

**AN ANALYSIS OF CREDIT FINANCING AND MARKETING OPPORTUNITIES TO CARPET OWNERS OF KASHMIR VALLEY: A CASE STUDY OF KULGAM DISTRICT**

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**Abstract**

Carpet industry is one of the key industries in the handicraft sector, which is playing an important role in terms of employment, exports, revenue generation besides being a source of living to thousands of people even today in rural areas in Kashmir. However the industry is beset with many problems such as poor socio economic background of weavers, lack of credit facilities, gigantic role of middlemen, low wage rates to hard working labourers etc. It is in this connection, the present study on credit and marketing facilities to owners was undertaken. The study covered only the owners in the industry as weavers work for them in their weaving units. The study is based on a sample of thirty owners taken from two Blocks of the Kulgam District. The study found that owners do not have sufficient access to credit and marketing channel which hinders the growth of the carpet industry in the State.

**Keywords:** credit, carpet industry, middlemen, owners, marketing, weavers, units.

**Introduction**

In today's developed nations, few traditional craft producers survive. In India millions of people possessing traditional skills and knowledge of traditional techniques still make a living by producing handcrafted goods. Handicrafts have not only been an important part of the economy, but have also played an important role in the formation of the ideology of development in the region. In the early 20<sup>th</sup> century, it was argued by the nationalist critics of British colonial rule in India that the 19<sup>th</sup> century globalisation and industrialisation had destroyed traditional industry in



India. This view eventually gave rise to a package of measures designed to protect these industries from global and domestic competition. Another contemporary view held that globalisation had, in fact some handicrafts access markets that valued consumer goods intensive in craftsmanship. More recently, this latter view has gained ground, partly in response to export success of handicrafts in the post-reform trade regime in India. (Basu, 2007) The handmade carpet industry is an important foreign exchange earner for our country besides providing employment to over one million workers. The current estimated world trade of floor coverings is about US \$ 2.56 billion. India ranks first in the exports of handmade carpets both in terms of its value and volume. India faces the major competition from Iran, Pakistan and Nepal. Carpet exports have increased from US\$ 50 million in 1975-76 to US\$ 876 million in 2007-08. During 2008-09 and 2009-10, handmade carpet exports and other floor coverings declined by 23.15 % and 7.51 % respectively. However, the exports of carpets and other floor coverings have increased by 29.52 % during 2011-12. Before the Islamic Revolution in 1979, joint Iranian/American firms produced rugs specifically targeted to the American markets. After the crises of the American hostages in 1980, the United States imposed sanction against Iran and prevented Persian carpet imports into the country. Some rug dealers continue to export Iranian carpets to the United States from Canada, yet most American dealers, unwilling to risk their businesses, rely upon Chinese or Turkish hand-made carpets. As a response to the American demand for Persian carpets, carpets from China, India, and Pakistan with Iranian designs are flooding the market. India has a share of around 35 % of world market for handmade carpets and floor coverings, out of which India's exports to US accounts for about 39.25 % of total exports. India, Iran, China and Nepal are the major players in the global trade for carpets. Iran accounts for about 20 to 25 % of total exports, China about 20 % and Nepal near about 10 % global carpet exports. Turkey, Afghanistan and Pakistan are the other significant exporters of the carpets. Europe and America are the chief importers of carpets accounting for about 95 % the total carpet imports (News Bulletin of Carpet Export Promotion 2013).

In a State like Jammu and Kashmir, carpet industry has a big role to play for economic development as it occupies an important place in the economy. It is basically a cottage industry and provides direct and gainful employment to thousands of people. This sector is the largest employer in the State among different craft products and has the potential to generate more employment in future. The carpet products have won worldwide acclaim for their exquisite designs, craftsmanship and functional utility. The woollen and silken carpets of the State remain unparalleled on the national scene for quality and design. In fact, the Kashmiri craftsmen possessing a unique talent for intricate workmanship is one of our most important resources. This industry has a tremendous potential and has to be perceived with concern and with a precise understanding of its values. As an export-oriented industry, it has contributed considerably towards foreign exchange earnings worth crores of rupees annually. It is a cottage-based industry, which does not require heavy capital investment and heavy infrastructure such as machinery, buildings and power, is the environmental friendly industry which is the dire need of the present day world. This sector has a better scope for improvement, keeping in view the geography and the tourist visits to the State. This craft is an important source of income and livelihood to thousands of people in rural areas even today.

### **Review of literature**

**Shazia and Haq (2014)** in their analytical study, Handicraft industry in Jammu and Kashmir: Challenges and Strategies, tries to assess the extent of problems and issues that exist in the handicraft industry and have put forward some preliminary suggestions. The finding of the study reveals that handicraft sector of J&K is experiencing certain difficulties in the way of its development. On the production front, the main problems are non-availability of timely and adequate raw-material as well as finance at reasonable rates. Other problems equally hindering the smooth production process are poor infrastructure, non availability of sufficient power supply, inadequate wages, lack of incentives and dearth of common facility centres. They opine that all these problems warrant immediate attention of the government towards this industry to restrain the artisans from shifting to new ventures for employment and livelihood.

