

# Loan Repayment Challenges Among Handloom Weavers: A Study In The Pochampally Region

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## **Abstract:**

The handloom industry within the Pochampally region is essential for safeguarding India's cultural heritage and supporting the livelihoods of many weavers. Loan repayment difficulties substantially impede the financial security and expansion of weavers from this area. This study seeks to identify and examine the fundamental issues encountered among handloom weavers in loan repayment through a factor analysis methodology. Data was gathered from a representative group of handloom makers in Pochampally, concentrating on several economic, social, & institutional impediments to repayment. The component analysis identified critical characteristics contributing to repayment challenges, such as low income, elevated interest rates, unfavorable loan conditions, market volatility, and a deficiency in financial literacy. Moreover, systemic challenges including restricted access to government assistance as a substantial reliance on informal financing sources were recognized as critical contributors. The findings elucidate the fundamental reasons of repayment difficulties, furnishing essential insights for policymakers, banks, and other parties. Mitigating these issues through specific interventions—such as optimizing loan structuring, providing financial literacy initiatives, and facilitating improved market connections—can bolster the economic resilience to handloom weavers. This study highlights the necessity of creating sustainable and inclusive finance structures specifically designed for the handloom sector across the Pochampally district.

**Keywords:** Handloom weavers, Loan repayment challenges, Financial barriers, Economic resilience Sustainable financial practices,

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## I. Introduction

The handloom sector in India possesses considerable historical, cultural, & economic importance, acting as a crucial source of employment and safeguarding traditional craftsmanship. The Pochampally district in Telangana is distinguished for its renowned Ikat weaving, celebrated worldwide for its elaborate designs and cultural significance. Despite its significance, the handloom sector encounters various obstacles that jeopardize its viability, with financial limitations being a primary issue. Access to financing is crucial for weavers to acquire raw materials, enhance infrastructure, and maintain production cycles. The repayment for these loans frequently presents considerable challenges, jeopardizing the financial stability & livelihoods of the weavers. Handloom weavers from Pochampally face loan repayment difficulties due to several variables, such as limited income, market volatility, elevated interest rates, and suboptimal loan conditions. These challenges are exacerbated by institutional obstacles, including reliance on informal lending sources and restricted availability of financial literacy programs. Comprehending the fundamental reasons of these repayment difficulties is essential for formulating effective solutions that cater to the specific demands of this at-risk community. This study aims to investigate and assess the challenges encountered by handloom weavers for loan repayment within the Pochampally district through a factor analysis methodology. The research seeks to identify and categorize the primary variables leading to repayment challenges, offering practical information towards policymakers, financial institutions, among stakeholders. This study's findings will enhance the debate on improving the financial durability of age-old industries such as handloom weaving, assuring their growth and sustainability amid a competitive and dynamic market.

## II. Literature Review

**Kumar, A., & Patel, V. (2022)** in their study entitled “Addressing Financial and Structural Challenges in the Handloom Sector: An Analytical Approach” examined the structural and financial constraints affecting handloom weavers. Key findings included high production costs, lack of modern machinery, and limited bargaining power in competitive markets. Challenges in accessing institutional credit and repayment issues due to inconsistent cash flow were also significant. The authors stressed the importance of integrating handloom

weavers into formal financial systems and creating targeted subsidies for raw materials and technology adoption. Strengthening market connections and cooperative frameworks can also play a pivotal role in addressing their issues.

**Singh, S., & Devi, R. (2020)** in their study titled “Socio-Economic Constraints Among Handloom Weavers in Rural India: A Case Study” explored the socio-economic challenges of handloom weavers, particularly in rural regions. It found that irregular income, low profitability, and lack of organized marketing channels were major barriers. Loan repayment was specifically difficult due to low returns on investment and absence of flexible repayment options. The study concluded that empowering weavers through skill development programs, subsidized credit, and market linkages is vital. It also recommended policy reforms to simplify loan terms and enhance financial literacy among weavers.

