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**COST REDUCTION INNOVATION IN SME's – AN EMPHERICAL STUDY  
(WITH REFERENCE TO HANDLOOM SILK SAREES IN CHIKKABALLAPUR DISTRICT)**

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**ABSTRACT**

*The handloom sector forms a precious part of the generational legacy and exemplifies the richness and diversity of our country and the artistry of the weavers. The Handloom sector is the second largest economic activity after agriculture. This sector has been able to withstand competition from the power loom and mill sectors by the effective State intervention through financial assistance and implementation of various developmental and welfare scheme. This paper, analyses the cost reduction possibilities in handloom silk saree manufacturing SME's in Chintamani taluk (Chikkaballapur district) of Karnataka state. The Chintamani taluk comprises approximately 850 silk saree manufacturing handloom units. In the study it is found that 95% of the respondents are not getting any financial assistance as subsidized loans and less interest loans. No one weaver respondent selling their products directly to the customers. It is also identified that the cost of raw silk yarn and zari, labour, capital, process cost and marketing cost is very high. Many of the respondents feel that they require market guarantee, market information, Silk Yarn at reasonable and stabilized prices. 3.33% of the respondents started weaving sarees with a mixture of silk and cotton instead of pure silk. The Handloom weavers want a separate handloom policy from the government. The government is encouraging weavers to use the Technology Upgradation Fund (TUF). But without a market and capital, it is impossible to benefit from TUF. To conclude, all the weavers (100%) must be covered under the organized sector (co-operative fold) to get benefits of various schemes by government, as many schemes are not available to unorganized sector handloom weavers.*

**KEYWORDS**

Handloom, Silk saree, SMEs, Textile.

**INTRODUCTION**

**T**he Small Scale Industries (SSI's) are called Micro, Small and Medium Enterprises after the enactment of the Micro, Small and Medium Enterprises Development Act, 2006. MSME's have played a significant role in employment generation, dispersal of industrial establishments and growth & development of the Indian economy. According to the Ministry of Micro, Small and Medium Enterprises, Government of India, the 4th All India Census of MSMEs (2006-07) there are a total of 2.61crore MSMEs and the sector accounts for employment amounting to 5.97 crore persons. The textile MSME's comprising the organized mill sector, the unorganized decentralized sector consisting of handlooms, khadi and powerlooms, is one of the elements of the total MSME's playing a crucial role in the Indian economy today. The Indian Textiles Industry contributes about 14% to industrial production, 4% to the GDP, and 17% to the country's export earnings.

The handloom sector is the largest economic activity after agriculture. Handloom sector is organized in three predominant forms of weavers– Independent weavers, co-operative system weaver and wage weavers. The most prevalent system is that of the wage weavers. Presently, most of these wage weavers work at home. Their work ranges from pre-loom processing to mere weaving, at different places. The handloom industry is largely household-based, carried out with labour contributed by the entire family. It is dispersed, spread across thousands of villages and towns in the country. In the present economic climate where dependency on foreign capital and know-how is increasing all round, the handloom industry presents a sustainable model of economic activity that is not energy intensive and has low capital costs, as well as an extensive skill base. Its survival in, and adaptability to, a wide range of economic conditions also needs to be understood in a proper perspective, in order to underline the inherent viability of this enterprise. Therefore, an objective appraisal of the handloom industry is the need of the day.

The handloom sector forms a precious part of the generational legacy and exemplifies the richness and diversity of our country and the artistry of the weavers. Tradition of weaving by hand is a part of the country's cultural ethos. The sector about 23.77 lakh handlooms provides employment to 43.31 lakh persons. Of which, 10% are scheduled castes, 18% belong to scheduled tribes, 45% OBC and 27% are from other Castes. Production in the handloom sector recorded a figure of 6769 million sq. meters in the year 2009-10, which is about 23.23% over the production figure of 5493 million sq. meters recorded in the year 2003-04.

During 2010-11 (April - Oct., 2010) production in the handloom sector is reported to be 3770 Million sqr. Meters (Provisional) (Annual report 2010-11, Ministry of Textiles, Government of India).

