Primary Weavers' Cooperative Societies (PWCS), of which 246 are linked to banks. Tantuja serves as the apex body, focusing on marketing and procurement. The state supports 96,000 individual weavers through government schemes, with major concentrations in Nadia (1.31 lakh) and Birbhum (2.71 lakh) districts. Many societies face high NPAs and limited access to composite loans (term loan plus working capital). Subsidized yarn supply and marketing incentives have improved operational sustainability for some societies. The "West Bengal Handloom and Khadi Weavers Financial Benefit Scheme 2024" has provided debt relief and fresh credit access to viable societies. Limited market access and reliance on middlemen reduce profitability. Outdated technology and lack of innovation in handloom production are also challenges. The aging workforce, with limited participation from younger generations, is a concern.

Key Observations

Membership in PWCS is declining across states due to low wages, seasonal unemployment, and lack of interest among younger generations. Apex societies play a crucial role in marketing and procurement but face financial and operational challenges. Many societies are financially weak, with high NPAs and inadequate working capital limits. Delayed payments from apex societies and rising input costs exacerbate liquidity issues. Government schemes like Mudra loans and interest subvention programs have limited reach due to low awareness and strict eligibility criteria.

Source of loan

The data given in table below highlights the varying degrees of credit engagement across states. Despite the presence of multiple credit sources, a large portion of weaver households have not availed

credit from formal credit institutions. Expanding institutional coverage and improving access to affordable loans are essential for the financial stability and growth of the handloom sector.

Table 2.11

State	Weavers HH (No.)	PWC(No.)	Banks(No.)	Govt. (No.)	MW(No.)	Others (Money Lender relatives) (No.)	SHG\JLG (No.)	Total (No.)	% of HH having credit
Assam	1269506	50	456	1241	25	202	623	2597	0.20
Jammu & Kashmir	23068	10	60	84	4	19	0	177	0.77
Tamil Nadu	209582	11449	3251	42	532	493	225	15992	7.63
Telangana	27916	319	789	1052	184	159	47	2550	9.13
Uttar Pradesh	131120	146	308	358	249	290	53	1404	1.07
West Bengal	542557	185	1096	588	692	467	503	3531	0.65
All India	3144839	13587	9193	6916	3276	3877	2589	39438	1.25

(Source: Handloom census 2019-20)

Assam relies heavily on government funding, with 0.10% of households using this source. Fewer households depend on cooperative societies (0.004%) and moderately on banks (0.04%). Jammu & Kashmir exhibits minimal engagement with formal credit sources, with only 0.36% of households benefiting from government schemes and just 0.04% using cooperative societies whereas Tamil Nadu reflects a diverse credit structure dominated by cooperative societies (5.46%) and banks (1.55%), but with minimal government funding (0.02%). Telangana shows a strong reliance on government funding, with 3.77% of households using this source, followed by banks (2.82%) and master weavers (0.66%). Uttar Pradesh shows a similar reliance on banks (0.23%), though government support remains modest at 0.27%. In West Bengal, 0.20% of households utilize bank loans, complemented by private lending and master weaver support, indicating diverse credit strategies.

All India data shows that only 1.25% of weaver households have accessed loans, highlighting a significant gap in institutional coverage. Cooperative societies cover 0.43% of households, banks cover 0.29%, and government schemes cover 0.22%.

The key observations during field visits are as under:

Assam

In Assam, middlemen and traders dominate financing by offering raw materials on credit, retaining 50-60% of the profits. Functional societies, such as those in the Sualkuchi cluster, provide yarn advances and wages, but liquidity issues arise from delayed payments by apex bodies. Around 60-70% of bank credit flows through SHGs and JLGs, but only 10-15% of weavers access individual formal loans due to stringent requirements. A significant proportion of applications are rejected due to low credit scores.

Jammu & Kashmir

In Jammu & Kashmir, around 90% of Pashmina and carpet weavers rely on NABARD-granted funds (e.g., ₹25 lakhs per OFPO), but these weavers lack substantial banking linkages. The region faces challenges due to geographical isolation affecting freight logistics and market access. Government schemes like the "Skill Development Program" and "Mudra Loans" have shown varied success due to prevailing instability and logistical challenges.

Tamil Nadu

In Tamil Nadu, 70-80% of weavers depend on moneylenders or master weavers for consumption credit during lean seasons. Over 50% of PWCS are inactive, limiting access to collective credit. Functional societies, such as those supported by Co-optex, provide yarn advances and wages, but face liquidity issues due to delayed payments. Around 60% of PWCS rely on Co-optex for procurement, but payment cycles are delayed by 6-12 months. State interest subsidies (6%) often fail to benefit cooperatives due to bureaucratic inefficiencies. Around 60-70% of bank credit flows through SHGs and JLGs, but only 10-15% of weavers access individual formal loans due to stringent requirements.

Telangana

In Telangana, 70-80% of weavers depend on moneylenders or master weavers for consumption credit, especially during lean seasons (lasting 3-4 months annually). Over 50% of Primary Weavers Cooperative Societies (PWCS) are inactive, limiting weavers' access to collective credit. Functional societies, such as those in Pochampally, provide yarn advances and wages, but liquidity issues arise from delayed payments by apex bodies like TSCO. Approximately 80% of weavers rely on master weavers for raw materials, who charge high-interest rates (18-24%). Delayed payments from TSCO force cooperative societies to rely on private buyers for liquidity. Around 60-70% of bank credit flows through SHGs and JLGs, but only 10-15% of weavers access individual formal loans due to stringent requirements, such as low credit scores (e.g., 30% NPA rate for loans through Telangana Grameena Bank).

Utter Pradesh

In Varanasi, Utter Pradesh, 80-90% of weavers depend on moneylenders or master weavers for credit . The credit is basically in form of advance wage payment & supply of inputs. Primary Weavers Cooperative Societies (PWCS) are inactive and DCCB has not extended any credit to societies for past two decades, limiting weavers' access to collective credit. Further the weavers household has taken consumption credit from NBFCs stating investment activity as goat rearing.

West Bengal

In West Bengal, middlemen and traders dominate financing by offering raw materials on credit, retaining 50-60% of the profits. Functional societies, such as those in Vishnupur, provide yarn advances and wages, but liquidity issues arise from delayed payments by apex bodies. The One-Time Settlement (OTS) scheme may help reviving societies. Individual weavers receive financial assistance ranging from ₹5,000-₹10,000 via state-specific schemes, but long-term credit remains inaccessible. Around 60-70% of bank credit flows through SHGs and JLGs, but only 10-15% of weavers access individual formal loans due to stringent requirements.

Key Barriers to Accessing Formal Credit

Across these states, several key barriers hinder access to formal credit. Around 70% of weavers are not registered under Udyam/MSME/Pehchan card, making them ineligible for schemes like Mudra loans. A significant proportion of applications (40-50%) are rejected due to low credit scores (below 650), particularly in states like Assam and Uttar Pradesh. Banks demand land or house collateral, which excludes 60-70% of landless and marginalized weavers from accessing funds if loan application is not sponsored through government departments like KVIC/KVIB.

Chapter 3

Role of State Handloom Development Corporations

Overview of State Handloom Development Corporations

State Handloom Development Corporations (SHDCs) are the entities established by State government and aimed at promoting and supporting the handloom sector in respective State. These corporations play a crucial role in preserving the rich heritage of handloom weaving, providing employment to millions of weavers, and ensuring the sustainability of this traditional craft. SHDCs operate under the guidance of the Ministry of Textiles and collaborate with various State governments to frame & implement policies and schemes that benefit the handloom sector.

Functions and Initiatives of State Handloom Development Corporations

SHDCs undertake a wide range of functions and initiatives to support the handloom sector. Some of the key functions and initiatives include Production and Procurement, Marketing and Promotion, Skill Development and Training, Financial Assistance for Infrastructure Development & E-Marketing.

Handloom Worker Employment Status

This table below highlights the employment distribution of handloom workers across Indian states by type of association, such as **Independent**, working Under Weaver, Master Weaver, or linked to institutions like KVIC/KVIB, SHDC, and Cooperative Societies (Coop Soc**)**. Nationally, most workers (25.7 lakh, 73%) are independent, with Assam leading this category at 12.6 lakh workers. Employment under Master Weavers is also significant, contributing 6.84 lakh workers nationwide, with West Bengal having the highest number in this category (3.35 lakh). Cooperative Societies provide

significant employment in Tamil Nadu (1.25 lakh workers), while SHDC plays a minimal role, employing just 22,850 workers across India (0.65% of the total workforce).