**Choudhary, R., & Sharma, P. (2018)** in their study titled “Challenges Faced by Handloom Weavers: Financial and Operational Barriers” highlighted key challenges faced by handloom weavers, including fluctuating raw material costs, limited market access, and lack of modern technology. Financial challenges were intensified by insufficient institutional credit and a significant reliance on informal moneylenders. Poor infrastructure and low awareness of government schemes further contributed to their hardships. The researchers emphasized the need for better financial inclusion, improved access to markets, and targeted government interventions to alleviate the challenges faced by handloom weavers. A holistic approach involving stakeholders is essential to ensure the sector's sustainability.

### **III. Need For The Study”**

The handloom sector is a cornerstone of India’s cultural heritage and rural economy, providing employment to millions of artisans and sustaining traditional weaving techniques. However, this sector faces numerous challenges that threaten its sustainability, particularly in the Pochampally region, which is renowned for its iconic Ikat weaving. Among these challenges, loan repayment difficulties are a significant issue, stemming from financial instability, inadequate institutional support, and systemic barriers.

Despite various governmental initiatives and financial schemes, many handloom weavers continue to struggle with high-interest rates, insufficient income, and lack of access to formal credit systems. These challenges not only impede their financial growth but also exacerbate their dependence on informal moneylenders, pushing them further into cycles of debt. Additionally, the absence of structured mechanisms to address these repayment difficulties limits the weavers’ ability to improve their livelihoods and sustain production.

This study is essential to fill the gap in understanding the root causes of loan repayment challenges faced by handloom weavers. By using a factor analysis approach, the research aims to identify and categorize the key issues affecting weavers, providing a comprehensive framework for policymakers, financial institutions, and other stakeholders. The insights gained will help in designing targeted interventions, such as tailored loan products, financial literacy programs, and market access initiatives to enhance the economic resilience as well as the viability of the handloom industry.

### **IV. Objective Of The Study””**

To study the challenges faced by handloom weavers in loan repayment at the Pochampally region using Factor Analysis.

#### **Limitations of the Study:**

The study is limited to the Pochampally region, which may not fully represent the experiences of handloom weavers in other parts of Telangana or across India. Differences in regional policies, economic conditions, and cultural factors may lead to different findings elsewhere.

The study focuses primarily on formal rural credit systems. Informal sources of credit, such as loans from local moneylenders or family members, are not extensively covered.

#### **Research Methodology**

Research is the term used to describe a thorough and methodical exploration of pertinent facts. The principal objective of study is to uncover concealed truths that have yet to be unveiled, or to enhance the existing discoveries of prior research endeavors.

**Data Collection Methods:** Once an investigation issue has been identified, the process of gathering data commences. The research is predominantly based on empirical evidence. The data for the study was collected from a combination of primary and secondary sources.

Primary Source: Data (571 respondents) was gathered using well-structured questionnaires. Separate questionnaires were developed and distributed. The questionnaires included both open-ended and closed-ended questions.

**Secondary Source:** Data was collected from books, journals and reports both at National and International levels in the area of handloom industry Ministry reports and newspaper reports were also taken into account.

### V. Data Analysis

**Table-1.1**

“KMO and Bartlett's Test”		
“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		0.784
“Bartlett's Test of Sphericity”	“Approx. Chi-Square”	9394.264
	“df”	91
	“Sig.”	0.000

The analysis indicates a robust association among the variables, as evidenced by a KMO statistic of .784. Additionally, the null hypothesis for Bartlett’s test, which posits that the correlation matrix is an identity matrix, has been rejected due to a P-value of .000. Factor analysis is applicable.

#### “Communalities: Initial Vs Extraction”

“Communalities”	“Initial”	“Extraction”
Irregular Income makes it difficult for them to maintain a steady repayment schedule.	1.000	0.736
Non availability of raw materials (yarn)	1.000	0.973
Increase in input cost of raw materials	1.000	0.969
Lower value for the produce produced	1.000	0.976
Due to low Marketing conditions	1.000	0.974
Due to large family size, unexpected commitments such as functions etc	1.000	0.963
High-interest rates can make it challenging for them to meet their loan repayment obligations.	1.000	0.719
Low profit margins make difficult to meet their loan repayment.	1.000	0.765
Weavers limited education may not fully understand the terms and conditions	1.000	0.712
Borrowing from multiple sources make a cycle of debt.	1.000	0.958
Handloom weavers are vulnerable to various unforeseen circumstances such as natural disasters	1.000	0.703
Without adequate insurance they may struggle to cope with unexpected expenses	1.000	0.780
Handloom weavers often lack access to support services such as financial counselling, debt restructuring,	1.000	0.953
Handloom weavers often lack loan restructuring programs offered by banks or government agencies	1.000	0.743
Extraction Method: Principal Component Analysis.		

