

IMPACT OF DEMONETIZATION ON HANDLOOM WEAVERS OF CHINTAMANI TALUK: A CONCEPTUAL STUDY

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ABSTRACT

The handloom sector is the second largest economic activity in rural India after agriculture. The handloom industry is based largely on household. The handloom activities are carried out with labour contributed by the entire family members. The demonetization of Rs. 500 and Rs. 1,000 bank notes was a step taken by the government of India on November 8, 2016. During the peak season there is problem in weaving work for the weavers of unorganized sector. The weavers covered under organized sector like KHDC, Co-operative societies etc., are facing no problems through demonetization. Whole of the weaving activities depends upon credit facilities. This paper focuses and explains the effects of demonetization of bank notes on the weaving community, the problems faced by weavers during demonetization, and the opinions of weavers. Present status is also known from the weavers regarding their daily weaving activities after demonetization in Chintamani taluk of Chikkaballapura district.

KEYWORDS: *Demonetization, Weavers, Silk, KHDC, Weaving Community, weaving Activities.*

Introduction

According to Government records the handloom sector is the second largest economic activity in rural India after agriculture. Handloom sector is categorized in three important forms of production – Independent weavers, co-operative systems and wage weavers. The handloom activities are largely based on household, which are carried out with labour contributed by the entire family.

The fabric used for weaving ranges from silk, artsilk, wool and cotton. But, majority of the weavers weave silk sarees. The Chintamani silk sarees are among the finest sarees in Karnataka known for its 'zari' (Gold and Silver border) and brocade work. Fancy butta, Meena butta, Patly saree(Langa davani saree), General Contrast, Open Contrast, Geetanjali, Apoorva, Kalangali, Khathan, Arani special are some varieties of these sarees. These sarees are a must in an Indian bride's trousseau in the locality. A Chintamani saree is not just a garment but a store house of memories where it is handed from past generation to present in poor and middle class families in many parts of Karnataka. The weavers of Chintamani not only weave sarees but also Plain cloth (Deluxe), Dupion Fancy etc.,

The demonetization of Rs. 500 and Rs. 1,000 bank notes was a step taken by government of India on November 8, 2016. While addressing the nation Hon'ble Prime minister declared that Rs. 500 and Rs. 1,000 bank notes are invalid. This was done to stop funding terrorism, smuggling, drug peddling, black income generation and corruption. During the peak season there is problem in weaving work. Whole of the weaving trade depends upon credit facilities. The traders are refusing assign work to weavers as they are having shortage of cash. Due to shortage of money the traders have not paid off their previous debts. The demand of Chintamani sarees have also reduced due to money shortages and long lines in queues in front of the banks. Many handlooms are shut down due to cash shortage and small weavers are also struggling with falling sales in November, December 2016 and January month in

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2017. More than 200 weavers are facing work stoppages for a short period. The weavers have to miss work to stand in the long queues for hours to get their own money from ATM's. As weavers don't have money to buy fabric and the big traders could not provide raw material, so, the weaver community was totally helpless during the months November and December 2016. Due to work stoppages and non-payment of wages majority of the independent and wage weavers (unorganized sector) are left jobless.

Statement of the Problem

In India especially in Karnataka Handloom is an important part of Micro(Tiny) industries traditionally known as Village and Cottage industries. But many handloom weaving small enterprises stuck with money shortage during demonetization. This paper attempts to explore the effects of demonetization of bank notes on the weaving community, problems faced by weavers during demonetization, and tries to collect the opinions of weavers. Present status is also known from the weavers regarding their daily weaving activities after demonetization. Therefore, the present study is appropriately titled as "Impact of Demonetization on handloom weavers of Chintamani taluk – A Conceptual Study".

Scope of the Study

The scope of this study is confined to Chintamani city and important villages of Chintamani taluk where handloom weaving concentrates more. The important villages concentrating handloom weaving in Chintamani taluk are Thimmasandra, Konappalli, Chokkahalli, Cheemanahalli, Hebbari, Kariyappalli, Kattireguppe, Muragamalla, Upparapete, Madikere, Peramachanahalli and Nernakallu. Further, this study includes an in-depth analysis of effect of demonetization on handloom weavers. This study does not touch upon any other issues other than those mentioned above.

