

CHAPTER 5.4

KHADI & VILLAGE INDUSTRIES

5.4.1 With the liberalisation and globalisation of the economy and the removal of quantitative restrictions, the smaller units of the khadi and village industry sector are facing stiff competition. A large portion of India's population lives in the villages where illiteracy still prevails and large industry is not in a position to absorb the work force from rural areas. In view of this, it is necessary to create more employment opportunities in villages by utilising local resources and skills so that rural people can get work in the villages itself.

5.4.2 This would also reduce the migration of unemployed rural youths to urban areas in search of jobs. Only a few of them get absorbed in urban areas and this constant flow of people to urban areas has put the existing civic infrastructure under severe pressure. As a result, the number of jhuggi-jhonpari clusters and slum dwellers in urban areas is steadily increasing. The khadi and village industry sector has got the potential to create new jobs in rural areas. During the Ninth Plan period, new policy measures were provided to the sector for enhancing production and employment.

5.4.3 A committee on strengthening of the khadi and village industries sector was set up under the chairmanship of Shri K.C. Pant, Deputy Chairman, Planning Commission. The report of the Pant Committee, submitted in November 2001, recommended a special package for the development of the sector. The Ministry of Agro and Rural Industries, which is the nodal ministry for the khadi and village industry sector, is implementing this package. The package includes: (i) providing the option of market development assistance (MDA) or rebate for khadi cloth; (ii) continuity of rebate/MDA for five years; (iii) creation of a database for the sector; and (iv) intensive marketing support so that the sector may fulfil the objectives of generating rural employment and improving the quality of life of the rural people.

5.4.4 The performance of the khadi and village industries is in Table 5.4.1 while the Ninth Plan expenditure and outlay for the Tenth Plan and Annual Plan 2002-03 are indicated in Table 5.4.2. The Schemewise break up of Tenth Plan outlay is given in the Appendix. The export of village industry products, which was Rs. 13.83 crore in 1994-95 reached Rs.29.66 crore by 1999-2000 and is

Table No.5.4.1
Performance of the Khadi & Village Industries Sector
Production, Employment and Exports

(Rs. crore)

S. No.	Sub-Sector (Scheme)	Unit	Ninth Plan Actual Achievement				2001-02 (Anti.)	Tenth Plan Target	
			1997-98	1998-99	1999-00	2000-01		2002-03	2006-07 Terminal Year.
(A) Production									
1	Khadi cloth	Rs. crore	624	636	552	432	444	457	750
2	Village industries	Rs. crore	3,895	4,477	5,613	5,914	7,141	6,810	12,500
(B) Employment									
1	Khadi & Village Industries	persons million	5.65	5.82	5.92	6.0	6.6	7.02	8.95

Table No.5.4.2
Plan Outlay/Expenditure of the Khadi and Village Industries

(Rs. crore)

S.No	Sub-Sector (Scheme)	Ninth Plan Actual Expenditure					Ninth Plan (Expdr)	Tenth Plan	
		1997-98	1998-99	1999-00	2000-01	2001-02 (anti.)		2002-03	2002-07
M/o Agro & Rural Industries									
1	Khadi & Village Industries.	440.78	346.23	201.93	261.48	330.00	1,580.42	392.00	2,080.00
2	NPRI						—	1.00	5.00
	Total	440.78	346.23	201.93	261.48	330.00	1,580.42	393.00	2,085.00

expected to touch Rs. 35 crore by the terminal year of the Tenth Plan.

5.4.5 In the areas of research and development (R&D), various sponsored projects were taken up and funded by the Khadi and Village Industries Commission (KVIC) from the science and technology grant from the Department of Science and Technology. The Jamnalal Bajaj Central Research Institute (JBCRI), Wardha, one of the prominent R&D institutes under the KVIC, is in the process of being revamped. It is proposed to upgrade JBCRI to the National Institute of Rural Industrialisation (NIRI), involving an estimated expenditure of Rs. 8 crore.

5.4.6 Some of the technologies developed by the R&D institutions under the KVIC are:

- High productive 6, 8 and 12 spindle all steel new model charkha (NMC).
- Development of semi-automatic and Nepali looms for weaving.
- Development of nine spindle charkhas for muslin khadi.
- Production system for 500 and 600 counts muslin khadi.
- New shades of herbal dyes.
- Suitable and modern Jacquard looms for weaving.
- Improvement in loom for northeastern states.