**Extraction:** The process of extracting communalities yield the final communalities, typically lower than the starting communalities of 1.0, indicating the fraction of variance in the variable explained by components with Eigenvalues exceeding 1.0. The variable is deemed for exclusion from the component analysis if its extraction communalities are below .40. No factors are to be eliminated.

Component	Total Variance								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.058	36.126	36.126	5.058	36.126	36.126	3.948	28.199	28.199
2	2.618	18.703	54.830	2.618	18.703	54.830	2.972	21.229	49.428
3	1.672	11.944	66.774	1.672	11.944	66.774	1.882	13.443	62.870
4	1.514	10.813	77.587	1.514	10.813	77.587	1.797	12.838	75.708
5	1.061	7.577	85.164	1.061	7.577	85.164	1.324	9.456	85.164
6	0.592	4.230	89.394						
7	0.492	3.513	92.906						
8	0.440	3.141	96.047						
9	0.353	2.520	98.568						
10	0.082	0.586	99.153						
11	0.054	0.388	99.542						
12	0.030	0.217	99.759						
13	0.021	0.147	99.905						
14	0.013	0.095	100.000						
“Source : Survey Data”									
“Extraction Method: Principal Component Analysis”									

The "Total Variance Explained" table summarizes the variance captured by each component in a Principal Component Analysis (PCA). This analysis is used to identify the most significant factors impacting the study's dataset, as it reduces dimensionality while preserving essential data characteristics.

**Initial Eigen values** represent the total variance explained by each component. Here, six components have eigen values greater than 1, suggesting they significantly contribute to explaining the variance in the data. Component 1 explains 36.126% of the variance, component 2 adds 18.703%, and cumulative contributions from the six components account for 77.587% of the total variance.

**Extraction Sums of Squared Loadings** provides values for the extracted components, showing their combined contribution to the dataset's variance. The first component explains 36.125% of the variance, while all six components together still contribute to 77.58% of the variance—consistent with the initial eigen values.

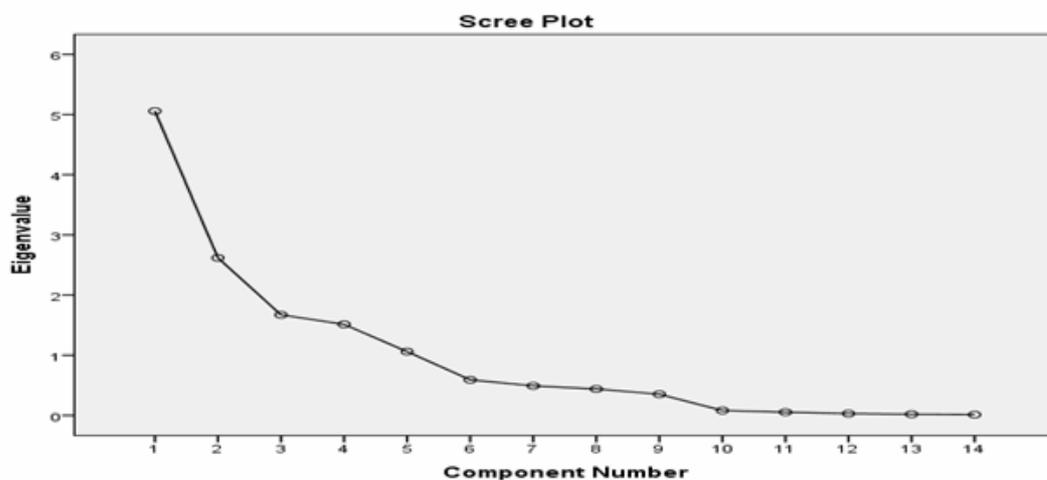
**Rotation Sums of Squared Loadings** shows the variance redistribution after rotation, which enhances interpretability by making loadings more distinct across components. Even after rotation, the first component explains 36.125% of the variance, followed by component 2 with 18.703%, and so on, ensuring a clear understanding of each component's specific contribution.

