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Organizational structure, gender, credit, and performance in the handloom sector in west Bengal, India: A comparative literature study

Rishav Mukherjee *

Agro-Economic Research Centre, Visva-Bharati, Santiniketan, West Bengal, India.

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Abstract

The handloom sector in West Bengal remains an important source of livelihood but faces challenges of low productivity, weak market linkages, and limited access to credit. This study examines how different organizational forms, i.e., independent, cooperative, and tied arrangements, affect the performance and sustainability of weaving units, with a focus on the roles of gender and financial access. Based on a review of existing literature and a comparative analytical framework, the study highlights significant variations in efficiency, autonomy, and risk across organizational structures. It also finds persistent gender disparities, particularly in access to credit and economic returns. The paper concludes that effective policy must account for organizational diversity and gender-specific constraints while strengthening inclusive credit systems to improve outcomes in the handloom sector.

Keywords: Handloom Sector; Organizational Structure; Performance; Gender Gap; Credit; Expansion Plan; Literature Review

1. Introduction

Handloom weaving in India is an important economic activity from the perspective of employment generation. It is also a very important part of India's cultural heritage. A significant body of studies, reports, and research exists that tries to understand the features, problems, and prospects of this traditional economic activity.

Currently, the handloom weaving sector is perceived to be in a deep crisis. The handloom weavers are struggling to survive multiple hindrances, including scarcity of raw materials, weak presence of financial institutions, and weak marketing linkages. The resilience the handloom weavers continue to show indicates that the handloom sector can still be revived and lead to a bright future, provided it is supported by a proper strategic policy framework. (NABARD 2002, BIRD 2016).

In the decade of 90s, the incidents of starvation death or suicide of the weavers revealed the disastrous reality of the existing crisis within the handloom sector. Srinivasulu (1994, 1996) tried to identify the root cause of the crisis. According to him, the unequal competition with the growing power-loom industry and the sharp, unpredictable rise in the prices of cotton yarn and dyes, resulting from the New Textile Policy (1985), are the root causes of the crisis in the handloom weaving sector. In addition, the improper implementation of existing protection policies for the handloom sector complicated the way out of the crisis.

It is important to understand the organization of production within the handloom sector, especially the labour process. Srinivasulu (1994) observed that the ineffectiveness and non-functioning of co-operatives, and the decline in

* Corresponding author: Rishav Mukherjee

independent weavers due to market volatility and their inability to compete with power looms and master weavers, ultimately made the master weaver the dominant mode of weaving within the handloom sector.

Based on a field survey of the handloom weaving sector in West Bengal, Khasnabis and Nag (2001) disaggregated ownership into one-loom owner dependent on Mahajan, one-loom owner independent of Mahajan, and multi-loom owner independent of or dependent on Mahajan. They analyzed the concept of alienation of labour primarily through the lens of the Marx-Braverman paradigm, focusing on how capitalist relations, especially in transitional economies, reshape the labour process, even in informal sectors such as handloom weaving. The authors primarily underscore three dimensions of labour alienation: first, alienation from the labour process, manifested through the separation of planning and execution; second, alienation from the product, shaped by institutional mechanisms such as *dadan*, forward contracts, and the *tana ana* system; and third, economic alienation, rooted in the dominance of usury capital and merchant control, which persists even in the absence of formal wage labour. Also, unlike the condition of deskilling in capitalism, Khasnabis and Nag (2001) showed that alienation of labour exists even when the scale of operation remains low without detailed division of labour and scientific management, even when the weaver owns the means of production, and also when the weaver doesn't work as wage labour.

Kundu (1980), in her significant contribution, discussed the organizational pattern of the handloom industry in Bengal in detail and also pointed out the failure of yarn control, the provision of finance, the promotion of sales, the supply of dyes and other inputs, and problems arising from delays in the settlement of claims.

As one of the largest unorganized economic activities (National Statistical Commission, Government of India) and capable of absorbing a large workforce, the handloom sector demands crucial attention from policymakers and researchers, given the need to preserve the country's diverse cultural heritage and address current unemployment problems.

