

Structural Transformation of Khadi and Village Industry in India

Abstract

Khadi and Village industry helps to create green jobs in the economy. This sector generates employment opportunities in the rural, semi-urban and urban areas, generates eco-friendly production at low capital cost, promote use of local material, utilize local skills and prevent the migration of labour force to urban centres. The main objectives of the paper are to study the trends in production, sales and employment of Khadi and Village industry and to study the initiatives undertaken by the government in order to promote Khadi and Village industry. In this paper, Compound Annual Growth Rate (CAGR) of production, employment, sales and budgetary allocation of Khadi and Village Industry in India has been calculated during 2004-05 to 2013-14. The rising trend has been seen in production, employment generation and sales of KVI during the period 2004-05 to 2013-14. The CAGR for planned funds allocated is higher than the planned funds released which shows that funds released by government to KVI are not sufficient for the development of these industries.

Keywords: Green Jobs, Eco-Friendly, Sustainable Development, Compound Annual Growth Rate.

Introduction

"It is not enough to say that hand-spinning is one of the industries to be revived. It is necessary to insist that it is the central industry that must engage our attention if we are to re-establish the village home."

-Mahatma Gandhi

Climate change is one of the greatest challenges for developed and developing countries in the twenty first century. The actions of developed countries have aggravated the problem of climate change but developing countries have to suffer more because of their vulnerability to extreme environmental events. Poor people who rely on local natural resources in developing countries will be most vulnerable to the effects of climate change. Climate change aggravates the problem of unemployment, gender inequality, poverty reduction and sustainable development.

Green development can stimulate economies, create jobs, help to maintain critical eco system services and strengthen climate resilience of the poor. The new patterns of production, consumption and employment will emerge by mitigating the effects of climate change. It will provide various opportunities to create green jobs. According to United Nations Environment Programme "Green jobs typically refer to those jobs that play a direct role in reducing environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable".

Khadi and Village industry sector helps to create green jobs in the economy. This sector plays a predominant role in the Indian economy to create income and employment opportunities in the rural, semi-urban and urban areas. This sector generates production at low capital cost, promote use of local material, utilize local skills and prevent the migration of labour force to urban centres. The items which are being produced in KVI sector are eco friendly and purity is the hallmark of such products.

Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and Village Industries are two national heritages of India. One of the most significant aspects of KVI in Indian economy is that it creates employment at a very low per capita investment. The KVI Sector not only serves the basic needs of processed goods of the vast rural sector of the country, but also provides sustainable employment to rural artisans. KVI today represent an exquisite, heritage product, which is 'ethnic' as well as 'ethical'. The Sector has a potentially strong clientele among the middle and upper echelons of the society (Gol, 2014).

Khadi and Village Industries Commission Act of 1956 defines, "khadi as any cloth woven on handlooms with handspun in India or from a



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mixture of any two or any such yarns". The village industry has been defined as "any industry located in a rural area (population of which does not exceed ten thousand) which produces any goods or renders any services with or without use of power and in which the fixed capital investment (in plant and machinery, land and building) per head of an artisan or a worker does not exceed fifteen thousands of rupees".

The Khadi Programmes comprise hand spun and hand woven cotton, woolen, muslin and silk varieties. The Village Industries (VI) Programmes have been classified into seven broad groups. These are mineral based industry; forest based industry; agro based and food processing industry; polymer and chemical based industry; rural engineering and bio-technology industry; handmade paper and fibre industry and service and textile industry.

Objectives of the Study

The main objectives of the paper are:

1. To study the trends in production, sales and employment of Khadi and Village industry.
2. To study the initiatives undertaken by the government in order to promote Khadi and Village industry.

Methodology

To achieve objectives of the paper, secondary data derived from various sources like Ministry of Micro, Small and Medium Enterprises, Khadi and Village Industries Commission and National Institute for Rural Development, has been used. In this paper, Compound Annual Growth Rate (CAGR) of production, employment, sales and budgetary allocation of Khadi and Village Industry in India has been calculated during 2004-05 to 2013-14.

Results and Discussion

Khadi has been associated with Mahatama Gandhi's vision of helping villagers, supplement their income and promote sustainable rural development. In recent years, Khadi has cut across class barriers to find favor among all age group and income group people for its eco-friendly origins right from raw material to dyes. Over last few years, Khadi, handspun and hand woven fabric has been transformed to acquire haute couture status with many Indian designers making it part of their special collection.

The production of Khadi and Village Industry (KVI) in India during 2004-05 to 2013-14 has been shown in Table 1. The CAGR for production of KVI has also been calculated in the table.