Pit looms are the most widely used handlooms in India. They are of two types. Viz., throw shuttle pit looms and fly shuttle sley pit looms. As the name implies, the looms stands over a pit and the process of picking is done by throwing the shuttle across the sley by hand. The fly shuttle pit loom is the most popular hand operated loom in the country. Its popularity is due to its productivity being 3 or 4 times more than that of an ordinary throw shuttle loom.

### STATEMENT OF THE PROBLEM

With Micro (Tiny) businesses traditionally known as Village and Cottage industries as their counter part, Indian SMEs have ancient heritage. But many Handloom SME's are facing the problems of competition from power loom and mill sector, Unskilled Labour, lack of finance etc., This paper attempts to explore the reasons of high cost of silk sarees manufactured by Small and Medium Enterprises. Certain innovative measures are suggested to reduce the cost of manufacturing a silk saree. Thus, the present study is appropriately titled as **"Cost reduction innovation in SME's – An emperherical study, (With reference to Handloom silk sarees in chikkaballapur district)"**.

### SCOPE OF THE STUDY

The scope of this study is confined to Thimmasandra, Konappalli, Chokkahalli, and Nernakallu clusters of Chintamani Taluk (chikkaballapur district), Karnataka. Further, the study includes an in-depth analysis of cost of handloom silk saree manufactured by small and medium enterprises in chintamani taluk of chikkaballapur district.

### OBJECTIVES OF THE STUDY

1. To Study the reasons for increase in cost of the Handloom silk sarees.
2. To offer suggestions for cost reduction.

### RESEARCH METHODOLOGY

The necessary data for preparing this article is collected from both primary as well as secondary sources. The primary data has been collected from the weavers of handloom silk sarees by using pre-tested structured schedules and also through face to face interviews. The secondary data is collected from various books, journals, magazines, Newspapers, websites etc. The data are analyzed by using simple statistical measures like percentages and diagrams.

#### SAMPLING

Judgment sampling method has been used for data collection. 150 handloom silk saree weavers have been selected in Thimmasandra, Konappalli, Chokkahalli, and Nernakallu clusters of Chintamani Taluk

#### CHIKKABALLAPUR – AN OVERVIEW

Chikkaballapur District was created out of Kolar District on 23.08.2007. The geographical Area of the district is 4,208 Sq. Km. The Total population of the district is 1,254,377 (2011). In Chikkaballapur District there is 6 Taluks Bagepalli, Chikkaballapura, Chintamani, Gouribidanur, Gudibanda and Shidlagatta. The gender composition of male and female is 637,504: 616,873. The Average literacy rate is 70.08%. Male literacy is higher (78.36) as compared to females (61.55%).