Objective of the study

Many researchers highlighted the problem and the sector's prospects, but overlooked the organizational framework and firms' conduct. The main objective is to examine how different organizational arrangements in the handloom sector affect the performance and sustainability of weaving units. More specifically,

- The study seeks to compare existing literature and the gap on independent, cooperative, and tied/subcontracted units; assess whether organizational form influences efficiency, profitability, and long-term viability.
- To understand the literature and the gap on the influence of the organizational structure of handloom production units on gender-specific financial performance.
- To understand literature and the gap on how access to credit shapes production decisions and expansion motives within the sector.

2. Methodology

The article is structured as a systematic literature review and a gap analysis. It synthesizes earlier research on handloom organization, firm performance, gender gaps, and credit constraints, especially for West Bengal and similar handloom regions. This review identifies the missing empirical linkages and proposes a comparative micro-level analysis of weaving units across organizational forms, likely using field-based data on operations, profitability, costs, credit use, and household/firm characteristics. In this sense, the methodology is primarily comparative and empirical, informed by an extensive review of prior studies.

2.1. Literature on Firm Performance

Recent studies find that West Bengal's handloom industry is truly capable of increasing production scale, but struggles to earn. Bhattacharya & Sen (2018) note that West Bengal retained high loom density and the largest weaver population, despite a 33% decline in the weaver population at the all-India level. Their field survey reveals a sector "in crisis" with handloom incomes being meagre, often lower than casual wage rates, and many looms lying idle. Weavers' earnings per sari (Rs. 90-300) often fell below the unskilled wage rates set under MNREGA. The paradox, a weaving heartland of India where real incomes are falling, has led the authors to conclude that the standard preservationist policy has indeed failed. At the meta-level, they therefore propose a labour-oriented strategy to develop weavers' skills, integrate them into the market, and design business models. Nag (2015), through anecdotal evidence, reaches similar conclusions, stating that one-loom-weaver households in Bengal operate primarily at a subsistence level as family units with very

little capital and are highly dependent on Mahajans for credit and inputs. Consequently, the persistent shortfall in working capital, coupled with chronically low earnings, has compelled many weavers, especially those operating at subsistence levels, to abandon the sector altogether in search of more stable and remunerative employment opportunities, emphasizing a structural drift away from traditional artisanal livelihoods.

Performance varies sharply with organizational structures. De, Biswas, and Dey (2024) compared West Bengal clusters led by cooperatives with those led by private traders and found that privately led clusters stimulate design innovation and new product development, thereby garnering higher customer satisfaction. Conversely, after adjustments for demographic and resource variables, weavers in cooperatives exhibit a higher overall entrepreneurial capability. The cooperative set-up improves loom quality, weavers' bargaining power over returns, and the efficiency of financial management. It is noteworthy that cooperative units were more resilient during COVID-19 than before, partly by drawing on unpaid female household labour. This, therefore, lends credence to Maiti's (2008) findings for West Bengal. He distinguished among three main forms—independent, tied (weavers bound to traders/master-weavers), and cooperative—and found that tied units spearhead innovation post-reform (new loom adoption, exporting) at the cost of deepening artisan dependency. Independent weavers have remained independent in design and market access (retaining all surplus), but they have experienced working-capital shortages that have deterred technology adoption. Recent work (Bhowmik & Pramanik, 2024) likewise observes that whereas an "efficient" group of weavers exists in master or traditional systems due to entrepreneurial dynamism, they are least observed in cooperative-based societies, while cooperatives win in volume and stability. With this, private-and-trader-based regimes seem to push creativity and market-based evolution, whereas cooperative-based regimes promote collective bargaining and stability.

