

KHADI INDUSTRY IN INDIA:A COMPARATIVE PERFORMANCE ANALYTICAL STUDY

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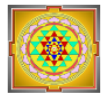
ABSTRACT

Globalisation, liberalisation and privatisation brought metamorphosis of the individual nations into an integrated entity by means of their interconnection between economic, social and cultural level, fuelled by easy transport and communication between them. It is the modern renaissance that makes ideas, goods, services, trade, technology and culture permeate into the entire geography of the world thus turning it into a global village. The Micro Small and Medium Enterprise (MSME) segment plays a significant role in the Indian and global economy. The domain comprising around 30 million units contributes significantly to national GDP (8%), creates employment of about 70 million, 40% of exports and provides bouquet of more than 6000 products. Out of those products Khadi is an important option not only for livelihoods but also for maintenance of traditional skills .The paper focuses upon the performance of Khadi sector of India. In the current market scenario the sector is facing many opportunities and challenges. The paper highlights the performance, strength, weaknesses, opportunities and challenges of Khadi sector, and the solution for such challenges.The paper focuses on employment, sales and production of Khadi sector during study period and projections for 2019-20

KEYWORDS: Economic Development,Khadi Sector, Production, Sales and Employment

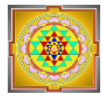
INTRODUCTION

Khadi and Village Industries Commission (KVIC), is a statutory organisation engaged in promoting and developing Khadi and Village Industries created by the Act of Parliament (No.61 of 1956 and as amended by Act No.12 of 1987), Khadi and Village Industries 60 Commission was established in April 1957, taking over the former All India Khadi and Village Industries Board. The Khadi and Village Industries Commission is charged with the planning, promotion, organization and implementation of programmes for the development of



Khadi and Village Industries in rural areas, in coordination with other agencies engaged in rural development. Up to 1987-88, KVIC was entrusted with twenty six Village Industries. However, through an amendment of KVIC Act in 1987, the definition of Village Industries was changed without altering the definition of Khadi. A Village Industry means any industry, located in rural area (population of which does not exceed 10,000 or such other figures which may be specified), which produces any goods or renders any services with or without the use of power in which fixed capital investment (in plant, machinery, land and building) per head of an artisan or worker does not exceed Rs.15,000 (Planning Commission, 1989).¹ Khadi and Village Industries Commission has taken up thirty four new Village Industries from 1988-89, in addition to the twenty six Village Industries entrusted to KVIC up to 1987-88. There are also few more Village Industries identified for being taken up in future by KVIC. The list of Village Industries under the purview of KVIC as of 1988, new industries entrusted to KVIC from 1988-89, after the amendment of the KVIC Act in 1987 are provided in Appendix 1, and 2

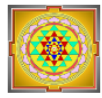
The definition of Village Industries was modified in the Khadi and Village Industries Commission (Amendment) Bill, 2005 (bill number 109 61 of 2005). As per clause 2 of the bill it proposes to amend the definition of “village industry”. The amendment proposed in the definition of “village industry” raised the fixed capital investment per head of an artisan or worker to an amount not exceeding one lakh rupees instead of fifteen thousand rupees under the existing provision. This will result in increase in the number of Village Industries which will be eligible for assistance by the Khadi and Village Industries Commission. The Khadi and Village Industries Commission (Amendment) Bill, 2005 was introduced in Lok Sabha on August 22, 2005. It was referred to the Department-related Parliamentary Standing Committee for examination. The committee submitted its report to Parliament on December 13, 2005, recommending amendment to four clauses of the Bill and gave its approval on February 1, 2006 for moving amendments to the bill. On March 11, 2006, the Rajya Sabha passed this Khadi and Village Industries Commission (Amendment) Bill, 2005, which was already passed in the Lok Sabha of the Parliament. The broad objectives of Khadi and Village Industries Commission are, providing employment, and producing saleable articles with the wider objective of creating self-reliance among the people and building up a strong rural community. In short, the principal objectives of the KVIC is to promote nonfarm employment opportunities in rural areas mainly for the weaker sections of the society, such as women, scheduled castes, scheduled tribes, minorities etc., for the overall betterment of rural areas. 62 Khadi and Village Industries Commission functions at the national level and there are respective State Khadi and Village Industries Boards in the different States to achieve the