Table 3.1

State	Independent (No.)	Under MW(No.)	KVIC\KVIB (No.)	SHDC (No.)	PWC (No.)	Total (No.)	% of SHDC
Assam	1267047	12348	1304	2097	1085	1283881	0.16
Jammu & Kashmir	16614	6036	108	219	351	23328	0.94
Tamil Nadu	76746	40473	476	265	125615	243575	0.11
Telengana	15546	23231	902	262	7911	47852	0.55
Uttar Pradesh	99997	79540	271	347	10802	190957	0.18
West Bengal	265082	335116	3894	9406	17949	631447	1.49
All India	2577044	684060	15144	22850	223414	3522512	0.65

(Source: Handloom census 2019-20)

The data also shows regional variations in employment structures. Tamil Nadu relies heavily on Cooperative Societies (over 51% of its workforce), while West Bengal has diverse employment patterns but stands out for its high reliance on Master Weavers. SHDC support is most prominent in West Bengal (1.49%) but negligible in Tamil Nadu (0.11%) and Assam (0.16%). Overall, the table underscores the dominance of independent workers and limited institutional involvement across the Indian handloom sector. The total number of handloom workers across all states is 3522512. Out of these, 223414 workers are employed under State Handloom Development Corporations (SHDCs). The percentage of handloom workers employed under SHDCs is approximately **0.65%**.

Supply of hank yarn to weaver

This table below showcases the supply of hank yarn across Indian states, segmented by different sources such as Open Market, Master Weaver, Cooperative Societies (Coop Soc), NHDC/SHDC, KVIC/KVIB, and others. The total supply in each state and the percentage provided by NHDC/SHDC are also presented. Nationally, most yarn (₹17.04 lakh) is sourced from the Open Market, making up a significant proportion (around 44%) of the total ₹38.6 lakh supply. Institutional contributions like NHDC/SHDC provide only ₹22,871 (1.65% of the total supply), playing

a minimal but notable role in certain states such as West Bengal, which has the highest NHDC/SHDC share at 1.52%.

Table 3.2

State	Open Market (No.)	MW (No.)	PWC (No.)	NHDC\SHDC (No.)	KVIC\KVIB(No.)	Others (No.)	Total (No.)	% SHDC
Assam	1122902	12116	3082	2085	596	77969	95848	0.62
Jammu & Kashmir	14099	6544	58	35	4	97	6738	0.06
Tamil Nadu	20826	20286	55925	9606	49	21446	107312	0.05
Telangana	4014	5345	4172	350	190	623	10680	1.78
Uttar Pradesh	51978	27059	9418	97	186	463	37223	0.50
West Bengal	42301	38756	14213	1199	973	8840	63981	1.52
All India	1707476	186955	14906	22871	6373	155173	386278	1.65

(Source: Handloom census 2019-20)

State-wise, the supply dynamics reveal local differences. Assam leads overall in yarn supply, contributing ₹9.58 lakh, with most sourced from the **Open Market** (₹11.22 lakh), accounting for 87% of its total. Tamil Nadu shows a strong reliance on **Cooperative Societies**, which supply more than 50% (₹55,925) of its total ₹10.73 lakh. In contrast, Uttar Pradesh has a more balanced supply structure between Open Market, Master Weavers, and Cooperative Societies, while Jammu & Kashmir demonstrates the smallest supply figures (₹6,738) and negligible NHDC/SHDC involvement (0.06%). Overall, the supply of hank yarn is dominated by the open market, with limited institutional contributions through NHDC/SHDC.

The total supply of hank yarn across all states is **1,707,476** units of it, SHDCs contribute **22,871** units to the total supply. The percentage of hank yarn supplied by SHDCs is approximately **1.65%**.

Supply of chemical & dyes of weavers

This census data outlines the supply of chemicals and dyes across Indian states, segmented by various channels: Open Market, Master Weaver, Cooperative Societies (Coop Soc), NHDC/SHDC, KVIC/KVIB, and Others. Nationally, the Open Market dominates the supply channels, providing 2.46 lakh units out of the total 1.78 lakh units of all-India supply (about 69% of the total). Institutional contributions like NHDC/SHDC account for only 1.95% at the national level, with limited participation in most states.

Table 3.3

State	Open Market(No.)	MW (No.)	PWC (No.)	NHDC\ SHDC	KVIC\ KVIB	Others	Total	% SHDC
Assam	95611	3134	1484	1061	655	11805	18139	3.61
Jammu & Kashmir	1353	447	11	22	0	101	581	0.00
Tamil Nadu	16211	8091	33856	399	26	3063	45435	0.06
Telangana	1638	3777	1848	312	182	119	6238	2.92
Uttar Pradesh	3711	5800	2627	87	17	224	8755	0.19
West Bengal	21105	17725	4860	2698	2199	2336	29818	7.37
All India	245817	80214	56610	12086	3456	25215	177581	1.95

(Source:Handloom census 2019-20)

Assam leads with a total of 18,139 units, with 3.61% coming from SHDC. West Bengal follows with 29,818 units, having the highest SHDC contribution at 7.37%. Tamil Nadu has a significant total of 45,435 units, but only 0.06% from SHDC. Telangana and Uttar Pradesh have moderate totals of 6,238 and 8,755 units, with SHDC contributions of 2.92% and 0.19%, respectively. Jammu & Kashmir has the lowest total of 581 units with no contribution from SHDC. Overall, the All-India total stands at 177,581 units, with 1.95% from SHDC. This data highlights the negligible levels of SHDC involvement across different states, with some states showing minor reliance on SHDC support than others.

Sales channel & role of NHDC\SHDCs

This table below analyses handloom sales distribution across Indian states through various channels and organizational networks. The first section breaks down sales from weavers HH by market type, including Local Markets, Master Weavers, Cooperative Societies, Exports, and E-commerce. The final columns show the percentage of sales managed by state/national handicraft corporations (SHDC/NHDC) versus other unspecified channels. Nationally, Local Markets dominate (21.6 lakh HH , 64% of total ₹33.8 lakh HH), followed by Master Weavers (5.9 lakh HH). E-commerce remains negligible (5,783 HH, 0.17%), while institutional support via SHDC/NHDC accounts for 1.57% of sales.

Key state variations emerge: Assam relies heavily on Local Markets (87% of its ₹13.5 lakh HH), while Tamil Nadu leads in Cooperative Society sales (1.36 lakh HH, 61% of its total HH).

Table 4.4

State	Open Market (HH)	MW (HH)	PWC (HH)	Fair \ Exhib. (HH)	Export (HH)	E-Commerce (HH)	Others (HH)	Total(HH)	% SHDC \NHDC
Assam	1178877	14123	2943	15357	2354	1002	138706	1353362	1.38
Jammu & Kashmir	16210	6939	282	402	18	5	538	24394	1.74
Tamil Nadu	38148	27072	136248	1384	174	118	19813	222957	0.75
Telangana	6959	14306	9569	570	563	379	970	33316	4.54
Uttar Pradesh	63737	59975	11674	1343	73	59	1398	138259	1.07
West Bengal	184202	324068	31189	8270	6860	3526	33515	591630	3.15
All India	2166155	594841	296347	34740	12692	5783	271192	3381750	1.57

(Source: Handloom census 2019-20)

West Bengal shows diversified distribution with significant Master Weaver (₹3.24 lakh) and E-commerce (₹3,526) contributions. The "Others" category peaks in Assam (10.25%), suggesting unique local channels. These patterns highlight regional differences in market access, institutional engagement, and adoption of modern sales platforms across India's handloom sector. The total sales across all states is **2,166,155** units. SHDCs contribute by SHDCs is approximately **1.57% of total sales**.

Observations on field level study

Assam: In Assam, weavers face inconsistent raw material supply chains, and SHDCs have not established robust mechanisms to ensure affordable and timely access to yarn and other inputs. Cluster-based financing models for raw material procurement are underdeveloped, further highlighting the limited role of SHDCs in ensuring input availability. SHDCs have not established strong market linkages, and weavers remain heavily dependent on middlemen, who capture a significant portion of the profits. Additionally, SHDCs have not effectively leveraged the unique appeal of handloom products like Muga silk to tap into export markets.

Jammu & Kashmir: The study team noted that the Jammu & Kashmir SHDC has opened a showroom in Srinagar for Pashmina wool products, sourcing directly from local weavers. They also

observed that the lack of infrastructure for certifying handloom products in Basoli, Jammu, has resulted in no procurement through SHDC.

Uttar Pradesh: In Uttar Pradesh, SHDC, through Weavers Service Centre, provides silk yarn and dye to weavers producing Banarasi Sarees and organizes exhibitions in coordination with the Handloom department and fairs where weavers can sell their products. However, the share of procurement through SHDC remains negligible.

