PEO Study No.181

Evaluation Report on Khadi & Village Industries Programme

1.1 The Programme During the Freedom Struggle, Mahatma Gandhi, the Father of the Nation, was witness to the grinding poverty of our people, and realised that the poor could not be organised for the struggle, without the problem of hunger, poverty and unemployment being addressed first. He conceived of the development of Khadi and Village Industries (KVI) which involved processing and conversion of agricultural produce into final goods by the villagers/ locals themselves. During the Freedom Movement, the development of KVI was used as an instrument to meet the twin objective of self-reliance through local production and seeking active participation of the poor in the struggle for Independence through removal of hunger and unemployment.

During the initial years of planned development, its potential as an instrument of poverty alleviation was recognized, and the Government took the responsibility of bringing its development within the framework of Five Year Plans. A Statutory body, called the Khadi and Village Industries Commission (KVIC) was created by an Act of Parliament in 1956. The Commission is required to **plan, promote, organize** and **assist** in the implementation of the programme through:

- financing of eligible units;
- training of persons for employment;
- ensuring supply of raw materials to units/ entrepreneurs;
- promotion of sales of khadi and village industries products; and
- undertaking research and development activities for the growth and spread of khadi and village industries.

The KVIC has been implementing the Khadi and Village Industries Programme (the Programme, henceforth) through its regional / State level offices and the Khadi and Village Industries Boards (KVIBs). The state boards (KVIBs) implement about ninety per cent of the village industries programme and receive funds from both KVIC and the state governments. Almost the entire Khadi sector programme and a small part of the village industries programme are being implemented by KVIC directly. Both the KVIC and KVIBs are promotional bodies, which extend a network of institutional, infrastructural and financial support to the Khadi and Village Industries units/ institutions.

1.2 The Context

The role of khadi and village industries in the context of the new paradigm of development has been questioned. In particular, the effectiveness of the programme in terms of its employment generation capability, resource use efficiency and sustainability has come under attack from various quarters. The High Power Committee (HPC) under the Chairmanship of the then Prime Minister (Shri P.V. Narasimha Rao) examined the relevant issues and suggested a series of measures in their report (July 1994). Among other things, the HPC recommended for creation of two million additional jobs through additional financial support during 1994-97. To achieve this target, KVIC identified 21 most backward districts in the country with a target of creating 10,000 employment opportunities/district. These districts are in addition to the 50 districts and 125 RPDS blocks selected under the Special Employment Programme (SEP) of KVIC.

1.3 The Study

At the instance of KVIC and Planning Commission, Programme Evaluation Organization (PEO) undertook the evaluation of the performance, adequacy and effectiveness of the implementation mechanism and impact of the KVI programme. The specific objectives of the evaluation study, *inter alia*, include assessment of:

- performance with respect to production and employment target of two million jobs during 1994-97;
- performance w.r. to development of infrastructure in the identified areas;
- financial performance ;
- cost effectiveness of the scheme; and
- impact of the KVI programme on the intended beneficiaries.

In addition, the study is required to examine the adequacy of the planning, execution and monitoring aspects of the programme, and suggest measures to improve its performance. The reference period for the study is the entire period of the Eighth Plan (1992-1997).

1.4 Methodology

Construction and testing of the hypotheses relating to the study objectives would require information on the details of scheme parameters, implementing agencies, functioning and operational aspects of the KVIC units/ institutions and socio-economic profile of the beneficiary households. Based on the assessment of available secondary data and discussions with the stakeholders, it was decided to generate the greater part of the data-base through structured questionnaires for the different nodes of the implementing agencies, functionaries of the KVIC units and the beneficiary households. A multi-stage stratified sample design was adopted for the study to select 18 States, 32 blocks in 32 districts, 194 KVIC units/ institutions, and 730 beneficiary households (for details, Chapter-II). The selected sample of KVIC units and beneficiaries included representation from different relevant strata.

1.5 Planning, Implementation and Monitoring

Formulation of annual plan involves receipt of proposals from the institutions/ units, their scrutiny at the district and state level, and by banks and KVIC headquarters. Because of the involvement of multiple agencies, **inter-agency coordination assumes great importance** in planning and implementation of the programme. The guidelines for implementation prepared by KVIC do address these issues by explaining the steps and procedures for project formulation and implementation on the one hand and the role of various agencies on the other.

During the Eighth Plan, nearly 95% of the project proposals of the khadi sector and 80% of the village industries sector were accorded approval in the selected states. However, only 37% of the these sanctioned projects could be operationalised during the year of sanction, 5% later during the plan period, and **no definite information about the remaining 58%** is available with the implementing agencies (see Chapter-3).

Why are the sanctioned projects not operationalised? The major constraints as given by the implementing agencies are: non-availability of funds in time (56% of state level agencies), procedural delays (33%), inability of the units to furnish security (22%) and mis-utilization of funds (17%). **Does KVIC provide the necessary help to ensure timely implementation of the sanctioned projects**? The response received from KVIC (state) offices tends to suggest that while they provide technical guidance to the units, the problems faced by the units are not adequately addressed. This has resulted in **closure** and **inoptimal functioning** of the institutions/units, high drop-outs among the new entrants, **low employment growth** and **inefficient use of public resources.**

Another major weakness in planning is the inadequate **linkage between production and marketing**. The KVIC seems to believe either in the Law that supply creates its own demand or in a fixed and non-expandable market size for KVI products. It expects that the loyal customers will come to their outlets to pick up the products on display. This passive marketing strategy has **resulted in accumulation of stocks, untimely payment to institutions/units whose rebate and investment get locked for years, adversely affecting the economics of production** (see chapter-6).