**Ageabe (2012)** examined the choice of credit by small-scale enterprises from credit markets in Nigeria. This study showed that the availability of different sources of credit has a significant impact on demand for credit. Also, the use of specific credit sources, either formal or informal, was justified as the only source available.

**Berman and Ann (2006)** in their study, carpet weavers and global market, A case study of Turkey, studied the factors affecting the lives of women who weave carpets in rural Turkey by investigating as to why rural women weave carpets, what are the influences of the global market on carpet design and in what way is government involved in the weaving industry. The findings of their study suggest that if other income generating sources are available, the women are less likely to weave. Also, some women were found to alter their traditional designs in order to suit the global market. The government withdrawal of support from the weaving industry seems to lead the end of low-end weaving industry.

**Ekenyong and Nyong (1992)** in their study, Small and medium-scale enterprises in Nigeria found that much of the initial financing for SMEs came from personal savings of the operators themselves and from formal financial institutions, while additional financing came mainly from informal sources and shows complementary relationship between formal and informal institutions. In principle, Nigerian small-scale enterprises can be said to make a valuable contribution to the economy, although the study has not addressed the specifics of that contribution. However, the study has shown that, by their nature, these enterprises have insufficient access to formal financial institutions, and as a result, rely more and more on their own, friend's and relative's savings and on informal financial institutions for investment capital. **Shah (1992)** in his research work, export marketing of Kashmir handicrafts, tries to explain how the Kashmir crafts products are woven and how much the export of Kashmir handicrafts is going on. He also tries to explain the demand of handicrafts outside Kashmir and mentions about the role of women in the Kashmiri handicrafts and the impact of Kashmir handicrafts over the economy of Kashmir.

### **Objectives**

- To study the facility of loan available to owners.
- To analyse the marketing opportunities and sale of products by the owners.

### **Hypothesis**

- The loan received by the owners is not sufficient for financing their trade.
- The owners mostly depend on middlemen in marketing their products.

### **Sample**

The paper is empirical and relies primarily on the data collected during the field survey. A sample of 30 owners was taken from the Kulgam district. Out of these 30 owners, 15 were pure owners and the remaining 15 were owner weavers, who act both as weavers as well as owners.

### **Sampling technique**

A purposive sampling technique was used for the collection of the data. The Kulgam district consists of six Community Development Blocks viz Kulgam, Damhal Hanji Pora, Pahloo, Devsar, Qaimoh and Qazigund. Out of these blocks, two blocks viz Kulgam and D.H. Pora were selected due to the consideration that maximum number owners were present in these two Blocks. Out of these two Community Blocks 15 owners (both owners and owner weavers) from each block were selected. However the owners were selected after obtaining the required information from the elders or village heads of various sample villages.

### **Tools used**

An interview schedule was used to collect primary data for the study. Besides, the researcher also used personal observation gained through the field survey. However, for the data analysis the SPSS version 20.0 was used.

### **Data analysis and interpretation**

The following tables will reveal the financing and marketing facilities available to the owners and problems faced there with.

**Table 1**

<b>Description of Sources of finance to Sample Owners (Owners/ Owner weavers) of Kulgam District</b>			
Category		Loan from financial institutions	
		No.	%
Owners	30	21	70.00%
From which bank	J&K bank	21	100.00%
Amount borrowed ( in Rs)	1 lac	3	14.30%
	2 lacs	4	19.00%
	3 lacs	10	47.60%
	4 lacs	3	14.30%
	5 lacs	1	4.80%
		1	4.80%

Sufficiency of amount borrowed for financing	Yes		
	No	20	95.20%
Desired loan amount	5 lacs	3	15.00%
	8 lacs	8	40.00%
	10 lacs	7	35.00%
	15 lacs	1	5.00%
	20 lacs	1	5.00%

Source: Primary Survey

Table 1 gives a picture that 70 % of the owners receive the credit from the formal financial institutions. All the owners who receive the special loan were found to receive it from the J&K Bank. The amount of loan which majority of owners receive was found to be upto Rs 3 lacs. About 48 % of the owners receive loan upto Rs 3 lacs. However, some owners, about 33 % receive between rupees one to two lacs and, about 19 % between rupees four to five lacs. The amount received by owners was however, found insufficient in meeting their business requirements. The majority of the owners were interested in getting a loan upto Rs 8 or 10 lacs, which they consider as sufficient amount of loan for financing their business requirements. However, for some, even a loan of Rs 5 lacs is enough for financing their business requirements. In certain extreme cases, few owners demanded a loan upto rupees twenty lacs but the maximum number owners uttered that a loan upto Rs 10 lacs is sufficient in meeting their business expenses. One thing must be noted that all the owners who received loan told that they are not getting it particularly for carpet weaving but for the general business purposes. Thus, in general the owners are not getting any loan for the carpet trade on which they get a special concession, and the loan which they get is for the general business purposes. Thus, Table 1 shows that the owners are getting less than desired amount of credit for financing their weaving requirements as per their perception.