Tamil Nadu: In Tamil Nadu, TSCO supplies yarn at a 15% discount under the Raw Material Supply Scheme, but rising input costs strain cooperative societies. Payment delays from TSCO hinder bulk yarn procurement, forcing many weavers to rely on private traders. TSCO's processing facilities are not widely accessible, especially to non-cooperative weavers. Delays in clearing dues reduce societies' capacity to procure inputs. TSCO's product procurement often falls short of the budget, leading societies to seek private buyers amidst limited market access and power loom competition. Reliance on government schemes creates seasonal employment without ensuring year-round demand. Exhibitions and melas organized by TSCO fail to generate significant sales volumes. **West Bengal:** In West Bengal, Tantuja provides yarn at a 10% concessional rate, but many cooperative societies are dormant or defunct, limiting the reach and impact of this initiative. The subsidized yarn supply is insufficient to meet the demand of active weavers, forcing them to depend on private sources. The Dhaniakhali Union Tant Silpi Samabaya Samity Ltd. had to invest ₹23.81 lakh in dyes and chemicals independently, indicating a lack of support from SHDCs. Tantuja markets handloom products through retail outlets and exhibitions, but profit margins remain low due to middlemen dominance and limited direct market access. Many cooperative societies are unable to meet Tantuja's procurement standards, further reducing sales contributions. Tantuja has initiated export-focused projects, but the impact remains modest due to inadequate branding and marketing efforts.

Telangana: In Telangana, Co-optex procures products during the peak season (June to January), leaving a lean season of 4-5 months where weavers have no work. The dependence on government procurement limits the scope for expanding market reach and increasing sales volumes.

Role of SHDCs in credit flow to Societies

The limited role of State Handloom Development Corporations (SHDCs) in input supply and sales significantly impacts the demand for finance and therefore refinance also among SHDCs. Further, SHDCs themselves face financial constraints, as seen with the Telangana, which struggles with pending audits and unresolved asset bifurcation issues. Consequently, cooperative societies and weavers experience low credit flow due to delayed payments from SHDCs.

The modest sales contributions of SHDCs result in insufficient revenue generation for cooperative societies and weavers, making large-scale borrowing or refinancing unjustifiable. For instance, in Telangana, only 11 out of 63 Primary Weaver Cooperative Societies (PWCS) availed credit limits from the Nalgonda District Central Cooperative Bank (DCCB) in 2023-24, indicating low demand for finance. Similarly, in Tamil Nadu, the utilization of credit limits by DCCBs was only 34.8% in 2023-24, and in Assam, weavers heavily rely on informal sources of credit due to the lack of robust financing mechanisms from SHDCs and banks.

The hypothesis that SHDCs have limited contributions to the supply of inputs and modest sales contributions, leading to low demand for finance and thereof refinance, is largely valid. SHDCs like TSCO, Co-optex, and Tantuja face operational and financial challenges that restrict their ability to support weavers effectively. Consequently, weavers and cooperatives rely more on private traders, middlemen, and banks for raw materials, marketing, and credit, reducing the demand for finance and refinance through SHDCs. However, exceptions like Co-optex and Tantuja demonstrate that SHDCs can play a more significant role with better financial and operational support.

Refinance support to SHDC

NABARD provide refinance support SHDC with cooperative banks and the recommendations regarding this is provided in chapter 4.

Chapter 4:
Financing to Weaver's Household

Finance plays a crucial role in addressing the resource constraints faced by weavers. Access to financial services enables them to invest in raw materials, upgrade looms and technology, and enhance production capacities. Moreover, it helps manage their working capital needs, ensuring smooth operations and timely fulfilment of orders. Based on the Fourth All India Handloom Census 2019-20, only 3.4% of weaver households reported being in debt, sourced from formal institutions, highlighting limited access to credit and significant gap in financial support for the sector.

The need for credit in the handloom sector is driven by several factors:

1. **Working Capital Requirements**: Weavers need working capital to purchase raw materials such as yarn, dyes, and other inputs. Timely access to credit ensures that they can procure these materials at competitive prices and avoid disruptions in production. The requirement of credit towards working capital differs from cluster to cluster due to uniqueness of handloom and location of the cluster.
2. **Technological Upgradation**: To compete with power looms and mechanized textile sectors, handloom weavers need to invest in modern looms and technology. The support system available towards purchase of looms and other equipment from Governments is limited and lacks potential for saturation. Further, the process to apply for grant is cumbersome and low literacy level among the weavers makes it more difficult.
3. **Market Expansion**: The weavers require funds for pile up stocks which could be sold in exhibitions, fairs and at e-commerce platform also. The adequate credit from formal financial institutions can help them to in this regard. Credit also allows them to explore new markets and diversify their product offerings.
4. **Infrastructure Development**: Weavers often require credit to develop infrastructure such as work sheds, storage facilities, and transportation. Improved infrastructure enhances their productivity and reduces operational costs.

Present Structure of Financial Inclusion of Weaver's Household

The table below illustrates the financial inclusion status of weaver households across various states, focusing on their affiliation with institutions such as Cooperative Societies (PWCs), Self-Help Groups (SHG)/ Joint liability Group (JLG) and Producer Companies

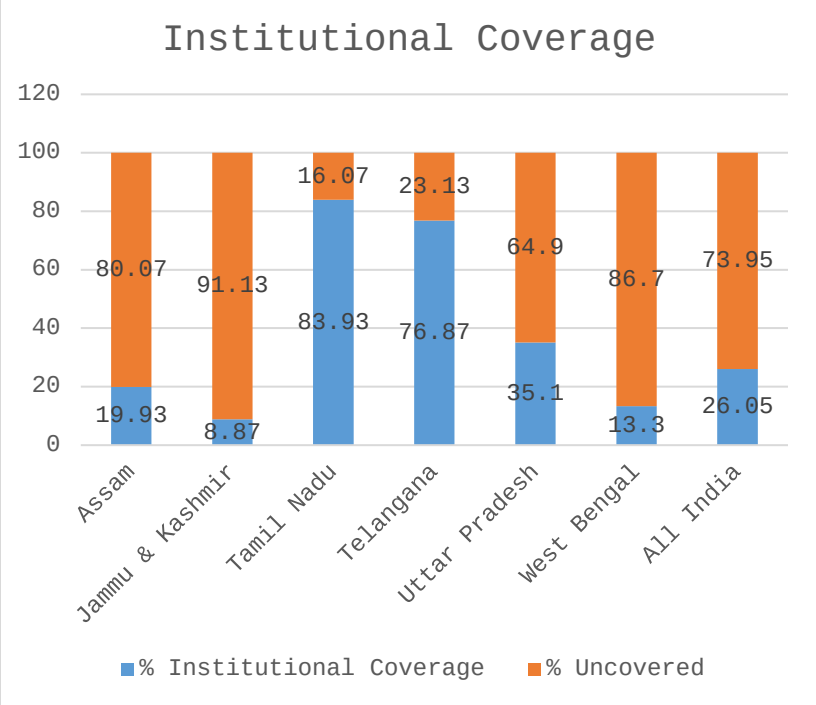
Table 4.1
Institutional coverage of Weaver's household

State	No of HH (No.)	Cooperative Societies (No.)	SHG\JLG (No.)	Producer Company (No.)	Total Institutional Coverage (No.)	% Institutional Coverage (No.)	% Uncovered
Assam	1269506	54809	165500	32767	253076	19.93	80.07
Jammu & Kashmir	23068	1134	802	110	2046	8.87	91.13
Tamil Nadu	209582	127993	17144	30770	175907	83.93	16.07
Telangana	27916	15135	3489	2836	21460	76.87	23.13
Uttar Pradesh	131120	40549	2281	3199	46029	35.1	64.9
West Bengal	542557	30954	29618	11586	72158	13.3	86.7
All India	3144839	397399	303959	117859	819217	26.05	73.95

(Source Handloom Census 2019)

The data highlights that only 26.05% of weaver households in India are affiliated with institutions like cooperatives, SHGs, or producer companies, with Tamil Nadu (83.93%) and Telangana (76.87%) leading, while Jammu & Kashmir (8.87%) and West Bengal (13.3%) . This indicates that most weavers lack access to organized support, limiting their ability to access credit, raw materials, and markets effectively.

Chart 4.1



The high exclusion rate (73.95%) emphasises the need for stronger institutional frameworks, especially in low-performing states. Expanding SHG networks, cooperatives, and producer companies, along with targeted policies, is crucial to empower weavers and ensure the sustainable growth of the handloom sector.

Source of loan to Weavers household

The table below provides an overview of the sources of loans accessed by weaver households across different states in India. It breaks down loans acquired through various channels, including Cooperative Societies , Banks, Government, Master Weavers, informal sources such as Money Lenders and Relatives (under "Others"), and Self-Help Groups/ Joint liability Group (JLG).