broad objective of rural development. The State Khadi and Village Industries Boards are funded from the Khadi and Village Industries Commission for implementation of KVIC schemes, in accordance with its norms/guidelines. Khadi and Village Industries Commission is also charged with the responsibility of building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi finished goods and provisions of facilities for marketing of Khadi and Village Industries products apart from organizing of training of artisans engaged in these industries and encouragement of co-operative efforts among them. KVIC also looks in to encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries sector. Further, the KVIC is entrusted with the task of providing financial assistance to institutions and individuals for development and operation of Khadi and Village Industries and guiding them through supply of designs, prototypes and other technical information. The central office of the Khadi and Village Industries Commission is at Mumbai, with one Zonal office at Guwahati and twenty nine State offices, Functional Directorates have been constituted to co-ordinate the functions like training, marketing, accounts, Khadi economic research and Rural Employment Generation Programme (REGP). Khadi and Village Industries Commission also undertakes sales activities through its twelve departmentally run Khadi Gramodyog Bhavans and around 7050 institutional sales outlets located in different parts of the country. Six Central Sliver Plants provide quality raw materials to the different Khadi institutions. Khadi and Village Industries programmes are implemented through around 5549 registered institutions, co-operative societies, 33 State/Union Territories (UTs), Khadi and Village Industries Boards (KVIBs), and 27 Public Sector Banks, Regional Rural Banks (RRBs) and a few selected Co-Operative Banks. The Khadi programme is implemented through institutions registered either with the KVIC or the State Khadi and Village Industries Boards. In the case of Village Industries, the Khadi and Village Industries Commission implements the Rural Employment Generation Programme (REGP). Khadi and Village Industries Commission play a creditable part in promoting improved technology in Khadi and Village Industries and thereby helping artisans in various industries to derive higher incomes (Vadilal Dagli, 1976).²

OBJECTIVES

- The social objective of providing employment in rural areas;
- The economic objective of producing saleable articles



- The wider objective of creating self-reliance amongst people and increasing the production

HYPOTHESIS

- The social objective of providing employment in rural areas is not significant
- The economic objective of producing saleable articles is most significant
- The wider objective of creating self-reliance amongst people and increasing the production is not significant

PLACE OF KHADI INDUSTRIES IN THE ECONOMIC DEVELOPMENT

Place of Khadi and Village Industries in the Economic Development “Economic Development is a process whereby an economy’s real national income increases over a long period of time. And if the rate of development is greater than the rate of population growth, then per capita real income will increase. ‘Process’ implies the operation of certain forces; these forces operate over the long period, and embody changes in certain variables. Details of this process vary under diverse conditions in space and time. But there are some basic common features. And the general result of the process is growth in an economy’s national product”³ Economic development in a country like India, facing the vicious circle of poverty is a long term process. A country does not develop because it is poor and it is poor because it does not develop. This is the vicious circle of poverty, which prevents an economy to reach the take off stage. To remove poverty, the purchasing power of the poor masses will have to be increased first to enable them to fulfill their basic needs. The question of removal of poverty could therefore be identified with the question of providing employment to the underemployed and unemployed. Agriculture is the main source of livelihood for most of the people, and this sector is featured with chronic unemployment and underemployment. It is necessary that avenues of employment in the nonfarming occupations have to be provided to tackle this problem. Khadi and Village Industries with its intermediate technology answer this need very well. (Arunachalam.K, 1974).⁴ The Khadi and Village Industries fulfil the social objective of providing employment to millions and ensure economic development, and help removal of the main obstacle to growth – the vicious circle of poverty. Khadi and Village Industries produce goods, which are articles of daily necessity like cloth, oil, gur, leather goods etc. Khadi and Village Industry help in the conversion of waste in to wealth. Gobar gas industry, hand made paper industry, non-edible oil, industry, soap industry are classical examples of production of wealth from waste. Thus Khadi and Village Industries