Table 2 shows the sources of credit to the owners who do not get any credit from formal financial institutions.

**Table 2**

<b>Depicting Sources of Finance to Owners (Owners/Owner Weavers) of the Kullam District who are not getting any Loan from Banks.</b>					
Categories				Loan from financial institutions	
				Total	%
Owners	30	30	100%	21	70.00%

Borrowing from non formal institutions	Yes	9	100%	0	0.00%
Any Government loan scheme	No	9	100%	0	0.00%
Short term borrowing sources	Relatives	3	33.30%	0	0.00%
	Money lender	5	55.60%	0	0.00%
	Own savings	1	11.10%	0	0.00%

Source: Primary survey

Table 2 shows that out of thirty owners, twenty one get the loan from formal financial institutions in order to meet their diverse business requirements. However, the nine owners which is 30 % of the total owners have not got any loan from the formal system. While enquiring about the reasons from those owners who do not get any loan, most of them claimed that the bank demands the guarantor and security. Even when the weavers were told the same question, they also mentioned the same thing. While asking the owners about any government scheme, the owners opined that there is no special scheme for the carpet artisans. Most of those owners who do not get any loan, about 56 % are found to be dependent on money lenders in case of shortfall in their income. However, some owners were found to be dependent on their own savings while few others upon their relatives. The investigator while addressing the problem took up their issue with the Assistant Director of Handicrafts Department Kulgam, but he had not provided any worthwhile answer to this question. However, the Director mentioned that there is a scheme for artisans under which they get loan of Rs one lac with 10 % subsidy and that is repayable within five years, about which a few owners were found ignorant.

Table 3 shows the marketing and sale of products (carpet) by the owners.

**Table 3**

<b>Depicts the Marketing of Products by 30 Sample Owners (Owners and Owner Weavers) of Kulgam District.</b>					
Category				marketing of product yourself	
		Total	%	No.	%
Owners	30	30	100%	10	30.00%
Own weaving units/loom	Yes	30	100%	10	30.00%
Product sold to	Govt.	0	0.00%	0	0.00%
	Middle men	13	65.00%	0	0.00%
	Final seller/	7	35.00%	0	0.00%

	Exporter				
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Source: Primary Survey

Table 3 shows that all the owners have their own weaving units but only ten owners sell the product themselves i.e. only 30 % of the owners directly market their products while the majority of owner's i.e. 70 % do not sell the product i.e. the carpet, by themselves. Those owners who do not sell the product directly sell it either to the middlemen or to the exporter who in turn sells it in the market. As such 65 % of those who do not sell it directly sell it to the middlemen and the rest 35 % to the final seller. Thus, we see that only 30 % of the owners sell the product themselves. In the whole carpet industry, we find a vast chain of people involved in selling the carpet from the owner to the exporter, where it is difficult to find the actual sellers of the product. This is the real problem with the whole carpet industry as the huge chunk of population who should have been the real beneficiaries are not reaping the fruits of their hard work and those who simply act as facilitators get the maximum benefit from the whole industry. This is the main reason why weavers face hardships as the major portion of income generated by them gets distributed among the number of people who are in between. Had there been a single agency looking after this industry, there would not have been much problems as the industry is facing.

### **Main findings of the study**

- 1) So far as the loan is concerned most of the owners i.e, 70 % have received the loan from the Jammu and Kashmir Bank.
- 2) The loan received by the owners was found insufficient in financing their business requirements.
- 3) One important thing was noted that the credit received by owners was for general business purposes and not particularly for carpet weaving on which they receive special subsidy and concession in terms of repayment.
- 4) A great role is played by the middlemen in the whole carpet industry as the majority of owners do not sell the product (carpets) by themselves.
- 5) Major chunk of owners were found illiterate who do not have access to markets and wholly were found to be dependent on middlemen.
- 6) Only 30 % of the owners directly market their products.

### **Suggestions**

- 1) There should be special provision of loan in the budget for carpet industry
- 2) The loan should be provided in a sufficient quantity in to meet the diverse business requirements of the owners.
- 3) The loan available should be provided at concessional rates so that they can carry on this industry in the future.
- 4) The government should organise exhibition fairs and also establish some Carpet Export Promotion Councils in the State.
- 5) There should be special schemes designed for the promotion and improvement of carpet industry in the State.

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