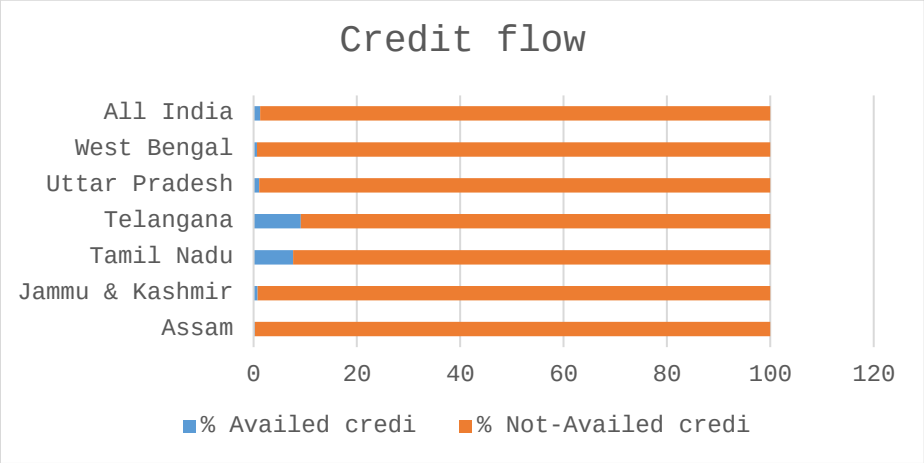
It is clarified that Government as source has been included since Sate handloom department\KVIC\KVIB also sponsors application & facilitates credit & subsidies\grant.

Table 4.2
Sources of Credit

State	No of HH (No.)	Cooperative Societies (No.)	Banks(No.)	Government (No.)	Master Weaver (No.)	Others (Money Lender relatives) (No.)	SHG\JLG (No.)	Total (No.)
Assam	1269506	50	456	1241	25	202	623	2597
Jammu & Kashmir	23068	10	60	84	4	19	0	177
Tamil Nadu	209582	11449	3251	42	532	493	225	15992
Telangana	27916	319	789	1052	184	159	47	2550
Uttar Pradesh	131120	146	308	358	249	290	53	1404
West Bengal	542557	185	1096	588	692	467	503	3531
All India	3144839	13587	9193	6916	3276	25851	2587	39438

(Source Handloom Census 2019)

Chart 4.2



Tamil Nadu stands out for better institutional coverage, driven largely by Cooperative Societies and Banks . In comparison, states like Jammu & Kashmir exhibit very low access to loans, with most limited to informal sources ("Others") and negligible institutional support. Uttar Pradesh and West

Bengal also show limited loan uptake, with most loans sourced through Banks and informal channels, but their overall figures are considerably lower than Tamil Nadu. Assam has the highest number of weaver households , but only a small fraction has accessed loans, primarily through Government schemes and SHG/JLG.

This data highlights significant variations in loan accessibility across states, with heavy dependence on informal sources in some areas and strong institutional backing in others like Tamil Nadu.

Only about 3.4% of weaver households carry any kind of institutional credit facility. Further, during field visits it was observed that nearly 41% of this debt is related to handloom activities, while 59% pertains to loans for other purposes. Therefore, a financial product is required which caters to not only production needs but also consumption requirement.

It is observed in literature review and during field study that various types of the schemes are being implemented at present. One such scheme is Concessional Credit Weavers Mudra Scheme and seconds ones are state specific schemes being implemented by selected States.

Insights on credit flow to Weavers HH during field visits

Cooperative banks, particularly Primary Weavers Cooperative Societies (PWCS), play a key role in providing credit to weavers but face significant challenges. For instance, in Telangana, Nalgonda DCCB charges 14% interest on cash credit for PWCS, with delays in state interest subsidies further burdening borrowers. In Uttar Pradesh, Varanasi DCCB has not financed PWCS since 2014, leaving many societies defunct and forcing weavers to rely on informal sources like Master Weaver\moneylenders. This is reflected in the data, where only 146 households in Uttar Pradesh and 50 in Assam accessed cooperative credit, highlighting its limited reach.

Regional Rural Banks (RRBs) like Telangana Grameena Bank and Tamil Nadu Grameen Bank prefer group lending models such as SHGs and JLGs due to better credit discipline. States like Tamil Nadu (83.93% institutional affiliation) and Telangana (76.87%) demonstrate the success of these models. However, high NPAs (30% in Telangana for individual weaver loans) and interest rates of 12–13% limit their effectiveness.

RRBs & Commercial banks rely on the MUDRA scheme for weaver financing, but the lack of a dedicated code in CBS systems prevents tracking of specific loans to weavers. Further it was also observed during visits that these loans were facilitated through Government department\KVIC\KVIB.

Across all states, the reliance on informal credit remains high. Strengthening institutional credit systems, particularly through Cooperative Societies, and addressing data gaps are critical to reducing weavers' dependence on informal sources and ensuring sustainable credit access.

As Weavers MUDRA yojana is most prevalent mode of financing by Commercial banks & RRB a brief is given below

Concessional Credit Weavers Mudra Scheme

The scheme is designed to provide financial support to handloom weavers and to offer subsidized term loans and working capital loans to the handloom sector.

Components

1. **Interest Subsidy**:
    - The scheme provides loans to the handloom sector at a subsidized interest rate of 6% for a period of three years. The Government of India bears the difference between the actual interest rate charged by the banks and the 6% rate, with the subsidy capped at 7%.
2. **Margin Money Assistance**:
    - Up to Rs. 10,000 per weaver is provided as margin money assistance. This helps handloom weavers, their self-help groups, and joint liability groups to leverage loans from banks. ***However, weavers' cooperative societies and weavers' producer companies are not eligible for this assistance***. If the required margin money exceeds Rs. 10,000, the additional amount must be contributed by the beneficiary, State Government, or Implementing Agency.
3. **Credit Guarantee**:
    - Loans extended by banks to handloom weavers are guaranteed by the Credit Guarantee Fund Trust for Medium & Small Enterprises (CGTMSE). The Government of India pays the required guarantee fee and annual service fee. The guarantee cover is effective from the date of loan disbursement by the bank for a period of three years.
4. **Information, Education & Communication (IEC) Activities**:
    - These activities aim to raise awareness about the scheme among beneficiaries by involving local stakeholders such as Weavers' Service Centres (WSCs), banks, state government officials, and marketing agencies. Banks are authorized to engage Bunkar Facilitators for the collection and preliminary processing of loan applications, ensuring completeness, submission to the correct bank branch, and post-sanction monitoring until loan disbursement. The Government of India pays an incentive of 0.5% of the loan amount disbursed (minimum Rs. 200 and maximum Rs. 2000 per loan) to the bank for onward payment to the Bunkar Facilitator.

Eligible Agencies

The following agencies are eligible to avail loans from banks/financial institutions:

- Handloom weavers involved in weaving activities.
- Weaver entrepreneurs.

- Self-help groups.
- Joint liability groups.
- Primary and apex handloom weavers' cooperative societies.
- Producers' companies/consortia promoted by handloom weavers, including those under Cluster/Mega Cluster/Handloom Parks under Ministry of Textiles schemes.

Participating Banks

All scheduled commercial banks, regional rural banks, and state cooperative banks are eligible to participate in the scheme.

Release of Funds

A centralized online claim disbursement system, the Handloom Weaver MUDRA Portal, has been developed in association with Punjab National Bank for submitting claims for financial assistance electronically. Margin money is transferred to banks electronically. An MoU has been signed between the Ministry of Textiles and Punjab National Bank for the development, operation, and maintenance of this system. A service charge of 1.4% of the amount of margin money and interest subsidy disbursed is paid to Punjab National Bank. Funds are placed in a dedicated account operated by Punjab National Bank for settling claims received from participating banks.

State Specific Schemes

- SHDCs are also running specific loan schemes for the weavers. To cite an example, the State of Jammu & Kashmir is implementing Credit Card Scheme for Artisan and Weavers by the Department of Handicraft & Handloom. The scheme aims to provide adequate and timely assistance from financial institutions to artisans and weavers to meet their credit requirements for both investment needs and working capital in a flexible and cost-effective manner. It will be implemented in both rural and urban areas. The Eligible beneficiaries include all artisans and weavers who are duly registered with the Handicrafts and Handloom Department, J&K, and are involved in production and manufacturing processes. They must also be eligible for credit facilities under any existing bank schemes. The credit limit will be valid for five years, subject to annual review by the competent authorities. The maximum credit limit under the scheme is Rs. 2 lakh only with beneficiary contribution of Rs. 20,000. There is provision of 7% interest subvention for a period of five years.