This PCA extraction and rotation method using eigenvalues and variance percentages helps identify the dominant factors driving the study's findings, ensuring an efficient focus on the main sources of variance within the data.

**Number of Components to Retain**

A number of rules have been advanced for deciding how many factors to be retained for a factor analysis solution. Two of the most popular are:

1. The latent roots (eigen value) criterion.
2. The Screen test



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	1	2	3	4	5
Non availability of raw materials (yarn)	0.871				
Lower value for the produce produced	0.868				
Due to low Marketing conditions	0.865				
Increase in input cost of raw materials	0.861				
Due to large family size, unexpected commitments such as functions etc		0.632			
Borrowing from multiple sources make a cycle of debt.		0.634			
Low profit margins make difficult to meet their loan repayment.			0.644		
Without adequate insurance they may struggle to cope with unexpected expenses			0.629		
Irregular Income makes it difficult for them to maintain a steady repayment schedule.				0.652	
High-interest rates can make it challenging for them to meet their loan repayment obligations.					0.655

**Extraction Method:** Principal Component Analysis.

**Rotation Method:** Varimax with Kaiser Normalization.

Varimax attempts to simplify the factor loadings by forcing them to be near 0 or 1. Varimax is a robust and simple procedure that typically enhances the interpretability of factors, and it is consequently the most popular orthogonal rotation scheme. The Rotated Component Matrix in the above table presents the "rotated

factor loadings", which are the magnitudes of these vertical projections, or the correlations of the variables with the new factors. When a variable is highly correlated the loading is near 1 or, say, greater than .7. We rely on that variable to help us interpret and understand the factor. These identified factors or components reflect the four different dimensions from which a customer analyses his or her satisfaction / dissatisfaction with different weights. The results of the factor analysis presented above.

**Problems Faced by Handloom Weavers in Procuring the Loan**

<b>Factors</b>	<b>Variables</b>	<b>Factor Loading</b>
<b>Factor1</b> "Challenges in Raw Material Access and Market Value for Weavers"	Non availability of raw materials (yarn)	0.871
	Lower value for the produce produced	0.868
	Due to low Marketing conditions	0.865
	Increase in input cost of raw materials	0.861
<b>Factor2</b> "Cycle of Debt Driven by Family Obligations and Multiple Borrowing Sources"	Borrowing from multiple sources make a cycle of debt.	0.634
	Due to large family size, unexpected commitments such as functions etc	0.632
<b>Factor3</b> "Financial Vulnerability due to Low Profit Margins and Lack of Insurance"	Low profit margins make difficult to meet their loan repayment.	0.644
	Without adequate insurance they may struggle to cope with unexpected expenses	0.629
<b>Factor4</b> "Repayment Challenges Due to Irregular Income"	Irregular Income makes it difficult for them to maintain a steady repayment schedule	0.652
<b>Factor5</b> "Loan Repayment Strain from High-Interest Rates"	High-interest rates can make it challenging for them to meet their loan repayment obligations.	0.655

The factor analysis reveals key challenges impating the economic stability and credit access of weavers in the Yadadri-Bhongir District. The factor analysis highlights significant financial and operational challenges that affect the economic well-being of weavers in the Yadadri-Bhongir District.

**Factor 1: Challenges in Raw Material Access and Market Value for Weavers** reflects issues such as limited raw material availability, low product valuation, poor marketing conditions, and rising input costs, all with high factor loadings around .87. This underscores the pressing supply chain and market-related obstacles that directly impact the profitability of the weavers.