- Production of portable Ghani for vegetable oil extraction.
- Isolation and naturalising of bitter aspect from neem.
- Isolation of various components from sunflower cake.
- Development of LYMPO bricks from ash of rice husk and broken brick lumps.
- Formulation of new herbal formulations and herbal soaps.
- Development of bio-manure, bio pesticides and bio insecticides.
- Use of non-edible oils in soap formulations.
- Use of cashew nut liquid in rubber manufacturing.
- Use of different fibres in hand made paper.
- Decorticators for oil seeds and pulses.
- Development of paddy de-huskers and rice polishers
- Improvement of the potter wheel.
- New technology for tile making.
- Neera preservation.

- Value added products of honey, bakery and fruit products.
- Curing of bee diseases and artificial insemination of bees.

5.4.7 Over the years, the production of khadi cloth has been on the decline. Hence employment in this area is also falling. However, production and employment in village industries have grown from Rs. 3,895 crore in 1997-98 to Rs. 7,140.52 crore in 2001-02 and new job creation has been reported. The main reasons for the poor performance in khadi production were (a) uncertainty over the continuation of the rebate policy for khadi, which upset the production schedule and output of khadi producers; (b) high stock of unsold khadi and mismatch in khadi production; (c) the project finance approach adopted in place of existing pattern approach for village industries units took the rural entrepreneurs some time to get used to; and (d) there was a shortfall in availing funds from banks and budgetary resources.

5.4.8 In a major initiative during the Ninth Plan, the marketing of a select range of village industry products was launched under the brand name 'Sarvodaya', with a focus on quality. The National Institute of Design (NID), Ahmedabad, has been entrusted with a project to introduce new and trendy designs in khadi. New designs developed by the National Institute of Fashion Technology (NIFT), New Delhi, would be taken up for production by khadi industries. These initiatives are expected to improve the demand for khadi and to boost production and employment.

5.4.9 Apart from announcing the khadi package in line with the recommendations of the Pant Committee, the Government would emphasise on the concept of 'No Loss' against the earlier concept of 'No Profit' in order to strengthen the khadi and village industries and to make the sector viable and vibrant.

5.4.10 In 1994, the High Powered Committee to examine and suggest appropriate policy support to strengthen the khadi and village industry sector under the then Prime Minister had envisaged the creation of two million jobs in the khadi and village

industries sector during the Eighth Plan. This was to be done by the Rural Employment Generation Programme (REGP) and the KVIC was to be the implementing agency. Taking into account the progress of job creation, the target for REGP has been revised and a total of 1.5 million jobs was envisaged to be created by the end of the Ninth Plan. Till 31 March 2001, one million jobs had been created in the sector under REGP. During the Tenth Plan period, two million new jobs would be created in the khadi and village industries sector. The targets for khadi and village industries for the terminal year of the Tenth Plan are given in Table 5.4.1.

5.4.11 Since 1995-96, under the REGP, 25 per cent of the project cost is provided as margin money for projects that cost upto Rs. 10 lakh. For projects costing between Rs. 10 and 25 lakh, an additional 10 per cent of the remaining cost of the projects is also provided as margin money. For the northeastern region, Sikkim, Andaman & Nicobar Islands, Lakshadweep, hill areas, border areas, tribal areas and for weaker sections (scheduled castes, scheduled tribes, other backward classes, women/physically handicapped/ex-servicemen and minority community beneficiary/institution), margin money is provided at 30 per cent of the project cost. Initially, institutional financing was made available to KVIC in the form of a line of credit of Rs. 1,000 crore, popularly known as Consortium Bank Credit (CBC). Till 31 March 2002, the KVIC had utilised Rs. 738.14 crore for the creation of new jobs in the khadi and village industries sector.

5.4.12 In order to extend the quality control network of the sector, 17 national level laboratories have been identified. These laboratories have been accorded accreditation for testing and standardisation of khadi and village industries products and will cater to the needs of local artisans as well as institutions.

5.4.13 Marketing is the key to the success of any product. KVIC is providing the necessary marketing inputs to the khadi and village industries sector for both domestic as well as export marketing. Its main focus, however, is on domestic marketing. Financial assistance is provided to directly aided institutions, State/Union Territory KVI Boards and their aided

organisations for setting up sales outlets, renovation or expansion of existing sales outlets, purchase of mobile vans and organising exhibitions to create awareness about khadi and village industries products. KVIC has been participating in international exhibitions being organised by the India Trade Promotion Organisation (ITPO). Representatives of non-government organisations (NGOs) and KVI Boards are provided financial assistance for ITPO exhibitions. Khadi Gramodyog Bhawans are proposed to be opened in countries like the United States, the United Kingdom, Germany, South Africa, etc. for export promotion. Accordingly Export Promotion Council (EPC) status for khadi and village industry product exports is being envisaged.