The table reveals the rising trend in the production of KVI during the period 2004-05 to 2013-14. The production of KVI in 2004-05 is Rs.10920.43crores which has increased to the level of Rs. 26107.70 crores in 2013-14. Production in KVI of India has grown at a CAGR of 26.56 percent over 2004-05 to 2013-14.

Table 1 Production of Khadi and Village Industry in India during 2004-05 to 2013-14

(in Rs crores)

Year	Production
2004-05	10920.43
2005-06	12383.84
2006-07	14018.71
2007-08	16677.71
2008-09	17338.87
2009-10	18136.98
2010-11	19871.86
2011-12	21852.04
2012-13	24024.24
2013-14	26107.70*
Compound Annual Growth Rate	26.56 percent

Source: Annual Reports of Government of India for various years.

*Provisional

The employment of KVI in India during 2004-05 to 2013-14 has been shown in Table 2. The CAGR for production of KVI has also been calculated in the table.

The table reveals the rising trend in the employment generation of KVI during the period 2004-05 to 2013-14. The employment generated by KVI in 2004-05 is 76.78 lakh persons which has increased to the level of 124.76 lakh persons in 2013-14. Employment generated by KVI of India has grown at a CAGR of 20.31 percent over 2004-05 to 2013-14.

Table 2 Employment of Khadi and Village Industry in India during 2004-05 to 2013-14

(in lakh persons)

Year	Employment
2004-05	76.78
2005-06	82.77
2006-07	88.92
2007-08	99.27
2008-09	103.91
2009-10	108.53
2010-11	113.80
2011-12	119.10
2012-13	124.76
2013-14	140.38*
Compound Annual Growth Rate	20.31 percent

Source: Annual Reports of Government of India for various years.

*Provisional

The sales of KVI in India during 2004-05 to 2013-14 have been shown in Table 3. The CAGR for sales of KVI has also been calculated in the table.

The table reveals the rising trend in the sales of KVI during the period 2004-05 to 2013-14. The sales of KVI in 2004-05 are Rs.13105.19 crores which has increased to the level of Rs. 31152.40 crores in 2013-14. Sales of Indian KVI have grown at a CAGR of 26.41 percent over 2004-05 to 2013-14.

Table 3 Sales of Khadi and Village Industry in India during 2004-05 to 2013-14

(in Rs crores)	
Year	Sales
2004-05	13105.19
2005-06	15276.02
2006-07	19551.40
2007-08	21543.48
2008-09	22748.19
2009-10	24121.54
2010-11	25792.99
2011-12	26797.13
2012-13	27839.69
2013-14	31152.40*
Compound Annual Growth Rate	26.41 percent

Source: Annual Reports of Government of India for various years.

*Provisional

The budgetary support to Khadi and Village Industry (KVI) in India during 2004-05 to 2013-14 has been shown in Table 4. Under budgetary support, plan and non plan heads have been discussed. The

CAGR for budgetary support to KVI has also been calculated in the table.

The planned funds allocated in 2004-05 are Rs. 462 crores which has increased to the level of Rs. 1395.67 crores in 2013-14. The non planned funds allocated in 2004-05 are Rs. 84.91 crores which has increased to the level of Rs. 219.28 crores in 2013-14. The planned funds released in 2004-05 are Rs. 460.99 crores which has increased to the level of Rs. 1204.88 crores in 2013-14. The non planned funds released in 2004-05 are Rs. 83.90 crores which has increased to the level of Rs. 218.23 crores in 2013-14. The funds released are higher than the funds allocated by government for KVI except in the year 2008-09 in which funds released are same as the funds allocated. During the period 2004-05 to 2013-14, the CAGR for planned and non planned funds allocated is 33.57 and 28.69 percent, respectively. During the period 2004-05 to 2013-14, the CAGR for planned and non planned funds released is 29.04 and 28.90 percent, respectively.

The CAGR for planned funds allocated is higher than the planned funds released which shows that funds released by government to KVI are not sufficient for the development of these industries. KVI are facing the shortage of funds.

Table 4 Budgetary support to Khadi and Village Industry in India during 2004-05 to 2013-14

Year	Funds Allocated		Funds Released	
	Plan	Non- Plan	Plan	Non- Plan
2004-05	462.00	84.91	460.99	83.90
2005-06	560.82	84.82	558.56	84.76
2006-07	592.93	84.82	589.82	83.91
2007-08	650.40	84.82	622.99	82.80
2008-09	1104.95	107.63	1104.94	107.62
2009-10	919.20	192.41	836.00	192.38
2010-11	1543.96	172.64	1452.46	171.64
2011-12	1494.22	185.22	1258.46	184.72
2012-13	1543.79	162.85	1466.20	160.85
2013-14	1395.67*	219.28*	1204.88*	218.23*
Compound Annual Growth Rate	33.57 percent	28.69 percent	29.04 percent	28.90 percent

Source: Annual Reports of Government of India for various years.