**Factor 2: Cycle of Debt Driven by Family Obligations and Multiple Borrowing Sources** shows the financial strain caused by borrowing from multiple sources and the demands of supporting large families and unplanned commitments, with factor loadings around .63. This cycle of debt indicates a need for better financial management support to break the dependency on varied sources of borrowing.

**Factor 3: Financial Vulnerability due to Low Profit Margins and Lack of Insurance** identifies low profit margins and lack of adequate insurance as major hurdles, with loadings near .64. These factors leave weavers financially exposed and unable to manage unexpected expenses or maintain regular loan repayments.

**Factor 4: Repayment Challenges Due to Irregular Income** captures the instability of income as a primary barrier to consistent loan repayments, with a factor loading of .652. This irregular cash flow makes financial planning and debt management particularly difficult for weavers.

**Factor 5: Loan Repayment Strain from High-Interest Rates** indicates the pressure high-interest rates exert on weavers' ability to meet their loan obligations, with a factor loading of .655. High rates further exacerbate the financial stress, adding to the difficulty of escaping debt cycles.

In summary, these factors illustrate a complex web of financial vulnerabilities and market challenges that hinder weavers' financial stability and growth potential. Addressing these issues through targeted interventions in raw material availability, debt management support, income stabilization, and access to affordable credit can significantly improve the sustainability and resilience of the weaving community in this region.

## VI. Findings:

**1. Challenges in Raw Material Access and Market Value:** Weavers face significant issues in obtaining raw materials at reasonable costs, with high input expenses, limited availability, and low product valuation due to poor marketing conditions. These challenges impact their profitability and limit their competitive edge in the market.

2. **Cycle of Debt Due to Family Obligations and Multiple Borrowing Sources:** Large family sizes and unexpected expenses lead to frequent borrowing from multiple sources, creating a cycle of debt that is hard to break. This dependence on multiple lenders heightens financial insecurity among weavers.
3. **Financial Vulnerability Due to Low Profit Margins and Lack of Insurance:** Low profit margins make it challenging for weavers to meet their loan obligations, while inadequate insurance coverage leaves them financially unprotected against unforeseen expenses, increasing their vulnerability.
4. **Repayment Challenges from Irregular Income:** Irregular and unpredictable income makes it difficult for weavers to adhere to a consistent loan repayment schedule, complicating their financial planning and stability.
5. **Loan Repayment Strain Due to High-Interest Rates:** High-interest rates add substantial pressure on weavers, making it difficult for them to meet repayment obligations and exacerbating their financial strain.

## VII. Suggestions:

1. **Ensure Affordable and Reliable Access to Raw Materials:** Implement programs to ensure affordable and steady access to quality raw materials for weavers. Government or cooperative-led bulk purchasing and supply chains could help reduce input costs, allowing weavers to improve profitability.
2. **Financial Literacy and Debt Management Programs:** Introduce training and support programs focused on financial literacy and debt management for weavers. Such programs can educate weavers on managing debt effectively, avoiding multiple borrowings, and planning for unexpected expenses, helping them break the cycle of debt.
3. **Increase Profit Margins Through Value Addition and Better Marketing:** Support initiatives for value addition, such as improved product design, branding, and market linkages, to help weavers earn better returns. Additionally, promoting their products through digital marketplaces or local exhibitions could boost their market presence and income.
4. **Provide Flexible Loan Repayment Options:** Banks and financial institutions could offer more flexible loan repayment options tailored to weavers' irregular income patterns. Options such as seasonal repayment schedules or income-adjusted payments could reduce their financial stress and improve repayment consistency.
5. **Lower Interest Rates and Expand Access to Collateral-Free Loans:** Advocate for reduced interest rates and better access to collateral-free loans for weavers, ensuring that they can obtain credit on fairer terms. This will alleviate repayment pressures and foster a supportive environment for their financial growth.
6. **Promote Insurance Awareness and Access:** Increase awareness and accessibility of affordable insurance plans tailored to weavers' needs, helping them mitigate risks from unexpected expenses. Access to micro-insurance products would strengthen their financial resilience and provide a safety net in times of need.

Implementing these suggestions could greatly improve the economic stability and resilience of weavers, enabling them to overcome financial challenges and establish more sustainable livelihoods.

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