Similarly State government have a pivotal role for providing support to Weavers specially through cooperative sector West Bengal government recently launched Handloom and Khadi Weavers Financial Benefit Scheme. The key highlights are as under

The **West Bengal Handloom and Khadi Weavers Financial Benefit Scheme 2024 aims at:**

- Making Primary Weavers' Cooperative Societies (PWCS) debt-free through financial support for One Time Settlement (OTS) of Non-Performing Assets (NPA) accounts.
- Providing financial assistance to societies and individual weavers for sustainable livelihood options.
- Supplying subsidized yarn to Primary Weavers' Cooperative Societies, Khadi Weavers' Societies, and individual weavers.

The scheme categorizes eligible weavers into:

- **Handloom Weavers**: Entrepreneur Weavers (Master Weavers), Individual Weavers/Allied Workers, and Cooperative Fold Weavers/Weavers associated with Handloom Clusters.
- **Khadi Weavers**: Weavers involved in khadi-related activities.

There are four components of the scheme

1. **Support for One Time Settlement (OTS) of NPA Accounts of PWCS**:
    - The state government will provide financial support to clear 100% of the overdue principal amount and 25% of the overdue interest amount as of 31/03/2024. The remaining 75% of the overdue interest and any penal interest will be written off by the West Bengal State Cooperative Bank Ltd. (WBSCB) or the District Central Cooperative Banks (DCCBs).
2. **Assistance to Viable and Potentially Viable PWCS**:
    - PWCS will receive one-time financial assistance ranging from Rs. 1 lakh to Rs. 10 lakh, depending on their activity level. The norms for determining viability will be set by the State Level Committee.
3. **Supply of Yarn at Subsidized Rates**:
    - Handloom societies will receive yarn from Tantuja at a 10% concessional rate. Tantuja will also receive a 5% administrative cost for transportation, storing, and handling.
    - Khadi societies will receive roving or high-count cotton fiber from WBKVIB at a 10% concessional rate, with WBKVIB receiving a 5% administrative cost.
4. **Assistance to Individual Handloom Weavers**:
    - Individual weavers not under any PWCS will receive Rs. 5000 for repair/renovation of work sheds and/or looms, and Rs. 10,000 for raw material assistance. The raw material must be procured through Tantuja.

Reasons for low credit to the Weavers

During the field study it was observed there is only one universal scheme i.e. Weavers Mudra scheme which is being implemented by various banks. Most of the loan under this scheme is categorized under Shishu category where maximum loan limit is Rs. 50,000 only which is not always accessed as per business requirement of weavers.

Demand-Side Bottlenecks for Weavers financing

1. **Limited Financial Inclusion and Financial Literacy**: Majority of weavers are not aware of the various credit schemes and financial products available to them. This lack of awareness, coupled with low levels of financial literacy, hinders their ability to access credit. Further, the master weavers and other players in value chain provide limited amount of credit along with the raw material. The weavers find it convenient despite high rate of interest as the same is delivered at doorstep without any documentation.
2. **Lack of Collateral and Documentation:** The field study revealed that majority of the weavers are from very low social economic background. Secondly, weaving activity as such is

not generating any primary collateral as the weavers work on order basis and they do not have pile up stocks with them. The literacy level of weavers is very low, and they are not able to understand documentation process of the Banks.

3. **Nature of Income**: The income of weavers is often irregular, which makes it challenging for them to meet the repayment schedules set by banks. This irregularity in income also affects their creditworthiness.

Supply-Side Bottlenecks for Weavers financing

1. High Risk Perception by Banks

- **Unorganized Nature of the Sector**: The handloom sector is largely informal, with most weavers operating individually or in small groups. This makes it difficult for banks to assess their creditworthiness. For example:
    - In Assam, most weavers rely on wage labour under traders due to limited access to formal credit, which further perpetuates the cycle of informality.
- **High Default Rates**: Banks perceive lending to weavers as risky due to high Non-Performing Assets (NPAs). For instance:
    - Telangan Grameena Bank reported a 30% default rate in individual weaver loans, discouraging further lending.
    - In Uttar Pradesh, high NPAs in Primary Weaver Cooperative has led to no financing by Varanasi DCCB for past two decades.

2. Lack of Awareness of Financial Products

- **Limited Awareness of Schemes**: Many weavers and even bankers are unaware of schemes like the Weaver MUDRA Yojana. For example:
    - In Varanasi, only 143 loans were disbursed under the Weaver MUDRA Yojana in 2023, while 2,530 applications were rejected due to lack of proper documentation or understanding of the scheme.
    - In Assam, weavers were unaware of the UDYAM registration requirement for accessing loans, which hindered their ability to benefit from MSME schemes.
- **Inadequate Customization of Financial Products**: Existing financial products do not address the unique needs of weavers, such as:
    - **Consumption Credit**: Weavers in Telengana, Uttar Pradesh reported relying on moneylenders or master weavers for consumption needs during lean periods, as formal credit options do not cater to this requirement.
    - **Investment Credit**: In Telangana, the cost of modernizing pit looms to frame looms is approximately ₹50,000, but there is no dedicated financial product to support this transition. Similarly in Utter Pradesh, wooden looms were bent & has become inoperable during COVID period.

3. Operational Challenges Faced by Banks

- **High Cost of Servicing Loans**: The small ticket size of loans (e.g., ₹50,000–₹1,00,000) increases the cost of servicing for banks. For instance:
    - In Tamil Nadu, banks reported challenges in monitoring and renewing loans for SHGs and JLGs, with 60% of renewals pending in some districts.
- **Stock Statement Issues**: Many weavers do not maintain stock or inventory records, which are often required by banks for loan renewal or assessment. For example:
    - In Telangana, weavers reported that they do not have piled-up stock, making it difficult for them to meet the documentation requirements for loans.
    - In West Bengal, SLBC convenor informed that banks are shying off to extend credit as it requires stock statements, annual renewal & other formalities. Banks are not willing extend financing for small size loan.
- **Limited Outreach**: Banks face difficulties in reaching remote weaving clusters. For instance:
    - In Assam, cluster-based financing models are underdeveloped, and many weavers in rural areas lack access to formal credit.
    - In West Bengal & Utter Pradesh Branch Mangers including LDM was not aware about Bunkar Facilitator. (The Government of India pays an incentive of 0.5% of the loan amount disbursed (minimum Rs. 200 and maximum Rs. 2000 per loan) to the bank for onward payment to the Bunkar Facilitator)

4. Absence of a Separate Code in CBS for Weaver Loans

- **Clubbed Under MUDRA Category**: All loans to weavers are currently categorized under the MUDRA scheme, making it difficult to track the credit flow specifically to the handloom sector. For example:
    - In all states visited, the lack of a dedicated CBS code for weaver loans has hindered monitoring and evaluation of credit flow to the sector.
- **No Monitoring Mechanism**: Without a separate code, the progress of weaver financing is not included in District Consultative Committee (DCC) or District Level Monitoring and Review Committee (DLMRC) agendas. This was highlighted during discussions with the bank officials & SLBC.

5. Lack of Digital Records and Cumbersome ID Renewal Process

- **No Centralized Digital Database**: There is no digital record of weavers at either the bank or government level. For example:
    - In Telangana, many looms and weavers remain outside the geo-tagging system, which is essential for tracking beneficiaries of government schemes.
    - In Utter Pradesh entire Weaver Card making process is manual.
    - In West Bengal, anyone identified as Weaver during Handloom census 2019 is considered as Weaver without any verification of looms.
- **Annual Renewal of ID Cards**: Weavers are required to renew their ID cards (e.g., Pehchan Cards) every year, which is a time-consuming and cumbersome process. For instance:

- In Tamil Nadu, weavers reported difficulties in managing multiple cards, such as the Handloom Card, Pehchan Card, and Weavers Health Card.
- In Utter Pradesh card needs to be renewed every year. Without ID card weaver is not eligible to purchase yarn at subsidized rate from Weavers Service Centre.

6. Limited Access to Working Capital

- **Inadequate Credit Limits**: The per loom scale of finance has not been revised for years, leading to insufficient working capital. For example:
  - In Jammu & Kashmir, the annual working capital requirement for 100 weavers producing Pashmina shawls is ₹1.5 crore, but existing schemes fail to address such needs adequately.
- **Delayed Renewal of CC Limits**: In Tamil Nadu, the renewal of cash credit (CC) limits for PWCS takes more than three months, hampering their operations.

7. Dependence on Informal Credit

- **Reliance on Moneylenders and Traders**: Many weavers depend on informal sources of credit due to the lack of formal options. For example:
  - In Assam's Sualkuchi cluster, most weavers work as wage labourers under traders, who provide raw materials and advance payments but take a significant share of the profits.