*Provisional

Initiatives taken by Government to promote Khadi and Village Industry

The Khadi & Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organization engaged in promoting and developing khadi and village industries for providing employment opportunities in the rural areas, thereby strengthening the rural economy. The KVIC through its programmes and policies seeks to achieve the social objective of providing employment in rural areas, the economic objective of producing saleable articles and the wider objective of creating self-reliance amongst the people and building up a strong rural community spirit. The functions of KVIC includes to plan and organise training of persons employed or desirous of seeking employment in khadi and village industries, to build up directly or through specified agencies reserves of raw materials, implements and supply them at such rates as the Commission may decide, to encourage and assist in the creation of

common service facilities for the processing of raw materials or semi-finished goods, to promote the sale and marketing of products of khadi and village industries, to encourage and promote research in the technology used in khadi and village industries, to study the problems of khadi and village industries, to provide financial assistance directly or through specified agencies to institutions or persons engaged in the development and operation of khadi or village industries, to promote and encourage cooperative efforts among the manufacturers of khadi and village industries, to ensure genuineness and to set up standards of quality .

'The Interest Subsidy Eligibility Certificate' (ISEC) Scheme is an important mechanism of funding khadi programme undertaken by khadi institutions. It has been introduced in May 1977 to mobilise funds from banking institutions for filling the gap between the actual fund requirements and availability of funds from budgetary sources.

'The Product Development, Design Intervention and Packaging' (PRODIP) Scheme has been launched in November 2002 as a small intervention with a view to selectively improving the quality of khadi products and also diversifying into new products. It also seeks to improve the marketability of khadi by enlisting the support of professional designers approved by the National Institute of Design (NID).

In order to provide insurance cover to khadi artisans, a group insurance scheme namely 'Khadi Karigar Janashree Bima Yojana' (JBY) has been launched in 2003. The Scheme is formulated by KVIC in association with the Life Insurance Corporation of India (LIC) with annual premium of Rs. 200/- per beneficiary.

KVIC has also taken up another small scale intervention called 'Rural Industries Service Centres' (RISC) Scheme from 2004-05 onwards for providing infrastructural support and services to selected units with a view to upgrading their production capacity, skill upgradation and market promotion. RISC also provides testing facilities by establishing laboratories for ensuring quality of products, improved machinery to be utilized as common facilities by nearby units for enhancing production capacity, attractive and appropriate packaging facilities and machinery to the local units for better marketing of their products, training facilities for upgrading artisans' skills in order to increase their earnings and new designs and diversified products in consultation with experts for value addition of rural manufacturing units.

In 2008, KVIC has introduced the 'Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans' which aims at making khadi industry more competitive with more market-driven production and sustained employment for khadi artisan through replacement of old machinery and repairs of existing machinery.

KVIC has implemented two credit linked employment generation schemes namely, Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) in 1993 and 1995 respectively. In 2008-09, it has been decided to introduce a new credit linked subsidy scheme titled Prime Minister's Employment Generation Programme (PMEGP) through merger of the erstwhile schemes of PMRY and REGP. PMEGP has been a significant initiative with a higher level of subsidy than that available under PMRY and REGP.

In order to empower khadi spinners and weavers to chart out a sustainable path for growth, income generation and better work environment and to enable them to carry out their spinning and weaving work effectively 'Workshed Scheme for Khadi Artisans' has been introduced in 2008-09 by KVIC. Under this Scheme, financial assistance for construction of worksheds is provided to khadi artisans belonging to BPL category through the khadi institutions with which the khadi artisans are associated.

In 2010, KVIC has initiated 'Market Development Assistance' (MDA) Scheme for Khadi and Polyvastra. The main feature of this Scheme is

that financial assistance (i.e., MDA) will be provided at 20 percent of value of production of Khadi and polyvastra (cotton khadi, silk khadi, wollen khadi and Polyvastra) achieved by the producing institution. It is mandatory on the part of the Khadi Institution to pass on 25 percent of MDA to artisan as bonus, in addition to wages and remaining 75 percent can be utilized by the producing and selling institutions for various marketing and production related activities as per norms.

'Khadi Mark Regulation 2013' has been notified on 22 July 2013 with a view to provide a system to guarantee the genuineness of khadi sold in the market and create a distinct identity for khadi in the market.

