

## WEAVING SUSTAINABILITY FROM INDEPENDENCE TO INCLUSION: THE SOCIO-ECONOMIC IMPACT OF KHADI IN RURAL INDIA

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### **Abstract:**

*The purpose of this paper is to investigate the significance of Khadi as a viable means of subsistence in rural India, with a particular focus on its historical roots in the Indian independence movement as well as its contemporary relevance. It discusses the role of banks in promoting village industries and handicrafts through financial inclusion, highlighting recent economic and welfare challenges faced by the Khadi industry. The analysis integrates various perspectives on financial inclusion, the socio-economic impact of Khadi, and the banking sector's strategies to enhance rural livelihoods. According to the findings, it is essential for various stakeholders to work together in order to revitalize the Khadi sector and ensure that it can continue to exist in spite of the challenges that the modern economy confronts.*

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### **JEL CLASSIFICATION: Q01, O13, O17, G21**

#### **Introduction:**

Khadi, a handspun and handwoven cloth, holds a unique place in India's socio-economic fabric. In the course of the Indian independence movement, Khadi was initially a symbol of self-sufficiency; however, it has since developed into a significant source of livelihood for village artisans. Sustainable development and rural empowerment are two overarching goals that are aligned with the promotion of Khadi. However, the Khadi industry faces numerous challenges, including competition from mass-produced textiles, fluctuating demand, and the need for modern marketing strategies (Shah, 2018). This paper examines the role of financial inclusion and banking in enhancing the viability of Khadi as a livelihood option while also addressing recent economic and welfare issues impacting the industry.

#### **Khadi: Historical Context and Contemporary Relevance**

The historical significance of Khadi is intricately connected to India's fight for independence from British rule. It was Mahatma Gandhi who advocated for Khadi as a means of promoting self-sufficiency and resisting colonialism. As a result, Khadi became a symbol of the nation (Shah, 2018). Khadi continues to be a symbol of not only a sustainable livelihood for rural artisans in modern-day India, but also of a commitment to environmentally friendly practices and the economies of local communities alike. Especially among urban consumers who are looking for sustainable fashion, the resurgence of interest in Khadi presents opportunities for rural artisans to flourish. Rural artisans can benefit from these opportunities.

Financial Year	Khadi Production (Rs. in crore)	Khadi Sales (Rs. in crore)
2020 - 2021	1904.49	3527.71
2021 - 2022	2558.31	5051.72
2022 - 2023	2915.83	5942.93
2023 - 2024	3206.24	6496.01
2024 - 2025 (upto 30.09.2024)	1202.06	2505.03

(Data Source: Khadi and Village Industries Commission)

Khadi and Village Industries made a total revenue of Rs 88,887 crore in 2019-2020, which was the highest ever recorded. The dataset from KVIC clearly shows an increase of nearly 50% in production and sales from 2020 to 2023 but a drastic fall witnessed in the current financial year.

Despite the fact that it has a lot of potential, the Khadi industry faces a number of significant challenges. The lack of adequate marketing strategies, limited access to modern technology, and insufficient financial support hinder the growth of this sector. In addition, the COVID-19 pandemic has made pre-existing vulnerabilities even more severe, which has resulted in a reduction in demand and disruptions in supply chains (Shah, 2018). Addressing these challenges requires a multifaceted approach that includes financial inclusion and support from banking institutions.

#### **The Role of Financial Inclusion in Promoting Khadi:**

Financial inclusion refers to the process of ensuring access to financial services for all individuals, particularly those in underserved and rural areas. It encompasses a range of services, including savings accounts, credit, insurance, and payment systems. For rural artisans engaged in Khadi production, financial inclusion is vital for several reasons. First, it allows them to invest in their businesses, acquire raw materials, and adopt modern production techniques

(Supekar & Dhage, 2022; Nazeer, 2015). Access to credit can enable artisans to scale their operations, diversify their product offerings, and respond effectively to market demands (Tanwani & Maisuria, 2020; Pathak & Gupta, 2023).

Financial inclusion is crucial for empowering rural artisans and promoting sustainable livelihoods. Access to financial services enables artisans to invest in their businesses, acquire necessary materials, and improve production techniques. The banking sector plays a pivotal role in facilitating financial inclusion through various initiatives, including microfinance, credit schemes, and capacity-building programs tailored for rural communities (Banna & Alam, 2020).

According to research undertaken by Banna and Alam in 2020, there is a positive correlation between financial inclusion and economic growth as well as the alleviation of poverty, particularly in rural areas. By providing access to credit and financial literacy programs, banks can help artisans enhance their production capabilities and market reach. Furthermore, the integration of technology in banking services, such as mobile banking and digital payments, can significantly improve access to financial resources for rural artisans (Demir et al., 2020).

Moreover, financial inclusion can enhance the resilience of rural households by providing them with the means to cope with economic shocks. For instance,

during the COVID-19 pandemic, many artisans faced significant disruptions in their livelihoods due to decreased demand and supply chain interruptions. Access to financial services can help them navigate such crises by providing emergency funds and facilitating alternative income-generating activities (Supekar & Dhage, 2022; Nazeer, 2015).