Besides institutions, an entrepreneur's network and skills also significantly influence outcomes. Prajapati & Biswas (2011) studied 148 micro-units in a weaving cluster in Gujarat and found that network structure and self-efficacy accounted for 56% of the variance in performance. Bigger, more central networks, with competitive/supportive ties on activities, enhance subjective performance, whereas age, education, and experience have been found somewhat less predictive. They note that, paradoxically, very dense networks can sometimes hinder performance due to information redundancy and competition, whereas a higher level of self-efficacy always leads to success. Bhagavatula et al. (2010) also support this assertion. They claim that for master-weavers in India, thin networks rich in structural holes greatly facilitate opportunity recognition, while dense networks of strong ties are best for resource mobilization. In practice, a weaver acting as a bridge between separated market communities uncovers innovative orders, while a closed local network provides stable credit and inputs. While human capital refers to the experience of materials and techniques, other factors matter too: for weavers who speak multiple languages, the ability to enter new markets and discover new opportunities increases.

Case studies highlight regional contrast. Srinivasulu (1994) reports that in 1991–94, liberalization dealt a death blow to handlooms, with a 50-130 percent increase in cotton yarn and dye prices. Since competition from power looms kept fabric prices low, the input shocks remained as shocks to wages. More importantly, in Andhra Pradesh, the system of weavers tied to dominant master-weavers accounted for about 75 percent of output, thereby enhancing artisans' dependence. The consequences were disastrous; around 60 percent of cooperative looms went into idleness, and over 100 starvation deaths were reported among handloom weavers. Anurag & Das (2020) view a core-periphery split in Assam's silk handloom pockets. Core-area weavers engage in the production of high-priced silk goods and are introduced to productivity improvements, ergonomic looms, collective design centres, etc., whereas peripheral weavers are stuck with simple tasks yielding little value. For instance, new power draw looms and computer-aided designs emanate from urban centers, but inland artisans are bereft of such facilities. Incomes and skills of the peripheral weavers are very dilapidated. According to Anurag & Das (2020), if targeted assistance is not provided at the periphery (e.g., infrastructure, credit), these cluster-wide disparities will persist. Similar technology-adoption clusters have been reported in other regions (like Tamil Nadu, Odisha).

In most cases, the findings converge on certain key points. First, preserving the looms alone is not sufficient. Almost all studies highlight that unless improvements in weavers' abilities are implemented, access to capital and marketing linkages are put in place, productivity will remain low. In other words, as noted in West Bengal and elsewhere, weavers are increasingly being drawn out of their occupation for other work as household earnings fall. Hence, the researchers discourage a "tradition preservation" mindset and instead encourage a worker-centric approach: weavers who upgrade their skills and integrate into markets. Secondly, institutional and network structures strongly mediate performance. Cooperative and collective models provide stability, bargaining power, and resilience in the face of crises (as indicated by cooperatives in West Bengal), while the market-based model encourages innovation and higher margins (as well as private clusters and independent/tied weavers). Dense local networks help secure resources, but bridging ties and cognitive resources, such as self-efficacy and language fluency, are essential for new opportunities. Regional case studies also show that external shocks, such as liberalization or COVID-19, along with existing social relationships, such as

mahajans and cooperatives, can either worsen or mitigate crises. Overall, the literature presents a varied picture of the handloom sector. Success relies on balancing traditional artisan skills with modern business practices. It also requires customizing support for each institution type and region. Weavers should be able to expand their operations without sacrificing their livelihoods.

2.1.1. Gap in Literature

In the context of the handloom sector, and particularly that of West Bengal, the existing body of research has addressed a wide array of themes, including the socio-economic conditions of weavers, the historical evolution of the sector, the role of institutional arrangements such as cooperatives and master-weaver systems, and the challenges posed by market competition, technological change, and policy regimes. While these studies provide important descriptive information and qualitative assessments, they are unfortunately fragmented in their analytical scope and sometimes focus on specific sets of issues, such as income trends, occupational diversification, or innovation practices. To the best of our knowledge, none of the studies have conducted a comparative empirical investigation of the performance levels of weavers working under different organizational arrangements (independently, under cooperatives, or as subcontracted (tied) units under Mahajan or traders) by systematically evaluating their operations, profitability, and costs. None of these aspects has been investigated in the existing literature on the West Bengal handloom sector. This gap leaves unanswered critical questions regarding how organizational form influences efficiency, competitiveness, and long-term viability within the sector.