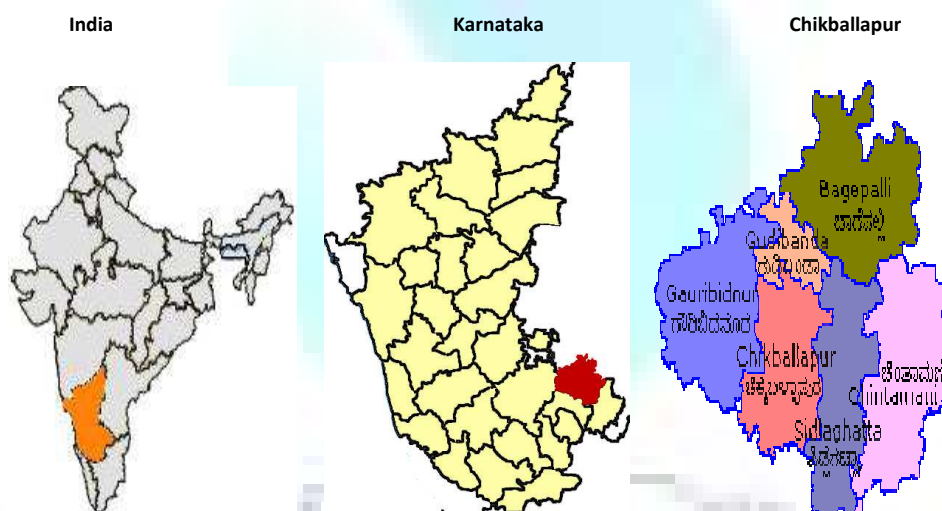


TABLE - 1 RESPONDENTS PROFILE

Items	Basis	Frequency	%
Gender	Male	144	96.00
	Female	06	04.00
Age	18-25 Years	41	27.33
	26-35 Years	78	52.00
	36-45 Years	18	12.00
	45 years & Above	13	08.67
Education Level	Illiterates	55	36.67
	Primary School	68	45.33
	High School	10	06.67
	Pre-University	07	04.67
	ITI/Diploma	06	04.00
	Graduation	03	02.00
Marital status	Single	60	40.00
	Married	90	60.00

Source: Primary data.



Among the 150 respondents, more number of respondents is found under the age group of 26 – 35 years. Most of the weaver's children helping in weaving process and learn the weaving process along with supporting activities from the age of 10 years and above. Automatically once they learn the weaving handloom, they become weavers and do not go for education. Therefore, 36.67% have no education and 45.33% respondents studied upto primary school level only. 96% of the respondents are males weaving silk sarees. The female will assist in other allied activities of the handloom weaving. 60% respondents are married and 40% are unmarried.

TABLE 2: ELEMENTS OF COST

Items	Very High	High	Medium	Low	Very Low	Total
Cost of Raw silk and Zari	113 (75.33)	37 (24.67)	0 (0)	0 (0)	0 (0)	150 (100)
Cost of labour	120 (80)	30 (20)	0 (0)	0 (0)	0 (0)	150 (100)
Cost of Capital	125 (83.33)	15 (10)	10 (6.67)	0 (0)	0 (0)	150 (100)
Process Cost	127 (84.67)	20 (13.33)	3 (2)	0 (0)	0 (0)	150 (100)
Marketing Cost	80 (53.34)	50 (33.33)	20 (13.33)	0 (0)	0 (0)	150 (100)

Source: Primary data. (Note: figures in parenthesis indicate the percentage)

It is found that the cost of the raw materials is high because the gold and silver used in zari production is increasing day by day and the raw silk yarn is also going high. All the respondent weavers say that the wages paid for the weaving is very high and labour weavers are reduced due to disinterest towards learning of weaving as the profits available is very low. 93.33% weavers say that the cost of capital is high. Majority of the weavers are borrowing capital from local money lenders with very high rate of interest. The banks and financial institutions are not providing timely finance to the weavers. 98% weavers feel that they are paying more for the process cost in the form of dyeing and for other auxiliary activities. Because, the dyeing material cost has also increased rapidly. 86.67% weavers say that the marketing cost is also high. The majority weaver respondents are depending on middlemen for selling their sarees. The storage facility is not available to the small weavers. Only few master weavers have spacious stores to store more stock.

TABLE 3: AVAILABILITY OF GOVERNMENT ASSISTANCE TO HANDLOOM WEAVERS

Items	Agree	Disagree	No Opinion	Total
General Subsidy loans	9 (6.00)	136 (90.67)	5 (3.33)	150 (100)
Low interest Loans benefit	5 (3.33)	140 (93.34)	5 (3.33)	150 (100)
Support Price for silk sarees	0 (0.00)	150 (100.00)	0 (0.00)	150 (100)
Participation in trade fairs and Exhibition	18 (12.00)	132 (88.00)	0 (0.00)	150 (100)
Housing Subsidy Loans	33 (22.00)	103 (68.67)	14 (9.33)	150 (100)
Benefit of General Insurance	25 (16.67)	95 (63.33)	30 (20.00)	150 (100)
Medical benefits	15 (10.00)	103 (68.67)	32 (21.33)	150 (100)
Benefit of work shed Scheme	18 (12.00)	120 (80.00)	12 (8.00)	150 (100)

Source: Primary data. (Note: figures in parenthesis indicate the percentage)