with its intermediate technology and emphasis on viability can fulfil the social objective of creating employment to millions and at the same time fulfilling the economic objective of producing saleable goods of daily use on a decentralised basis. The role of Khadi and Village Industries in the Indian economy can be explained in the two different periods: before independence and after independence.

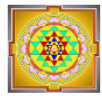
PRODUCTION, SALES AND EMPLOYMENT OF KHADI SECTOR IN INDIA

Khadi activity is considered as potential tool for creation of employment opportunities at the doorstep of rural Artisans at very low capital investment. Immediately after independence, Khadi and Village Industries productivity became the grand symbol of nationalism. As such, Khadi came to be known not just a piece of cloth, but as a symbol of freedom and self-reliance. The comparative performance of Khadi Industries during 2018-19 to 2019-20 is given in the following table-1 and shows robust growth.

COMPARATIVE PERFORMANCE OF KHADI INDUSTRIES: 2018-19 TO 2019-20

(Production & Sales: Rs. in Crore; Employment: in Lakh Person)

Sl. No	Industry	2018 – 19	2019–20 (Provisional)
I	PRODUCTION		
A	Khadi	1465.21	1727.21
B	Polyvastra	159.67	230.0
C	Solarvastra	1.78	6.09
	TOTAL (A + B + C)	1626.66	1963.30
II	SALES		
	Khadi	2249.18	2840.75
	Polyvastra	259.32	368.92
	Solarvastra	1.71	5.46
	TOTAL (A + B + C)	2510.21	3215.13
III	EMPLOYMENT		
	Khadi	4.34	4.59



	Polyvastra	0.29	0.30
	Solarvastra	0.02	0.06
	TOTAL (A + B + C)	4.65	4.95

SOURCE: Government of India MSME-2020-21report,p.56

KVIC is a Statutory Organisation tasked with the role of promoting the production and sale of Khadi. Over 2632 Khadi Institutions form the vast network are implementing the programmes of KVIC in India. Over 4.95 Lakh people are engaged in this activity. Out of which, over 80 percent are women Artisans. Khadi is the unique programme of KVIC and a potent tool for creation of employment at the Artisans' doorstep being implemented by Khadi Institutions. The assistance provided through Market Development Assistance (MDA) and Interest Subsidy Eligibility Certificate (ISEC) Scheme are enabling Khadi Institutions to provide employment opportunities. Khadi Production and Sales have grown from previous year, from production of Rs. 1626.66 Crores in 2018 – 19 to Rs. 1963.30 Crores in 2019 – 20 (Provisional). Similarly, sales of Khadi have shown growth from Rs. 2510.21 Crores in 2018 – 19 to Rs. 3215.13 Crores in 2019 – 20 (Provisional). Khadi Employment has grown from previous year, from 4.65 Lakh Khadi Artisans in 2018 – 19 to 4.95 Lakh Khadi Artisans in 2019 – 20 (Provisional). The comparative performance of Khadi Industries during 2018-19 to 2019-20 is given in the following figure.1 and shows robust growth.