2.2. Literature on Gender Gap in Performance

Studies document that women cluster in "traditional" sectors while men dominate others. For example, Anna et al. (2000) find that women owning businesses in typically women-centric industries (e.g., apparel, education) have different goals and success aspirations than those in male-dominated fields. Daymard (2015) similarly shows that nearly half of Indian women entrepreneurs with employees work in apparel, education, health, and personal services industries, which are culturally coded as female, whereas men's firms are more diverse. Such occupational segregation shapes outcomes: women's firms in "female" domains tend to be smaller, necessity-driven, and focused on non-pecuniary goals, resulting in lower performance metrics than men's firms in higher-paying sectors.

A common finding is that female entrepreneurs have poorer access to finance and capital inputs. Chaudhuri et al. (2020) find that in the Indian MSME sector, women-led firms are systematically smaller, less productive, and less likely to get formal credit, even after controlling for size and sector. Daymard (2015) reports that state-level access to bank credit has no measurable effect on the growth of women's entrepreneurship, suggesting that financial markets do not adequately reach women-led microenterprises. Similarly, Fairlie & Robb (2009) quantify that U.S. women-owned businesses have far less start-up capital than businesses owned by men, accounting for roughly 45% of the gap in outcomes.

Other institutional barriers exacerbate women's disadvantages. Bose (2023) shows that 95% of female-run unorganized manufacturing firms in India operate from home, and that this locational constraint – driven by mobility restrictions and caregiving – accounts for 19–36% of the productivity gap. Bortamuly et al. (2014) find that female handloom weavers in Assam benefit from education and technology just like men do, but their performance hinges more on proximity to markets and work experience; distance to the nearest business centre significantly reduces women's income. These findings underscore that woman often face extra structural hurdles (e.g., regulatory entry costs, lack of collateral or networks) that limit their business growth beyond what raw endowments would predict.

Numerous studies link the lower performance of women-led enterprises to the dual burden of work and home. Hundley (2001) finds that, in the U.S., self-employed women's earnings are depressed relative to those of men due to the time spent on childcare and housework. Women devote more time to domestic labor, which encroaches upon their business hours and productivity. Hazarika (2020) in Assam reports that women's higher risk aversion and weaker financial management (shaped by household constraints) limit their ability to enter the high-value product segments, widening income gaps at higher quantiles. In practice, women entrepreneurs often trade off scale for flexibility. For example, Cowling & Taylor (2001) note that only about 3.6% of female proprietors became employers (job creators) over four years, versus 10% of men, partly because women exit or never expand due to family obligations.

Cultural attitudes further reinforce these burdens. Gupta & Phillips (2019) find that Indian male entrepreneurs typically doubt women's business competence and risk appetite, reflecting pervasive bias, even though many women themselves report confidence in their skills. Suryanarayanan & Ramswamy (2022) illustrate this vividly in Mizoram: even after women complete a handloom vocation course that boosts their income and leadership skills, many still accept

traditional roles and even justify unequal treatment by husbands. In short, social norms (regarding gender roles, mobility, or violence) often confine women to "helper" roles in family firms and discourage full-scale business growth.

Quantitative decompositions show large unexplained gaps in productivity and income. The finding by Hazarika (2020) in Assam confirms that, within the weaver population, male weavers earn considerably more than females at every income level, with males having a disproportionately greater advantage at the top end. Educations, finances, and technologies could justifiably explain most of the difference; yet women have been found to yield lower returns-to-inputs as well, refusing to admit to that adverse discrimination, such as risk aversion. Deshpande & Sharma (2016) similarly find that Indian female-owned family firms earn far less than male-owned firms; after controlling for capital and skills, nearly 31% of the gender pay gap remains unexplained, suggesting discrimination or other hidden constraints.