'Khadi Artisans Welfare Trust Fund' (KAWTF) has been introduced by KVIC which is conceptually meant to be run on the lines of a Provident Fund. Membership of KAWTF is mandatory for all khadi and polyvastra producing institutions affiliated to KVIC. All the Institutions categorized as A+, A, B and C are eligible to join the Trust Fund. This Fund has been functioning in 21 States and the concerned State Government, manages it. A total of 1928 khadi institutions have become its members as on March 31, 2013.

KVIC has introduced a system of 'categorization' in order to grade the Khadi institutions on the basis of performance and also to identify suitable institutions eligible for implementation of the prestigious schemes of KVIC.

The scheme of 'Strengthening of Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' has been formulated by KVIC, in order to facilitate the need-based support towards the Khadi sector for nursing the sick institutions elevated from "D" to "C" category as well as those whose production, sales and employment have been declining while they have potential to attain normalcy and to support creation of marketing infrastructure in other identified outlets.

Department of Economic Affairs, Ministry of Finance has tied up financial aid from Asian Development Bank (ADB) amounting to US\$150 million over a period of three years for implementing a comprehensive 'Khadi Reform Programme' worked out in consultation with ADB and KVIC. Under this Reform Package, it is proposed to revitalize the Khadi sector with enhanced sustainability of Khadi, increased incomes and employment to artisans, increased artisans welfare and to enable KVIC to stand on its own with gradually decreasing dependence on Government Grants.

Important initiative of KVIC in Khadi sector is the development of a solar charkha with the help of Mahatma Gandhi Institute of Rural Industrialization (MGIRI). This initiative has the potential to revolutionise Khadi sector. Under this initiative, process of spinning, allows one person to manage 4-5 charkhas simultaneously. The pilot project tested in six regions of the country including Assam, Tamil Nadu, Rajasthan, Uttar Pradesh, Gujarat and West Bengal has been a success.

In order to enhance the appeal as well as demand for the products of Khadi, KVIC supported Scheme of Fund for Regeneration of Traditional industries (SFURTI) clusters have been working closely with the National Institute of Fashion Technology (NIFT) and National Institute of Design (NID) and other reputed fashion institutes to usher changes in colour, design, cuts and products of cotton, silk and woolen Khadi. KVIC is working on a plan to create a global Khadi brand. To achieve this plan, KVIC is engaged at various levels in product improvement, packaging, branding and sales promotion, holding fairs and exhibition in India and overseas, arranging buyers-sellers meets etc.

KVIC has taken a number of steps to promote exports of Khadi and Village Industries (KVI) products. These include incentives to KVI institutions on direct export of KVI items at 5 per cent of the Free-on-Board (FOB) value to a maximum limit of Rs.10 lakh.

Conclusion

KVI sector helps to generate green jobs in the primary sector of India. These industries generate sustainable non-farm employment opportunities in rural areas, thereby strengthening the rural economy. During the period 2004-05 to 2013-14, production, employment generation and sales of KVI have shown the rising trend. The funds released are higher than the funds allocated by government for KVI except in the year 2008-09 in which funds released are same as the funds allocated. The CAGR for planned funds allocated is higher than the planned funds released which shows that funds released by government to KVI are not sufficient for the development of these industries. KVI sector is facing the shortage of funds. KVIC has taken many initiatives like the Interest Subsidy Eligibility Certificate, Product Development, Design Intervention and Packaging scheme, Khadi Karigar Janashree Bima Yojana, Khadi Reform Programme, Strengthening of Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure scheme, Khadi Artisans Welfare Trust Fund, Khadi Mark Regulation 2013, Market Development Assistance, Workshed Scheme for Khadi Artisans, Prime Minister's Employment Generation Programme, Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans and Rural Industries Services in order to strengthen the KVI sector.

Suggestions

There is need for the Government to increase the funds released for KVI under the budgetary support and also to increase the amount of loans provided to KVI. This will help to reduce carbon emission in the economy, will provide employment to unskilled and semi-skilled workers in rural areas of India and will also help in checking migration of rural population to urban areas in search of the employment opportunities. There is a need to make people aware about the benefits as well as varieties of the products produced by KVI sector. For this, there should be increase in the number of domestic exhibitions and International trade fairs. To compete with malls and supermarkets in the present market

scenario, emphasis should be given to increase the number of Khadi plazas through public- private partnership mode. This will help to boost the domestic demand as well as production of KVI sector.

"I feel convinced that the revival of hand-spinning and hand weaving will make the largest contribution to the economic and the moral regeneration of India. The millions must have a simple industry to supplement agriculture. Spinning was the cottage industry years ago, and if the millions are to be saved from starvation, they must be enabled to reintroduce spinning in their homes and every village must repossess its own weaver."

-Mahatma Gandhi

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