### **Banking Strategies for Promoting Village Industries:**

The banking sector in India has recognized the importance of promoting village industries and handicrafts, including Khadi. The banking sector plays a pivotal role in promoting financial inclusion among rural artisans. Various initiatives have been launched to support this objective, including microfinance programs, credit schemes and capacity-building initiatives tailored for rural communities. For example, the Pradhan Mantri Mudra Yojana provides micro-loans to small businesses, enabling artisans to access the capital needed for their operations.

Taking another leap forward towards self-reliant India, Khadi and Village Industries Commission in 2023-2024 distributed a margin money subsidy of Rs 100.55 crore to 1463 beneficiaries of Western Region (Goa, Maharashtra, Gujarat, Daman and Diu, and Dadra Nagar Haveli) against the sanctioned loan of Rs 304.65, in which a margin money grant amount of Rs 24.38 crore was disbursed to 654 beneficiaries of Maharashtra state under Prime Minister's Employment Generation Programme, an employment-oriented flagship scheme of the Government of India, implemented by KVIC.

Additionally, banks are increasingly collaborating with government agencies and non-governmental organizations (NGOs) to create awareness about financial products and services available to rural artisans (Supekar & Dhage, 2022; Nazeer, 2015).

Moreover, banks are adopting innovative approaches to enhance their outreach in rural areas. Innovative

banking strategies, such as the establishment of banking correspondents and mobile banking units, have improved access to financial services in remote areas (Garg & Gupta, 2023). These strategies not only facilitate financial inclusion but also empower rural communities by providing them with the necessary tools to sustain their livelihoods. Furthermore, the integration of technology in banking services, such as digital payments and mobile banking, can significantly enhance access to financial resources for rural artisans.

### **Economic and Welfare Issues in the Khadi Industry:**

Despite the potential of Khadi as a livelihood source, the industry faces significant economic and welfare challenges. The fluctuating demand for Khadi products, coupled with competition from cheaper alternatives, poses a threat to the sustainability of the sector (Tanwani & Maisuria, 2020; Pathak & Gupta, 2023). Not only that, but a significant number of artisans do not have access to social security benefits, which further increases their precarious position.

The integration of financial inclusion initiatives can help mitigate these challenges by providing artisans with the means to diversify their income sources and invest in skill development. Artisans can be provided with the means to diversify their income sources and invest in skill development through the implementation of financial inclusion initiatives, which can help mitigate the challenges that they face. Furthermore, banks can play a crucial role in facilitating access to social security schemes and insurance products, ensuring that artisans are better protected against economic shocks (Banna & Alam, 2020).

### **Government Initiatives Supporting Financial Inclusion:**

The Government of India has launched several initiatives aimed at promoting financial inclusion and supporting rural livelihoods. Programs such as the Mahatma Gandhi National Rural Employment

Guarantee Act (MGNREGA) provide wage employment and help enhance the income security of rural households. Under the Gramodyog Vikas Yojana of KVIC efforts are being made to improve the economic and social status of more and more artisans by providing advanced training and tool kits through schemes such as Kumhar Sashaktikaran Yojana, Honey Mission, Charm Karigar Sashaktikaran Yojana, Incense Sticks Making, Handmade Paper and so on. Khadi Agarbatti Aatmanirbhar Mission also launched to increase local production of Agarbatti in India and create rural employment. Additionally, self-help groups (SHGs) have emerged as a powerful tool for promoting financial inclusion among women artisans, enabling them to pool resources, access credit, and enhance their bargaining power (Nazeer, 2015; Kumar et al., 2019).

Moreover, the Khadi and Village Industries Commission (KVIC) has implemented various schemes to promote Khadi production and support artisans. These initiatives include financial assistance for setting up production units, skill development programs, and marketing support to enhance the visibility of Khadi products (Tanwani & Maisuria, 2020; Pathak & Gupta, 2023). By fostering an enabling environment for artisans, these government initiatives contribute to the overall growth and sustainability of the Khadi industry.

### Conclusion:

Khadi represents a vital livelihood option for rural artisans in India, embodying the principles of sustainability and self-reliance. The data set shows optimism with nearly 40,000 employments (approx) created under Honey Mission and nearly 30 lakh jobs created in KVIC in the last 5 years, of which 2.81 lakh new jobs were created in the Khadi sector. With regards to employment approx. 80,000 created under Kumhar Sashaktikaran Yojana

However, the industry faces numerous challenges that require concerted efforts from various stakeholders, including banks, government agencies, and civil society organizations. Financial inclusion emerges as a critical factor in promoting Khadi and enhancing the welfare of artisans. By providing access to financial services and support, banks can empower rural communities to thrive in an increasingly competitive market. The revitalization of the Khadi industry not only contributes to rural economic development but also aligns with broader goals of sustainable development and social equity.

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