Comparable patterns emerge globally. Fairlie & Robb (2009) show U.S. women-owned businesses have only 20% of the sales of male-owned firms and much lower profit rates; their Oaxaca decomposition attributes roughly 45% of this gap to women's lower startup capital and experience, leaving the rest to structural factors. In Germany, Lechmann & Schnabel (2012) demonstrate that self-employed women earn far less than men. Their decomposition reveals that over a quarter of the earnings gap is due to women working fewer hours, and another 13% to human capital differences, but a large residual gap persists – even larger than in wage jobs. Pontarollo et al. (2023) find in Ecuador that measurable endowments (education, sector) favor women slightly, yet the gender wage gap not only remains but is driven mostly by an "unexplained" component. These findings across contexts indicate that gendered performance gaps in microenterprises and informal work are not merely about inputs, but about how rewards to identical inputs differ by gender.

Thus, women entrepreneurs have a limited scope of development. Cowling & Taylor (2001) observe that women's self-employment is often more transitory: their retention rates are lower, and they are less likely to scale up to employer status. Delmar & Davidsson (2000) likewise find that standard predictors of entrepreneurial entry (education, family background, prior experience) reliably identify nascent male entrepreneurs but fail to do so for women; in fact, gender is the strongest predictor of who will become a new entrepreneur. This suggests that institutional barriers (patriarchal lending, etc.) and social factors impede women's progression.

Attitudes and networks play a big role. Koellinger, Minniti & Schade (2013) argue that males and females have a similar likelihood of business survival, once the sector and size of the business are controlled for. The problem that crosses gender is mainly the start-up rates, driven by women's lower confidence and poorer networks. Similarly, Saridakis, Marlow, & Storey (2014) state that both macro factors (GDP, loan-granting conditions) affect men and women equally; yet, female self-employment is more likely to be part-time and home-based, limiting growth. In essence, biases in self-appraisal and social capital hold back women from developing their entrepreneurial skills, even when their businesses would perform as well as those of male entrepreneurs.

Gender gaps continue even at the macro level. Verheul, van Stel & Thurik (2006) use GEM data across countries to show that most economic factors (income per capita, policy) similarly influence men's and women's entrepreneurial activity, but some variables (such as unemployment rates or life satisfaction) exhibit distinct gender effects. They argue that stricter entry regulations or the scarcity of informal venture capital often suppress women's entrepreneurship more than men. Pontarollo et al. (2023) find that in Ecuador between 2007 and 2017, improvements in education benefited higher-income workers (mainly men) while the gender wage gap at the bottom actually widened.

Across studies, authors stress the need to adopt gender-sensitive policies. Bortamuly et al. (2014) advocate for improving market access and infrastructure for Assam's women weavers. Bose (2023) highlights the need to address mobility restrictions and unpaid care (for example, via childcare provision or co-working spaces) that force women to locate their firms at home. Daymard (2015) finds that boosting female labor-force participation and education could spur female entrepreneurship since traditional credit and political representation measures had little effect on existing female firm ownership. Suryanarayanan & Ramswamy (2022) argue that skill training alone would not work unless it is coupled with efforts to challenge gender norms; they advocate gender sensitization in vocational training contexts to break these patriarchal constraints. Verheul et al. (2006) opine that policy should clarify whether the goal is merely to have more female entrepreneurs or to have genuine gender equity in entrepreneurship, as the two courses of action-expert outreach versus arenas for legal reforms-will be quite different. In conclusion, literature seems to present an unequivocal position regarding the need for multitier interventions, from finance and infrastructure to social norms, in narrowing the gendered performance gap in informal and handloom enterprises.