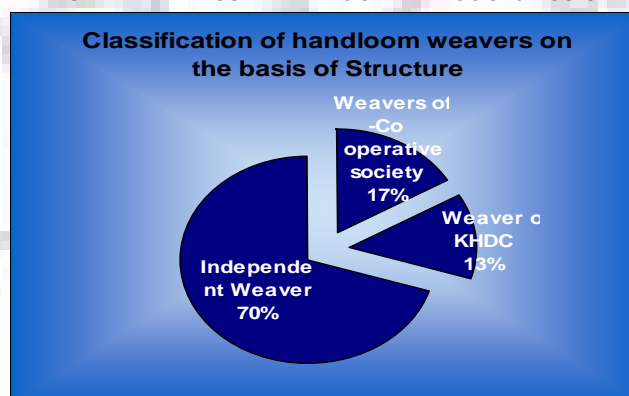
Only 12% respondents are getting least assistance from the government in the form of trade fairs and Exhibition, 6% weavers getting general subsidy loans benefit, 3.33% weavers getting the benefit of low interest loans, 22% weavers are benefited with housing subsidy loans, 16.67% weavers benefited with general insurance, 10% weavers are getting the benefit of medical insurance, 12% weavers are benefited with work shed scheme. Many schemes are not available to the weavers who are out side the organized sector. Weavers of co-operative sector only the beneficiaries of participation in trade fairs and exhibition, general insurance, medical benefits, work shed schemes etc,

TABLE 4: CLASSIFICATION OF HANDLOOM WEAVERS ON THE BASIS OF STRUCTURE

Items	Number of weavers	Percentage
Weavers of Co-operative society	25	16.67
Weaver of KHDC	20	13.33
Independent Weaver	105	70.00
Total	150	100.00

Source: Primary data

DIAGRAM 1: HANDLOOM WEAVERS ON THE BASIS OF STRUCTURE



Only 16.67% weavers are covered under co-operative sector and 13.33% weavers are working under the Karnataka handloom development corporation (an undertaking of government of Karnataka). The remaining 70% weavers are independent (private) weavers. As many weavers wanted to be independent weavers rather than working under organized sector and few weavers are not aware of benefits of government available to the organized weaver.

TABLE 5: AVAILABILITY OF TRAINING FACILITY TO HANDLOOM WEAVERS

Items	Frequency	Percentage
About New Designs	10	06.67
About New Technology	00	00.00
About Marketing	20	13.33
No training	120	80.00
	<b>150</b>	<b>100.00</b>

Source: Primary data

Majority of the weavers (80%) are not getting any training facility towards new designs, new technology and marketing. Only the weavers of co-operative sector and KHDC weavers are getting the benefit of training facility of new designs and marketing. Because, the official schemes are available to only organized sector weavers.

TABLE 6: AWARENESS AND USE OF MODERN TECHNOLOGY

Items	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Wrapping Machines	150	100.00	10	06.67
Bobin winding machine	150	100.00	25	16.67
Pirn winding Machine	68	45.33	12	08.00
Jaquards	150	100.00	150	100.00
Computer Jacquards	23	15.33	00	00.00

Source: Primary data

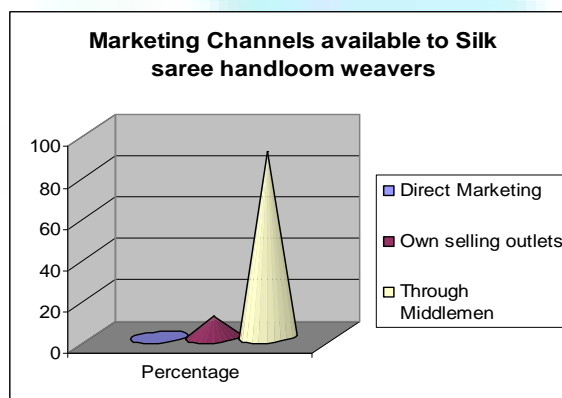
Majority of the weavers are aware of new technology but only few weavers are using the modern technology. The main reason is the shortage of finance. With high rate of interest the weavers can not introduce new technology in the activities of weaving process. Only few master weavers are using new machines in allied activities of handloom weaving process.