8. Market and Infrastructure Challenges

- **Lack of Direct Market Access**: Weavers often rely on middlemen, who capture a significant portion of the profits. For example:
  - In Jammu & Kashmir, middlemen purchase carpets from weavers at low prices and sell them at double the cost in export markets.
- **Outdated Technology**: The use of pit looms leads to low productivity and occupational health issues. For instance:
  - Weavers reported joint pain and back pain due to the use of pit looms, and the cost of upgrading to frame looms (₹50,000–₹65,000) is unaffordable without financial support.

9. Challenges Faced by Cooperatives

- **Dormant or Defunct Societies**: Many PWCS are inactive, reducing the availability of credit for weavers. For example:
  - In Telangana, only 38 out of 63 PWCS catered to by the Nalgonda DCCB have outstanding loans, and only 11 availed limits in 2023-24.
  - In Utter Pradesh all the societies of Varanasi are dormant & have no credit limit from DCCB.
- **Delayed Subsidy Payments**: State governments often delay the disbursement of interest subsidies, increasing the financial burden on cooperatives. For instance:

- In Tamil Nadu, ₹186.69 lakh under the loss guarantee scheme is yet to be received by the Tamil Nadu State Cooperative Bank (TNSCB) from the state government.

10. Limited Role of Banks in Supporting OFPOs

- **Minimal Engagement with OFPOs**: Banks have shown limited engagement with Off-Farm Producer Organizations (OFPOs). For example:
  - In Jammu & Kashmir, the Sehar Carpet Producer Company Ltd. reported that banks like Jammu & Kashmir Bank and Jammu & Kashmir Grameen Bank primarily provide loans to weavers promoted by the Handlooms Department, leaving many OFPO members underserved.
- **Inadequate Working Capital Support**: The Basholi Pashmina Artisans Producer Company in Jammu & Kashmir requires ₹1.5 crore annually for raw material procurement but has only received a grant of ₹25 lakh over three years, which is insufficient to meet its needs.

11. Lack of Certification and Branding

- **Absence of Certification Bodies**: The lack of local certification bodies limits the ability of weavers to authenticate their products. For example:
  - The Basholi Pashmina Artisans Producer Company in Jammu & Kashmir has been unable to leverage its GI tag due to the absence of a certification body.
- **Limited Awareness of Branding Opportunities**: Many weavers are unaware of the benefits of GI tagging and QR coding. For instance:
  - In Tamil Nadu, weavers reported that the Handloom Mark does not come with a QR code scanning facility, unlike the Silk Mark.
  - In Utter Pradesh, Weavers reported that actual benefit of GI tag is reaped by retailer. Middleman\Master Weaver doesn't give any additional price benefit for Silk Mark or Handloom mark.

Followings are the recommendation to chalk out the Roadmap for development of Handloom:

I. Recommendations Pertaining to NABARD's Financial Products

1. Revision of Refinance Policy

The core objective of the study was to redesign our refinance product as there has been no offtake of refinance since 2018-19 for two states i.e Andhra Pradesh & Tamilnadu. From rest of India, it is almost a decade we have not disbursed any refinance. It is evident from the study that majority of the Weavers are outside institutional credit fold. The credit flow is too low to generate refinance demand.

However, the Weaver household sector presents ample opportunity for intervention from NABARD both business as well as developments. The policy for department of refinance is based upon following facts as elaborated in study

- Cooperative sector is most practical model of brining Weavers to institutional fold. The PWCs also become important as Ministry of Cooperation, GoI has a target to establish 2 lakh Multi service Society.
- Role of SHDCs in marketing has diminished with time & Corporate entities are becoming vital players in procurement of finished handloom products.

In view of above we may introduce new product as Sanction of Term Loans to State Governments under Section 27 of the NABARD Act, 1981 for PWCs.

Category	Details	Recommendations
Purpose	NABARD provides long-term loans to State Governments for contributing to the share capital of cooperative credit institutions, including State Cooperative Banks (Stc.B.), District Central Cooperative Banks (DCCBs), Primary Agricultural Credit Societies (PACS), Farmers Service Societies (FSS), Large-sized Adivasi Multipurpose Societies (LAMPS), State Cooperative Agriculture and Rural Development Banks (SCARDBs), and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).	As PWCs are also Cooperative societies, it may also be included as an eligible entity for share capital infusion by State Government. The recent scheme by West Bengal Government for Handloom Sector presents testing opportunity to pilot new product.
Objectives	Enhance Maximum Borrowing Power (MBP): Increase the lending capacity of cooperative credit institutions to meet the credit requirements of their constituents, particularly for agricultural loans. Promote Member-Driven Institutions: Strengthen the member base and equity base of cooperative credit institutions by increasing	The Weavers' MUDRA scheme is not available to PWCs. The Share capital infusion by State government will make PWCs to borrow as well as it will help in Strengthen the member base and equity base of PWCs However, to encourage members to avail credit, an Interest subvention scheme

	share capital contributions from members.	similar to PACS as MSC may be introduced.
Eligibility Criteria and Ceiling Amounts	Primary Agricultural Credit Societies Overdue: Should not exceed 60% of the demand as on 30 June. Audit Classification: 'A', 'B', or 'C' class under audit classification. Capital Ceiling: State Government contribution should not exceed 25% of the paid-up capital.	Primary Weavers Cooperative Societies During the field study it was observed that most of the PWCs were defunct or dormant. Therefore, completion of audit every two year should be made only criteria for the eligibility initially so that the State government like West Bengal is in process of reviving PWCs by way of capital infusion, NABARD may extend credit facility to them.

To accommodate MUDRA scheme & role of SHDCs following policy revisions are recommended

NABARD Circular Policy for Refinance to SHDCs			
Category	**StCB**	**Schedule Commercial Banks**	**Recommendations**
Eligible Activities	Financing working capital requirements of State Handloom Development Corporations (SHDCs) for handloom-related activities.	Production, procurement, and marketing of handloom goods, including handloom cloth and finished goods.	As production & procurement of handloom goods are no longer primary activity of SHDCs, we may include working capital limit for purchase of inputs i.e yarn & dyes
Eligible Institutions	State Cooperative Banks (StCBs) complying with Sec 11(1) of the BR Act 1949 (AACS) and having CRAR above 9% as of 31 March 2024.	All Scheduled Commercial Banks financing the above-mentioned activities of State Handloom Development Corporations (SHDCs).	Apart from SHDC, the scheme may be opened to corporate buyers like Avantra (Reliance group), Tanera (Tata Group), Fab India etc.

Quantum of Refinance	Linked to Net NPAs of StCBs as of 31 March	Credit limits for refinance will not exceed 3% of SHDC's annual turnover, provided there are no accumulated losses. Higher levels may be considered for SHDCs with firm orders.	In the case of StCB, the quantum may be decided by NPA level. The quantum may be considered like other ST limits.
	- For Northeastern Region, J&K, Sikkim, Andaman & Nicobar Islands, Himachal Pradesh, and Uttarakhand:		In the case of the Scheduled Commercial Bank, we may remove the turnover condition. We may introduce concept of RLP & link quantum of refinance specific to the region as well as NPA of the bank.
Security Requirements	Financing banks are free to obtain collateral/guarantees from SHDCs. State Government guarantee may be waived if StCB meets specific conditions (e.g., 60% demand recovery, A-class audit).	Financing banks may obtain additional collaterals/guarantees from SHDCs	We may revise the clause as "bank may obtain collateral as per RBI norms".
Government Guarantee	State Government guarantee in favor of NABARD may be waived for StCBs meeting specific conditions. NABARD will have preferential rights over StCB in case of default.	Financing banks may obtain government guarantees or other collateral as per RBI instructions.	The government guarantee clause may be removed other than non-schedule StCBs similar to other ST limits.
Cover for Borrowings	Primary: Stocks and book debts. Secondary: Other assets as deemed appropriate by NABARD.	Items considered as cover include Stock of cloth and finished goods (not exceeding 6 months).Book debts outstanding (not exceeding 3 months).3. Subsidy claims pending with the State Government (not exceeding 6 months).	Stock & book debt only may be considered for primary guarantee. However, for secondary cover we may continue with assets as deemed appropriate by NABARD.

Revision in policy circular for ST limit to Schedule commercial Banks & RRBS for all waivers other than PWCs

Particulars	NABARD Circular on Short-Term Credit Limits to RRBs (2014-15) & 2024-25	NABARD Circular on Short-Term Credit Limits to Scheduled Commercial Banks (2014-15) & 2024-25	Recommendations
Agency	RRBs	SCB	
Section	Details	Details	
Purpose	Provision of short-term credit limits to RRBs under Section 21(1)(iv) & (v) read with Section 21(4) of the NABARD Act, 1981, for financing working capital and marketing needs of weavers, HWGs, master weavers, and others.	Provision of short-term credit limits to SCBs under Section 21(1)(iv) & 21(1)(v) read with Section 21(4) of the NABARD Act, 1981, for financing working capital and marketing needs of weavers, HWGs, MWs, and related entities.	Provision of short-term credit limits to RRBs under Section 21(1)(iv) & (v) read with Section 21(4) of the NABARD Act, 1981, for financing working capital and marketing needs of weavers, HWGs, master weavers, and others including loan sanctioned under Weavers MUDRA scheme.
Eligibility Criteria	RRBs must have completed audits Compliance with CRAR & NPA norms. Relaxation of 5% in net NPA norms for Northeastern Regions, Jammu & Kashmir, and Uttarakhand. Merged banks' financial position as of 31 March will be considered.	SCBs must have completed audit CRAR with net NPAs	Eligibility- similar to our other ST limit eligibility criteria.