2.2.1. Gap in Literature

The existing literature on gender and micro-entrepreneurship highlights a range of explanations for the continued performance disparities between men and women. Scholars have identified structural barriers such as differential access to finance and market (Chaudhuri et al., 2020; Bose, 2023), cultural and domestic constraints limiting women's engagement in the labour market (Hundley, 2001; Hazarika, 2020), and occupational segregation, directing women to so-called "female" sectors with low returns (Anna et al., 2000; Daymard, 2015). These studies, both from India and abroad, have shown that women entrepreneurs operate at smaller scales, experience lower productivity, and receive inferior returns for comparable inputs, thereby reversing income gains even after targeted policy interventions. However, what needs further examination, particularly in the Indian context and especially in West Bengal's handloom sector, is how organizational structures mediate this gendered inequity. India and West Bengal have a handloom economy in which many institutional arrangements coexist, including independent weavers, weavers in cooperatives, and weavers subcontracted under the master-weaver system, each offering different opportunities and constraints for women to participate, bargain, and earn. While previous studies have examined gender inequalities in entrepreneurship and sectoral performance in a more general sense, we have not come across any work that systematically connects the organizational structure of handloom production units with gender-specific income and financial performance. The present study attempts to fill this gap and makes a fresh contribution by analyzing how different organizational structures shape gender-specific income trajectories within the handloom sector, thereby bringing together the debate on gender inequality in entrepreneurship with firm-level organizational dynamics.

2.3. Literature on Credit and Production Plan

Access to credit repeatedly emerges in the literature as a central determinant of both current firm performance and future production planning. Sampling these empirical studies across contexts ranging from handloom clusters and household enterprises to manufacturing sectors, they show how the availability, type, timing, and terms of finance affect whether firms' smooth liquidity or actually make strategic investments, scale operations, or adopt technologies that improve productivity. For instance, Chaudhuri et al. (2020) document a pronounced gender gap in formal loan approvals: women-owned enterprises face a 10–12 percentage-point disadvantage in access to formal credit relative to male firms of comparable intensity, and this credit shortfall is associated with reduced output, employment, and productivity. This finding points to a dynamic "lock-in" effect: when credit markets are biased or less accessible to women, those enterprises not only underperform today but are also constrained in planning and executing future production trajectories.

Closely related evidence highlights the importance of the type of finance. Dey et al. (2023) find that access to bank loans is positively and significantly associated with pure technical efficiency, implying that formal credit enables enterprises to reduce input waste and manage production processes more effectively. Mutsonziwa and Fanta (2021) echo this in Southern Africa: formal credit tends to improve small-business performance, while informal credit—with higher effective costs and shorter maturities—often undermines profitability and constrains longer-term investment. Microcredit's impacts appear contingent on program design: Rahmatullah et al. (2010) find that a majority of Grameen-check borrowers directed loans to productive weaving activities, suggesting that microcredit can stimulate production-oriented investment, and Khalily (2004) synthesizes evidence from Bangladesh showing how structured microfinance can facilitate asset accumulation and portfolio diversification. Yet Parvin et al. (2023) show a contrasting result for a government microcredit program in Bangladesh, where limited loan sizes, rigid eligibility criteria, and transaction costs resulted in no significant increase in weaving-related investment; this reinforces the lesson that loan magnitude, flexibility, and transaction frictions strongly condition whether credit supports forward-looking production or merely provides short-term relief.

Institutional and macroeconomic features further mediate who benefits from credit and how it shapes investment choices. Gelos and Werner (2002) show that Mexico's post-liberalization credit expansion eased constraints mainly for very small firms, while larger firms continued to rely on internal resources; they also emphasize the growing role of collateral—especially real estate—in determining loan eligibility and investment behavior. Raj and Sen (2015) find a parallel in India's informal manufacturing sector: credit constraints increase the probability that household firms remain small and family-operated, thereby limiting their capacity to hire non-family labour and scale operations. These distributional effects underscore how financial development, collateral markets, and liberalization can reconfigure future production trajectories across firm-size distributions.

Beyond formal and informal dichotomies, inter-firm and cluster-level credit can be strategically important. According to Liu et al. (2022), commercial credit within manufacturing clusters in China improves total factor productivity through better capital allocation and stronger innovation capabilities, so that cluster credit may serve as a signal of creditworthiness to formal lenders and enable more ambitious investments, including long-term ones. In an informal,

labor-intensive sector such as handloom weaving, when formal lending is sparse, the inter-firm credit relationship may serve a bridging role, though, depending on the terms, enforcement, and integration with formal financing, its ultimate impact may vary.