5.4.14 An 8 per cent per annum growth in khadi cloth production has been envisaged during the Tenth Plan period. Employment in khadi industries is expected to increase at 3 per cent per annum and major efforts would be made up to improve the quality and value of khadi production by focusing upon design inputs and improving the quality of khadi cloth. Anti-crease treatment for khadi cloth would be achieved by technology tie-up with renowned laboratories and research institutions. Khadi institutions would be strengthened to become economically viable by developing backward and forward linkages.

5.4.15 In order to increase the earnings of khadi artisans attention would need to be given on ensuring higher productivity by introducing improved tools and equipments. Programmes to upgrade skills through training for khadi artisans would be taken up. Use of improved tools and techniques would encourage artisans to produce value-added khadi cloth items, decoratives, etc. With an eye on developing a niche market for khadi, it is proposed to restructure and strengthen the marketing strategy.

5.4.16 For village industries efforts would be made to provide adequate finance, tax exemptions, particularly in sales tax, octroi, purchase tax, etc. Awareness would be generated in village industries about the Margin Money Scheme of the KVIC and to prepare economically viable and bankable projects by village industries entrepreneurs. Efforts

would be made to increase full time employment in village industries and enable the artisans to produce items round the year. Special quality assurance and product development programmes would need to be taken up for village industries to increase their marketability. Cluster development of village industries need to be undertaken in a way that makes all inputs available at one place and provides marketing inputs to increase sales of village industries units.

5.4.17 Technology interfaces are proposed to be established in the Tenth Plan to disseminate information as well as function as technology adoption centres. One-time financial assistance would be provided to such technology interfaces. The technologists/scientists and experts attached to these interfaces will interact with the local institutions, individuals and artisans for on-the-spot assessment of their technology-related or technical problems. NIRI would act as the coordinating agency for all such technology interfaces.

Box:5.4.1

MAIN STRATEGIES OF THE KHADI AND VILLAGE INDUSTRIES SECTOR FOR THE TENTH PLAN

- Provide employment to rural people in villages.
- Produce saleable/marketable products
- Creating self-reliance amongst people and building up of a strong rural community
- More emphasis on 'No Loss' instead of 'No Profit' by khadi and village industries organisations/institutions

5.4.18 In the Tenth Plan, it is proposed to set up rural industrial estates and artisan clusters to provide necessary infrastructure and support services to the village industries. Developed land, power, water, common facility centres, training and skill upgradation centres, design and quality inputs and common packaging facilities would be provided at such clusters. The Common Facility Centres would be managed by the implementing agency for the industrial estate. Financial assistance would be provided to Common Facility Centres by KVIC or by agencies like the National Bank for Agriculture and Rural Development

(NABARD), Small Industries Development Bank of India (SIDBI), Council for the Advancement of People's Action and Rural Technology (CAPART), etc.

National Programme for Rural Industrialisation

5.4.19 Under the National Programme for Rural Industrialisation (NPRI), 50 clusters have been identified by the KVIC for cluster development. Twelve clusters were taken up in 1999-2000, out of which five have commenced production. Further work on the promotion of clusters for increasing rural employment and establishment of backward and forward linkages, setting up of Common Facility Centres, common service network support for satellite cluster units, etc, have been taken up by the KVIC.

THE PATH AHEAD

5.4.20 The Tenth Plan strategies for the khadi and village industries sector would include: (a) generation of additional employment in rural areas; (b) adoption of market-oriented production plan; (c) creation of self-employment in rural areas and building up of rural communities by fully utilising local resources, raw materials and manpower; and (d) adoption of 'no loss' practice by khadi and village

industries units instead of the present 'no profit' policy.

5.4.21 Rural industrial estates are proposed to be set up in the Tenth Plan to provide the required infrastructure and support services to village industries and artisan units. Growth of khadi cloth is expected to be 8 per cent in value terms and the sector is expected to see a 3 per cent growth in employment generation. Khadi producing institutions would need to be strengthened to become economically viable by developing backward and forward linkages. Cluster development approach would be adopted for the growth of village industries to achieve the Tenth Plan targets. A network of quality control laboratories would be necessary to provide testing facilities and standardisation of quality for village industries. Setting up of technology interfaces to serve as information dissemination and technology adoption centres would also be required for village industries.

5.4.22 More rural/village industry clusters would be taken up under the NPRI for higher production and employment generation in these clusters. The cluster development programme would envisage the establishment of backward and forward linkages, setting up of common facility centres and common service network support for satellite cluster units.