Loan Purpose	Working capital needs such as wages, purchase of dyes/chemicals/yarn, electricity charges, transportation, and consumption needs (15-20% of working capital).	Financing working capital needs such as wages, purchase of dyes/chemicals/yarn, electricity charges, transportation, and consumption needs.	Working capital needs such as wages, purchase of dyes/chemicals/yarn, electricity charges, transportation, and consumption needs (15-20% of working capital) **including loan sanctioned under Weavers MUDRA scheme**
Loan Limit	Based on project proposals, employment, type/quality of cloth produced, and marketing infrastructure. Scales of Finance (SoF) recommended by State Level Bankers' Committees (SLBCs) will be used.	Based on project proposals, employment, type/quality of cloth produced, and marketing infrastructure. Scales of Finance (SoF) recommended by State Level Bankers' Committees (SLBCs) will be used.	Scales of Finance (SoF) recommended by State Level Bankers' Committees (SLBCs) will be used.
Interest Rate	As decided by NABARD.	As decided by NABARD.	To induce higher credit flow to Handloom sector for 3-5 years, concessional refinance may be considered similar to PACs as MSC scheme. Since interest subvention under MUDRA scheme is available to weavers, combined with concessional refinance will make product attractive.

Margin and Security Norms	Usual margin of 25% for individual weavers and master weavers. For HWGs, 90% of the working capital requirement may be given as a loan.	Usual margin of 25% for individual weavers and master weavers. For HWGs, 90% of the working capital requirement may be given as a loan.	Under Weavers MUDRA scheme maximum margin money assistance is Rs 10,000. It is therefore recommended that margin money requirement may be reduced to 5% so that weaves can avail full benefit subject to Scale of finance decided by SLBC in concerned state.
Activities Financed	Payment of wages, purchase of inputs (dyes, chemicals, yarn), electricity charges, transportation, and consumption needs for emergencies (e.g., medical expenses, family exigencies).	Payment of wages, purchase of inputs (dyes, chemicals, yarn), electricity charges, transportation, and consumption needs for emergencies (e.g., medical expenses, family exigencies).	The weavers MUDRA scheme doesn't cover consumption need. However considering the nature of handloom sector it is essential to provide certain amount for consumption needs. It is recommended that we may allow banks to add consumption loan @20% of MUDRA loan & it may be made eligible for refinance in scale of finance.

Guarantee Requirements	No provision	No provision	Loans extended by banks to handloom weavers are guaranteed by the Credit Guarantee Fund Trust for Medium & Small Enterprises (CGTMSE). The Government of India pays the required guarantee fee and annual service fee. The guarantee cover is effective from the date of loan disbursement by the bank for a period of three year. This clause may be included in our refinance policy

Revision in policy circular for ST limit to Schedule commercial Banks & StCB for PWCs

Circular	**NABARD Circular No. 3/DoR-3/2014 (Dated 23 April 2014)**	**NABARD Circular No. 8/DoR-28/2014 (Dated 23 April 2014)**	**Recommendations**
Agency	StCB	SCB	
Date	23-Apr-14	23-Apr-14	
Purpose	Short-term credit limits for financing working capital of PWCS, Apex/Regional Weavers Cooperative Societies, and others.	Short-term credit limits to finance Primary Weavers Cooperative Societies (PWCS) for production and marketing of cloth.	No change suggested\required
Eligibility Criteria	CRAR Non-scheduled StCBs must comply with Section 11(1) of the Banking Regulation Act, 1949 (AACS).	Banks with NPAs of net loans and advances as of 31 March are eligible. NPAs will be reckoned for the bank as a whole, not branch-wise.	Eligibility - similar our other ST limit eligibility criteria

Quantum of Refinance	Linked to Net NPAs of StCBs as of 31 March. Maximum outstanding reached during previous year. Special states (e.g., J&K, Sikkim, Himachal Pradesh) eligible for an additional 5% refinance.	Limit will be sanctioned to 60% of RLP	To boost credit flow io handloom sector, maximum quantum may be increased to 80-90%
Assessment of Working Capital for PWCS	Based on 50% of anticipated production, calculated using the higher of actual production in the previous year. Average production over the last three years. Additional credit limits may be sanctioned during slack seasons, subject to conditions.	Based on 50% of anticipated production, calculated using the higher of actual production in the previous year. Average production over the last three years.	It may be simplified to RLP method based upon last three years sales. 50% anticipated sales may be relaxed or removed altogether,
Conditions for Drawals	StCBs must submit monthly NODC (Non-Overdue Cover) statements. Drawals are permitted only if the outstanding borrowings do not exceed the sanctioned limit.	Drawals are permitted only if the Non-Overdue Cover (NODC) is available as of the last Friday of the preceding month. Banks must submit monthly NODC statements by the 20th of the succeeding month.	No change suggested\required
Eligible Activities	Production and marketing of cloth by PWCS. Procurement and marketing of cloth by Apex/Regional WCS. Trading in yarn.	Working capital finance for production and marketing of cloth.	Purchased of other inputs, WC requirements for common facility center if available at PWC may be included

Margin Requirements	Minimum margin of 10% for Apex/Regional WCS. PWCS must maintain a margin of at least 90% of aggregate borrowings.	Societies must maintain a margin of 10% of working capital limits provided by SCBs from their Net Disposable Resources (NDR).	No change suggested\required
Audit Requirements	Society must be viable or potentially viable. Society must have paid its Manager/Secretary. Society must not be in "D" class audit. Audit of the society must not be in arrears for more than 2 years.	Society must be viable or potentially viable. Society must have paid its Manager/Secretary. Society must not be in "D" class audit. Audit of the society must not be in arrears for more than 2 years. Society must not have outstanding loans with Cooperative Banks or must obtain a "No Due Certificate" from Cooperative Banks before being eligible for finance by SCBs.	No change suggested\required
Stock Valuation for Borrowings	Yarn/finished goods/cloth valuation based on age: Up to 12 months: 100% valuation. 12-24 months: 90% for silk, 80% for other cloth. Over 24 months: 80% for silk, 60% for other cloth.	Yarn/finished goods/cloth valuation based on age: Up to 12 months: 100% valuation. 12-24 months: 90% for silk, 80% for other cloth. Over 24 months: 80% for silk, 60% for other cloth.	No change suggested\required
Special States Eligibility	States like J&K, Sikkim, Himachal Pradesh, Andaman & Nicobar Islands, and Uttarakhand have relaxed NPA eligibility norms.	Not Applicable	It is recommended that instead of relaxing NPA norms, higher quantum of refinance may be considered.

Refinance for Yarn Trading	Eligibility based on anticipated value of yarn purchases (previous year's purchase or average of last three years, plus a 20% increase). Maximum eligibility restricted to 9 times the available NDR.	Not available	The upper ceiling of maximum 20% may be removed/ relaxed. Higher times of NDR may be considered in phased manner based upon PWCs performance over previous 3-5 years.
Guarantee Requirements	Credit limits may be sanctioned against government guarantees or other approved securities.	Not Applicable	Guarantee requirement similar to our other ST limit eligibility criteria.

Proposed new product for Weavers' as Mini- OFPOs

	NABARD Circular on Support to OFPO Circular No.NB. 174/OFDD-08/2022 Date 02 August 2022	Recommendations
Eligible Agency	Any legal entity	Any legal entity with exposure to Handloom sector
Duration of Projects	It is uniformly 3 years	The handloom sector requires sufficient time to stabilize the operations. The project period may be enhanced to 5-7 years to bring visible difference.
Mobilisation of artisans	Provision is that Agencies must mobilize at least 50% of proposed members and register the OFPO within three months.	The condition should be flexible for cluster to cluster as majority of the weavers join OFPO after observing benefits to the engaged members. It should be decided as per the DPR.