TABLE 7: MARKETING CHANNELS AVAILABLE TO SILK SAREE HANDLOOM WEAVERS

Items	Frequency	Percentage
Direct Marketing	00	00.00
Own selling outlets	15	10.00
Through Middlemen	135	90.00
	<b>150</b>	<b>100.00</b>

Source: Primary data

DIAGRAM 2: MARKETING CHANNELS USED BY HANDLOOM WEAVERS



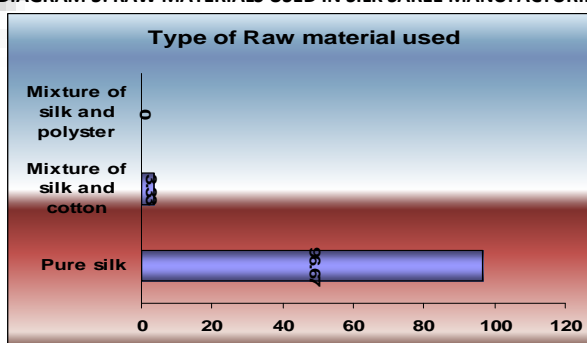
90% of the weaver respondents are selling their manufactured sarees through middlemen. Because, weavers need cash in short time (one week) to meet working capital needs and to get the livelihood. Only 10% respondents are having own selling outlets with their own capital.

TABLE 9: TYPE OF RAW MATERIAL USED

Items	Frequency	Percentage
Pure silk	145	96.67
Mixture of silk and cotton	05	03.33
Mixture of silk and polyster	00	00.00
	<b>150</b>	<b>100.00</b>

Source: Primary data

DIAGRAM 3: RAW MATERIALS USED IN SILK SAREE MANUFACTURING



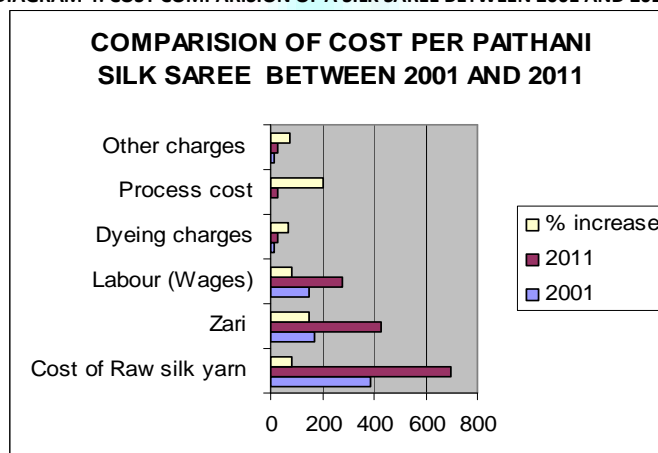
96.67% weavers are using pure silk in weaving silk saree. Only 3.37% weavers have started weaving a saree with mixture of silk and cotton. The cheap fabrics made the silk sarees kept aside with attractive texture. To compete with the cheap fabrics the silk saree weavers started to come out with a new idea of mixture of silk with cotton. Which in turn reduce the cost of saree with attractive designs than other cheap fabrics.

**TABLE 10: COMPARISON OF COST PER PAITHANI SILK SAREE BETWEEN 2001 AND 2011**

Particulars	2001	2011	Total increase	% increase
Cost of Raw silk yarn	385	700	315	81.81
Zari	170	425	255	150.00
Labour (Wages)	150	275	125	83.33
Dyeing charges	15	25	10	66.67
Process cost	10	30	20	200.00
Other charges	15	26	11	73.33
Total Cost	745	1480	735	98.65

Source: Primary data.