Objectives

- To study the demonetization effect on the handloom weavers of Chintamani taluk.
- To know the problems faced by handloom weavers at the time demonetization in the taluk.
- To know the opinions of the handloom weavers after demonetization in Chintamani taluk.

Research Methodology

The required data is collected by using both primary as well as secondary sources for preparing this article. The primary sources covered are the weavers of handloom through face to face interviews. The secondary data is collected from various books, journals, magazines, Reports of different concerned departments, Newspapers, internet websites etc.

Review of Literature

6th December 2016, Tribune India, ATPA President Krishna Kumar Sharma quoted that the shortage of the new currency notes, so many days after demonetization is "a management failure on the part of the central government", Therefore, he urges the government to ease the limitations imposed on cash withdrawals from savings and current accounts. According to Amritsar Textile Processor Association (ATPA), Production at Amritsar's 40 processing units has reduced to only 25%. This impacts the region's over 700 warp knitting and textile weaving units that are dependent on them.

According to Anil Bhardwaj, Secretary-General, Federation of Micro and Small & Medium Enterprises(FISME), "Inadequacy of bank branches is one primary reason why cash dominates small businesses. Many rural branches are open for just a day or two in a week. People consider bank postings in rural India as a punishment".

The Research Report Edel Pulse prepared by diversified financial services firm Edelweiss, said in case of organized SME's maximum (75%) of business transactions are done by cheque. Hence, the impact of cash crunch after demonetization is minimal. The impact will be limited to only around 20% of the business, which will also get normalized in a few months. Large textile companies sell products to wholesalers, who then sell them to retailers. Retail sales hit due to demonetization as most of the retail transactions are done through cash, which will have a 2-3 months impact on the entire value chain. Therefore, companies expect some weakness in near-term sales (25-30% impact in November).

According to Federation of Indian Export Organisation(FIEO), For Micro and small companies and those dealing with unorganized sector, payment of wages to workers is currently a challenge as the workers are not keen to take the wages through cheque. Many of them coming from distant areas may not have bank account at their place of work.

“Minimal effect on garment sector” Bengaluru, December 8th 2016 The Hindu Business Line, Jayaram.K.R from the Garment and Textile Workers' Union said “As much as 90% of workers have a bank account, and salaries and overtime dues are paid through that. Most factories keep a week's worth of fabric in stock. In terms of manufacturing and work given to employees, there has been no impact”.

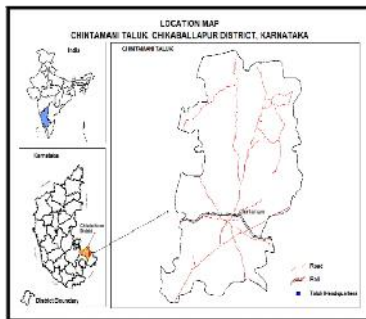
“Demonetization tears up Ponduru Khadi biz” 4th January 2017 The HansIndia the Secretary of Andhra Fine Khadi Karmikabhivrudhi Sangham (AFKKS) Basva Ramana said “Due to demonetization the business worth several crores of rupees has come down to lakhs. The society used to sell khadi worth Rs. 1 lakh every day during the festive season of sankranti. But people could not purchase as hard cash is not available with them this year. Though the AFKKS is using POS machines they could sell khadi cloth worth only Rs. 50,000. The workers and people feel that sankranti has lost its luster this year”.

‘Essentially political move’ 5th December 2016, The Tribune Venkatesh Athreya, Retired Professor of Economics, Bharatidasan University, Tiruchi, says “The stock of black wealth held in currency form has been generally estimated at around 5 to 6 % of the total. The move seems essentially political”.

23rd January 2017, SME Times News Bureau, Industry Chamber ASSOCHAM “Demonetization will leave a negative impact on small and medium enterprises (SME's), rural consumption and job creation while the large organized sectors stand to benefit in the long term”.