Support towards overhead of OFPO	The support to overheads of are uniform for all OFPO irrespective difficulty of area and nature of product. Mega OFPO: ₹24.30 lakh Major OFPO: ₹17.65 lakh Mini OFPO: ₹7.06 lakh	We may focus on Mini OFPO (75-199) with higher grant support. In the long run Mini OFPO may be federated to ensure greater economy of scale. The limit to overhead expenditure should be decided based on difficulty of area and type of products. To get good CEO for steering the OFPO, it will be beneficial if Master Weavers are trained to act as CEO
Revolving Fund Assistance / Working Capital Support	Presently, the limit is decided uniform all projects : Mega OFPO: ₹10.00 lakh Major OFPO: ₹7.00 lakh Mini OFPO: ₹7.00 lakh. Further it is disbursed on matching contribution from the members.	Revolving Fund Assistance / Working Capital Support may be decided on operating cycle and requirement basis. The experience is that the operating cycle may vary one month to six months. Similarly, the requirement of finance also varies 10 to 15 times of the present limit being provided under OFPO project. The disbursement of the same may not be strictly limited to the matching contribution of the weavers. The contribution from the weavers may be collected simultaneously to ensure their belongingness with the OFPO. A professional other than CEO may be part of OFPO who should be responsible for marketing, networking & coordination with Government departments & banks.

Targeted financial inclusion drive

	Summary of NABARD Circular on 121 DFIBT 05 /2019 dated 09 May 2019	Recommendations
Activity	Financial Inclusion - Differentiated Approach. The targeted approach includes Farmer, School Children, Senior Citizen, Entrepreneurs and SHG	The targeted approach may be adopted for financial literacy of Weavers. The weavers mostly belong to the age group of 35-60 and own feature phone. The curriculum of financial literacy programmes may be customized accordingly. The enrollment under PMJDY, Social Security Schemes, viz PMJJBY PMSBY and APY and other specific schemes relevant for the weavers in a particular State may be assigned as deliverables.
Eligible Entity	Banks are eligible entities	OFPOs/ PWCS may be added eligible agencies for conducting the programmes. Further, SLBC may be onboarded to allocate targets for conduct of Financial Literacy programme by FLCs of the Commercial Banks for the weavers as specific target group with focus on sensitization of the weavers on weavers' centric schemes viz, Weavers Mudra Scheme, Mahatma Gandhi Bunkar Insurance Scheme and other relevant schemes of Central and State Governments.

Formation of weaver centric SHGs/JLGs

	NABARD Circular on 169 MCID 5/2024 dated 26 August 2024 read with Circular No. NB.MCID/H-513/SHG-1 (Policy)/20l3-14 dated 27 August 2013	**Recommendations**
Activity	Grant Assistance to SHPI for promotion and credit linkage of SHGs - The scheme has been extended in 194 low PSL districts identified by RBI vide Master Direction on Priority Sector Lending (PSL) issued on 4 September 2020 and updated from time to time.	A new category of SHPI scheme may be introduced for formation of Handloom focused SHGs in weavers' centric areas on selective basis to ensure coverage of weavers under institutional fold as well as financial inclusion. To begin with, the scheme may be introduced in the State of Assam as women weavers concentration is highest in Assam. Handloom Department/SHDC may be allowed to act as SHPI along with other eligible agencies. The convergence with SRLM may also be explored.
Activity	Targeted approach for promotion of Farm Sector JLGs - low PSL districts and states with higher share of tenant farmers	On the similar lines, the targeted approach may be adopted for formation of JLGs in weaver centric areas to ensure financial inclusion of weavers. Handloom Department/SHDC may be allowed to act as JLGPI along with other agencies.

Survey on Weavers in NAFIS by DEAR

NAFIS Survey is undertaken by NABARD. At present survey does not cover weavers' households. It is proposed that the future NAFIS survey may collect data on, age group, passion of loom, type of dwelling unit, possession of smart phone, saving bank account, enrolment under social security schemes, credit coverage both short term and long term, type of borrowing institution and the type of training undergone in the last two years. This will facilitate suitable finetuning of the policies and schemes.

Recommendations for BIRD and NBSC

- Weavers' service Centres under direction on Handloom Departments, are conducting training under SAMARTH initiative. This training is conducted generally by the Master Weavers. BIRD may conduct exclusive programmes for the Master Wevers with inputs on weaving technology, financial inclusion schemes and marketing specially e-commerce.
- BIRD may also conduct programme exclusively for handloom financing covering assessment of working capital requirement. Long term financing replacement/ procurement of looms and other tools, weavers Mudra scheme and other state specific schemes.
- Sensitisation programmes for newly formed/ newly revived PWCs on financial and business aspects may also be conducted by BIRD.
- Exclusive exposure programmes highlighting weavers issues and possible action plan for formation/revival of PWCs, OFPOs, SHG/JLG with weavers may be conducted by NBSC.

Recommendations for RO/DDM

1. The officers posted in DOR, DMFI and OFDD and DDMs may be given wide exposure on handloom clusters in particular state to understand issues.
2. Each RO should prepare a road map for the development of handloom clusters in the state.
3. ROs may take up with SLBC for fixation of Scale of finance for handloom sector keeping in view marketing assistance as well as consumption needs
4. ROs may take up with SLBC for introducing separate code for handloom financing for monitoring of the disbursement and utilisation of credit under handloom sector.
5. ROs may take up with SLBC for targeted financial inclusion drive for weavers through FLCs.

By implementing the suggested modifications to existing schemes, introducing specialized financial products, and strengthening institutional frameworks, We can catalyse sustainable growth in the handloom sector while preserving this invaluable cultural heritage and fulfilling our mandate to bring rural prosperity.

Annexures, References and Supporting Material

Annexures

Annexure No. / Table	Content / Description
Annexure 1 / Table 2.1	Geographic Distribution of Rural & Urban Handloom Households by State (Handloom Census 2019-20)
Annexure 2 / Table 2.2	Type of Dwelling Units: State-wise Kaccha, Semi-Pucca, Pucca Distribution of Weavers' Households
Annexure 3 / Table 2.3	Gender Distribution of Weavers by State
Annexure 4 / Table 2.4	Age Group Distribution of Weavers (All India, State-wise)
Annexure 5 / Table 2.5	Educational Status of Weavers by State
Annexure 6 / Table 2.6	Social Group Distribution of Weavers: SC, ST, OBC, Others
Annexure 7 / Table 2.7	Households with Looms: Percentage With/Without Loom by State
Annexure 8 / Table 2.8	Income Levels of Weavers by State and Income Bracket
Annexure 9 / Table 2.9	Institutional Coverage: Co-operative Societies, SHGs, Producer Companies
Annexure 10 / Table 3.1	Handloom Worker Employment Status: By Association Type (Independent/Master Weaver/Institutional)
Annexure 11 / Table 3.2	Supply of Hank Yarn to Weavers: By Source (Market, SHDC, Coops, etc.)
Annexure 12 / Table 3.3	Supply of Chemical & Dyes: Dispersion by State and Channel

Annexure 13 / Table 4.1 / 4.2	Loan/Credit Sources, Institutional Coverage, Scheme Uptake, and Credit Flow by State
Charts	Charts/graphs supporting tables: e.g., Geographic, Age, Education, Social Group, Institutional Coverage, etc.

Additional annexed material includes:

- **Field Visit / Cluster-wise Observations:** Key insights by state/cluster (Assam, TN, Telangana, J&K, UP, WB).
- **Major Policy Circular Abstracts:** Key circulars of NABARD, MUDRA, SHDCs, state government interventions.
- **Sample Survey Instruments:** (As used in field studies, if appended)

References

1. **Fourth All India Handloom Census (2019–20).**
2. **Various State Handloom Development Corporation Reports (SHDC Annual Reports and Official Data, 2023-24).**
3. **NABARD Policy Circulars** (including those referenced in the report body and recommendation sections)
4. **State-level reports and circulars on Mudra/Weaver Credit Schemes** (e.g., Government of Tamil Nadu, Telangana, Assam, West Bengal)
5. **Ministry of Textiles, Government of India** (Official Data, Scheme Guidelines, Handloom Sector Annual Reports)
6. **Field Interviews and Primary Data:** Interactions with weaver households, officials, banks, and SHDCs (detailed in methodology).
7. **Survey Results and Unpublished Data:** Collected during field studies in Assam, West Bengal, J&K, Tamil Nadu, Telangana, and Uttar Pradesh.
8. **Other Academic and Policy Literature:** As noted within embedded citations throughout the report.

Supporting Material

- **Copy of Questionnaires/Interview Schedules**: Used in major field clusters.

- **Policy and Guidelines Excerpts**: e.g., Weaver Mudra Scheme, West Bengal Handloom and Khadi Weavers Financial Benefit Scheme 2024.
- **Relevant Bank Circulars and Guidelines**: NABARD, DCCB, SLBC.
- **Definitions and Acronyms List.**
- **Photographic Documentation** : Images of clusters, looms, cooperative societies, SHG meetings.