**DIAGRAM 4: COST COMPARISON OF A SILK SAREE BETWEEN 2001 AND 2011**



## FINDINGS

- It is found that 96% weavers are male weaving silk sarees and the other female members and children of the weaver family are supporting with allied activities of handloom.
- 55% weavers are illiterates and 45.33% weavers are having primary education. It is found that the handloom weavers are busy with the activities of handloom weaving and other allied activities to continue with their profession.
- In the study it is also identified that the cost of raw silk yarn and zari, labour, capital, process cost and marketing cost is very high.
- The financial sources for majority of the weavers are local money lenders with high rate of interest. The banks and financial institutions are not interested to lend loans to weavers, as they think that they may not return due to low profits or no profits during some seasons. Due to lack of finance, the weavers are getting raw materials from a master weaver to avoid the investment in stock.
- Majority of the weavers are not aware of many benefits and schemes offered by the government to the handloom weavers. Only few of them are covered under the co-operative sector and getting some of the welfare benefits. As many schemes are not available to the weavers who are out side the organized sector. And also only the weavers of co-operative sector are enjoying the benefit of participating in trade fairs and exhibitions, general insurance, medical benefits, work shed schemes etc,
- Majority (70%) of the respondents are private independent weavers. They are weavers from many years. Handloom silk saree weaving is their born profession. They do not know any other work or profession.
- There is no institute to provide training to the weavers. Weavers are following traditional methods of weaving. Therefore, the cost of saree is high as the process of weaving is slow and number of sarees woven is less.
- Majority of the weavers are aware of new technology through newspapers, Television, friends and relatives. But they are unable to introduce the new technology because of shortage of capital, financial assistance etc.,
- Majority (90%) of the respondents are depending on middlemen for marketing the sarees. The middlemen commission occupies major share of returns and thus reduces profit of weavers.
- Majority of the weavers are labour weavers. But they were independent master weavers earlier, they became labour weavers to get raw materials, wages and continuous employment from few master weavers as the cost goes on increasing continuously.
- Some of the respondents are using the mixture of silk with cotton in its saree production to reduce the cost. The saree called "gadwall saree" of Andhra Pradesh where the entire warp, design part and the palloo part consist of pure silk and the remaining part of weft is woven by cotton.
- It can be noted that the cost has steadily risen in all respects. The cost of raw silk yarn has been increased by 81.81% in 2011 compared to 2001. The cost of zari has been increased by 150%, wage rate is increased by 83.33%, the dyeing cost increased by 66.67%, the process cost increased by 200%, other cost increased by 73.33%. The total cost increased by 98.65% in 2011 when compared to 2001 But, the selling price has not increased proportionately.
- The Handloom weavers are expecting a separate handloom textile policy rather than announcing few benefits and schemes from the government.

## SUGGESTIONS

- At present the government is providing many facilities to the weavers of organized sector only. Apart from these it is suggested that the government has to provide financial assistance to the handloom weavers irrespective of sectoral differences.
- To reduce the cost of a saree, the technological changes are of immense need. The present study says that no technology is used by most of the weavers. Only when they are financially strengthened, they can afford the technology in their process. The weavers are ready to introduce the new technology. But, they need financial assistance for purchasing technology. By the help of modern technology in the process of weaving they can produce more number of sarees for given period. Then automatically the cost per saree reduces.
- As far as competition is concerned, the powerloom is the most dominating sector in textile field to throw competition to handloom sector. The powerlooms produces more number of sarees in given period, use high technology, produce modern designs with less cost. The same should be checked by the government with certain policies like implementation of handlooms (reservation of articles of production) Act 1985.

4. It is suggested that the market for handloom silk sarees should be extended from local markets to national and international markets to increase demand parallel to cheap fabrics. Another suggestion is that the direct marketing can reduce the cost of saree to the extent of middlemen commission. Then the cost of a saree can be reduced with the increased profits. The development of marketing skills through training can be advised.
5. State and Central Government has to establish the raw material depots to supply raw silk yarn, zari and other raw materials at reasonable and stable prices continuously and providing continuous employment is suggested by bringing all the handloom weavers under organized sector. Then it is possible to produce saree at low cost at all the times.
6. The government has to establish information centers to provide information to the weavers about demand, supply, and prices, at national and international levels. The handloom weavers are to be given monetary incentive (encouragement money) to encourage the weavers it is provided to milk producers and some farmers in Karnataka.

## CONCLUSION

"Industrialise or perish" is the slogan of the day. The role played by micro, small and medium enterprises is significant in over all growth of the economy. The enterprises acts as a nursery for the development of entrepreneurial talent and has been contributing significantly to the State as well as district's gross domestic products, besides, meeting the social objectives.

Thus, there is a future for handloom sector in India even the living and working conditions for handloom weavers is likely to decline. However, one needs active government support for Handloom sector.

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