Chintamani Taluk – An Overview

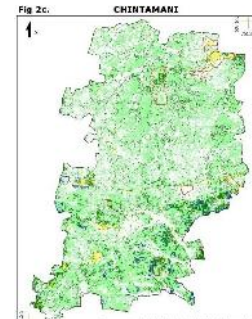
Chintamani is a taluk head quarter in the Indian state of Karnataka. This taluk is known for its Silk, milk and tomato production and their largest markets in Karnataka. In this taluk other activities are also familiar like Gold & Silver Trading, Mangoes, Groundnuts, a variety of snacks production etc. The taluk shares the border with Andhra Pradesh. Chintamani is one among the 6 Taluks of Chikkaballapur District. The taluk head quarter Chintamani city is located at a distance of 36 km from the district head quarter Chikkaballapur and about 74 km from State Capital of Karnataka. Chintamani was in the Kolar District since the Formation of State of Karnataka in 1950. On 23 August 2007, the Government of Karnataka declared the new district Chikkaballapur with 6 taluks Chintamani, Shidlaghatta, Chikkaballapura, Gowribidanuru, Gudibande and Bagepalli from the old Kolar district. The Chintamani taluk consists of 6 hobalies viz., Kasaba(Chintamani), Ambajidurga, Kaivara, Muragamalla, Mungaanahalli and Chilakalanerpu. Of these, Chintamani(kasaba) hobali forms the Chintamani city. The 6 hobalies together have 407 villages. The climate here is moderately hot and dry.



India & Karnataka



Chikkaballapura



Chintamani Taluk

Handloom Weavers of Organized Sector

The weavers covered under organized sector like KHDC, Co-operative societies etc., are facing no problems through demonetization. According to H.N. Ramesh, Project cum Quality control Officer, Karnataka handloom development corporation ltd (KHDC), A government of Karnataka undertaking, Chintamani Branch, they maintains two current accounts in Canara Bank and one current account in SBI branche in Chintamani city. They are having 60 handloom weavers producing silk sarees named as “Chintamani sarees”. During demonetisation there is no problem of work stoppage, there is continuous supply of raw materials from KHDC head office, no problem with buyers as the finished goods sent to its own sales point “Priyadarshini handlooms”. The KHDC pays piece rate ranging from Rs. 550 to Rs. 2,900 per saree in cash directly from the office without any delay as and when the weavers completes the saree and hand it over to the office. The weavers also happy with the KHDC in all the times including at the time of demonetization. They are not having any problems as to cash, materials shortage, buyers etc.

Problems of (Unorganised) Handloom Weavers after Demonetization

- Many of the handloom weavers are uneducated or less educated. They are unable to transact with banks in English language.
- Majority of the weavers are not having bank accounts.
- Delay in increasing withdrawal Limit was the biggest problem.
- The cost of available silk is very high in the open market.
- The available silk is purchased by powerloom weavers in bulk quantities. Hence, demand for silk is more especially in the month of February 2017.
- The buyers of silk sarees issued cheques which required more time in long queues to get cash. If it is deposited into the account again it required 6-7 days to get collected for out station cheques.
- Suppliers of raw silk had a problem of cash hence the credit facilities from suppliers denied during November 2016 to February 2017.

Suggestions

To revive the weaver's problems of Chintamani taluk after demonetization, some suggestive measures are to be taken. The Central government and RBI took various measures to avoid the problems of demonetization. But specifically for the handloom weaving community some remedial measures are required to be taken. They are as under:

- Digital transactions should be done through regional languages by the banks and other institutions.
- Provide loans with very low interest rate to get sufficient finance so that they revive their work.
- The geographical area of entire Chintamani taluk is moderately hot and dry & no any rivers. Hence due to severe water problem the sufficient mulberry trees are not produced during this season, so that the production of cocoons also reduced. Finally silk production and supply is also reduced. Thus, the government should Supply silk yarn to the weavers by establishing silk supply centers at Chintamani(the place where the handlooms concentrates more).
- Restrict the power looms production as the small quantity of available silk is purchased & stored by power loom weavers in bulk.
- Assistance should be provided by the government of Karnataka, KVIC, KHDC, Silk Board and other handloom development government agencies so that the handloom weavers problems are considered and revived.
- Education should be given to weavers in operating bank accounts, filling applications, deposits, withdrawals, loans, facilities etc.

Conclusion

The economy of Chintamani taluk functions on cash is largely affected from demonetization. During the period of November, 2016 to February, 2017, only unorganized sector handloom weavers faced severe problems. At present after increasing cash withdrawal limit, more money circulation through banks, ATMs the situation becoming normal. Though demonetization affected the entire economic activities for a short period, this change will prove positive for the economy in the long run. Our hon'ble Prime Minister Narendra Modi stated that the demonetization will empower poor, middle class and benefit the future generation. All the handloom weavers are hoping and supporting the decision of demonetization to see the happy and prosperous life of people in the country.

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