Crisis episodes and the availability of non-credit liquidity shed additional light on credit's role in sustaining production planning. Meher and Panda (2024) highlight the disruptions caused by the lockdown in the informal handloom sector in Odisha, freezing any financial arrangements with formal credit and any timely, affordable arrangements. Following this, 96.1% of the weavers became reliant on informal credit, which, in turn, led to idle looms, delayed raw material procurements, and delayed investments. Hertz (2009) reports for Bulgarian family farms that nonfarm incomes (pensions, wages) are often used as substitutes for formal credits to finance working capital and livestock purchases, thus implying that where formal credit may be inaccessible, other sources of liquidity do find their way in influencing production decisions even if these lack scale or stability for long-term capital investments.

Similar results have been obtained in time-series studies at the macro and sectoral level linking credit and output. Iorember and John (2016) and Ume et al. (2017) show that increases in commercial bank credit are positively associated with manufacturing output in Nigeria, while inflation and higher lending rates adversely affect production, suggesting that investment timing is sensitive to the cost of credit and macroeconomic conditions. Love and Sánchez (2009) model rural Mexico and demonstrate that pervasive credit constraints lower investment-to-capital ratios and reduce the likelihood of future investment, reinforcing the notion that easing binding credit constraints can materially alter growth trajectories.

Studies focused on the handloom and cottage sectors identify household and institutional determinants of access and their implications for production. Parvin et al. (2020) show that family size, work experience, savings and flexible loan conditions increase the likelihood of credit access among Bangladeshi weavers; Khatoon and Iffat (2022) find low awareness and uptake of India's Concessional Credit Scheme among Uttar Pradesh weavers but highlight the scheme's latent potential to restore raw-material procurement and reduce dependence on exploitative intermediaries if dissemination and design improve. Islam and Hossain (2021), using propensity score matching, report that credit-recipient handloom units operate at higher capacity utilization and invest more in inputs and labour than non-recipients—evidence that credit can causally affect short-term utilization and planning when evaluated with careful matching techniques.

Synthesizing across studies, accessible, appropriately sized, and timely formal credit generally promotes technical efficiency, fuller capacity utilization, and forward-looking investment in labour-intensive sectors; informal, high-cost short-term credit frequently constrains strategic planning. Heterogeneities are stark by gender, firm size, and institutional setting: women and household firms face a hindrance, and public microcredit programs often do not perform unless calibrated for loan size, flexibility, and transaction costs. It implies that credit products should be designed to suit production cycles, be better disseminated and taken up, and have gender-sensitive access mechanisms (collateral substitutes, simplified procedures); and credit must be coupled with value-chain support so that loans translate into sustained, planned production for the handloom textile sector.

2.3.1. Gap in literature:

In the case of the handloom sector, the existing literature has examined a range of critical dimensions, including credit constraints, patterns of credit uptake, and the influence of credit on production outcomes, efficiency, and investment behavior. These studies have provided valuable insights into how financial access, or its lack, shapes the sector's overall functioning. However, a notable empirical void persists. While credit is widely acknowledged as a determinant of capacity utilization and productivity, few, if any, studies have undertaken a rigorous micro-level analysis of loan uptake and its direct influence on the production planning process or the expansion motives of weaver households themselves. In other words, the weaver's decision-making, whether to consolidate existing operations, diversify product lines, or scale up production, remains underexplored in relation to actual credit usage. This gap is critical, since production planning and expansion motives reflect not only short-term responses to liquidity but also the sector's long-term sustainability and growth trajectories. By investigating this linkage empirically, the present study contributes an important missing dimension to the discourse on handloom finance.

3. Conclusion

The literature shows that the handloom sector cannot be sustained solely by preserving looms; productivity and survival depend on access to capital, marketing linkages, skill development, and suitable institutional support. The review also shows that cooperative, private, and tied systems generate different outcomes in terms of stability,

innovation, bargaining power, and resilience, while women weavers often face additional structural barriers in finance, mobility, and returns to effort. Credit, when accessible and appropriately designed, can improve production planning and capacity utilization, but these effects are strongly shaped by organizational structure and gender. Overall, the article concludes that a comparative, empirically grounded understanding of organizational form is essential for designing better policy for the West Bengal handloom sector.

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