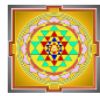
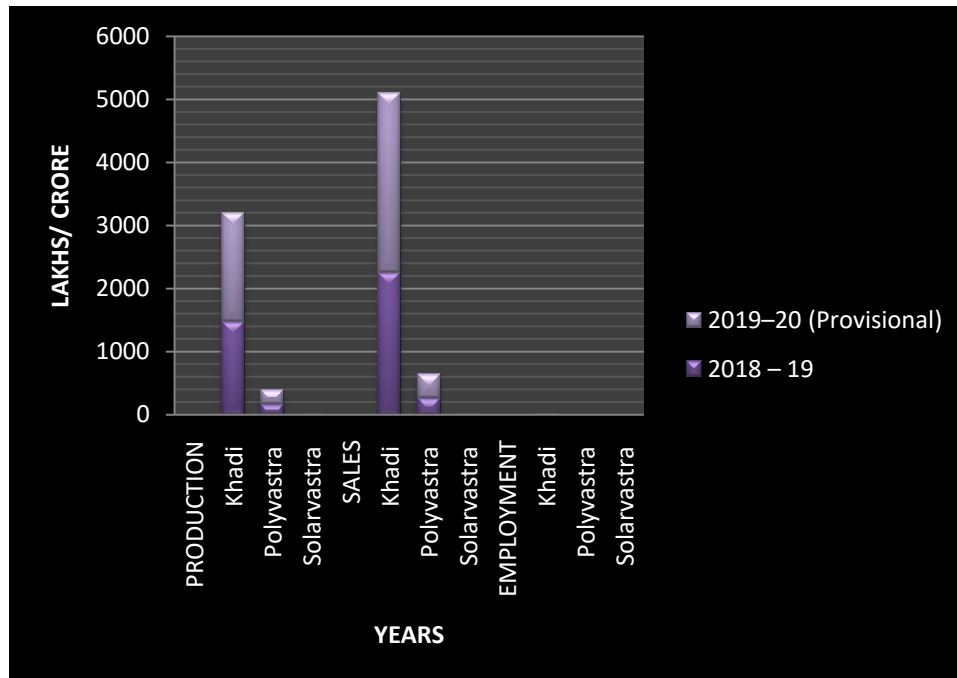


FIGURE.1

COMPARATIVE PERFORMANCE OF KHADI INDUSTRIES: 2018-19 TO 2019-20

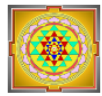
(Production & Sales : Rs. in Crore; Employment: in Lakh Person)



SOURCE: Government of India MSME-2020-21 report, p.56

CONCLUSION

Most of the institutions are suffering from shortage of working capital. Institutions also require financial help for improvement of retail outlets, for quality testing labs, and development of work sheds for spinning and weaving. Most of the artisans are not satisfied with the performance of the existing charkhas and looms. Khadi institutions require financial support to upgrade/improve charkhas and looms, which will enhance labour productivity and quality substantially to meet export standards. Grants are required to build/ improvement of Khadi Bhandars and Bhavans in big cities and tourist spots. There is a need to renovate and improve the khadi outlets. There is a need for construction of common facilities for dyeing/processing, printing, stitching, and cleaning at appropriate locations within the reach of the selected khadi institutions. Financial support is also required for purchasing computers with Internet connection; fax machines, new model charkhas, improved looms and yarn quality testing equipments for each khadi institution. Replacement of traditional charkhas and looms with pedal looms and 8



spindle new model charkhas is an urgent requirement for increasing productivity of workers. Common working sheds have to be developed for spinners and weavers for maintaining uniform quality of cloth, which is a pre-requisite for exports. Proper training and performance based incentives to be given to spinners and weavers. Well-furnished worksheds to be developed for both spinners and weavers with good infrastructure and common facilities like workers club, children's garden, etc. which will increase productivity of workers, also help in uniform quality of yarn and cloth. Even though most of the selected khadi institutions are within clusters, some fall outside the clusters. Institutions falling outside the clusters need special arrangements for marketing and other managerial areas of support. There is an urgent need for wider adoption of improved technology like new model charkhas, and pedal operated looms. The State level and provide common services including marketing. Considering that nearly about 75 per cent of cotton khadi is now being sold in the form of printed, dyed and fabricated products, there is a need for development of common processing units for dyeing, printing and finishing at State level, facilities like bleaching, dyeing, mercerising, wash-in-wear, anti-shrink, printing, perma-press, tailoring, embroidery etc. to be developed at common service centres.

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