The failure in planning and implementation of the programme is also reflected in the inability of KVIC in maintaining an inventory of closed/sick units, ensuring adequate raw material supply, identifying the constraints of the units/institutions and in generating reliable statistics on employment, earnings, production, sales, stocks etc.- **all of which provide important management information for planning, implementation and corrective interventions.** As will be clear from the analysis of the survey results in the report, the data base with KVIC is not only inadequate, but it also does not reflect the grassroots reality. The system of information generation relies heavily on routine feedback from the units without much verification for accuracy, nor is the available information used for problem solving and appropriate intervention. **The entire MIS of KVIC needs overhauling, if planning and implementation are to be oriented towards meeting the primary objectives of the scheme.**

1.6 Financial Performance

The budgetary support of the Centre constituted more than 80% of the resources of KVIC till 1994-95, i.e before the implementation of the Margin Money Scheme. During the last two years of the Eighth Plan (i.e. 1995-97), the share of budgetary support came down to around 35%. The other sources of funds for the implementation of KVI programme are the credit form Consortium Banks (since 1995-96) and refunds of unutilized grants and loans. Before 1995-96, more than 50% of the plan expenditure was spent for the khadi sector. Since the introduction of REGP, the khadi sector continued to receive a larger part (32.5%) of the divisible pool of the budgetary support, but a larger chunk (45%) of such resources went to the REGP for which the sectoral break-up between khadi and village industries is not available. Based on the information supplied by the states, the REGP fund was allocated in the ratio of 37:63 between khadi and village industries sector. On a rough estimate, about two-thirds of the budgetary resources during the Eighth Plan went to the khadi sector in the form of ‘grants’, ‘loans’ and ‘interest subsidy’. **This bias in allocation in favour of the khadi sector is not commensurate with its performance in terms of employment generation and output** (Chapters V and VI).

During the Eighth Plan, allocation to KVI programme was Rs. 1498 crore, as against the revised budget proposal of KVIC for Rs. 5864 crore. This wide divergence between the "proposals" and "actual allocations" and multiple revisions of proposals point to the weaknesses in the budget formulation processes of KVIC. In Chapters V and VI, **an attempt has been made to derive estimates of the relevant (budgetary) parameters that are expected to make the budget making process more realistic and meaningful** (Attn. : Planning Commission, KVIC, Ministry).

The financial resources of the Khadi and Village Industries Boards (KVIBs) which implement about 90% of village industries programme come from KVIC, the state governments (plan and non-plan), banks and refund from its subsidiary units. The shares of alternate sources vary across states (Table 4.11, Chapter IV). In the Eighth Plan, the share of KVIC was more than 50% for Andhra Pradesh, Jammu and Kashmir, Karnataka, Kerala, Meghalaya, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, while the share of the state governments was substantial for Assam (89%), Gujarat (52%), Himachal Pradesh (99%) and Tripura (59%). It may however, be mentioned that except in Himachal Pradesh and Karnataka, **the actual release and utilisation rates of available resources were extremely low (less than 10% in some states) in both the Khadi and Village Industries sectors.** No wonder, the employment and production targets of KVI programme remained unfulfilled (Chapter-V).

1.7 Physical Performance

During the Eighth Plan only 8.01 lakh additional employment opportunities were created, as against the target of 20 lakh set forth by the HPC for the three year period 1994-97. Of this, the share of the khadi sector is only 0.59 lakh and that of village industries sector is 7.42 lakh. These figures include both part- time and full time employment opportunities. The conversion of the employment figures (supplied by KVIC) into full-time equivalent (FTE) using earnings of workers yields the following scenario. It may be mentioned that **FTE employment does not necessarily mean adequate earnings of workers.** In 1996-97, an FTE worker is reported (source : KVIC) to have earned Rs. 4835 in the khadi sector and Rs. 4323 in the village industries sector.

Full Time Equivalent Employment (in lakh)

	Khadi Sector	**Village Industries Sector**	**Total**
1991-92	5.09	24.02	29.11
1996-97	5.39	29.42	34.81

The above results indicate that **employment growth in the khadi sector was negligible during the Eighth Plan, while that in the village industries sector grew at the rate of 4.14% per annum. About 95% of the additional employment generated during the Eighth Plan was in the village industries sector.**

In the khadi sector, the physical output of cloth remained more or less constant and so did the labour productivity. But, labour productivity in value terms increased by more than 70% between 1992-93 and 1996-97, without any major change in the composition of output in terms of Cotton, Woolen, Silk and Muslin. This large increase in value of output can not be adequately explained by the rise in cost of production due to inflation. Thus, **additional budgetary resources (grants and rebates) allocated to the khadi sector seem to be getting absorbed year after year without any corresponding increase in employment, output and sales realisation.** In the village industries sector on the other hand, there has been positive growth in employment (5.40 lakh FTE), labour productivity (35%) and sales realisation (32%) during the Eighth Plan.

The Directorate of HRD is responsible for planning and organising training of working persons and potential entrepreneurs through 611 training centres functioning under KVIC. As per secondary statistics, during the Eighth Plan only about 1% of the 58 lakh workers of the khadi and village industries units/ institutions could be trained. In the selected states, however, this percentage was much less and wide variations, from a high of 1% in Maharashtra to a low of 0.01% Uttar Pradesh, were observed (Table 5.11). It was also noted that the training programmes are not designed keeping in view the employment situation/potential of the various sectors. Thus, during the Eighth Plan, 38% of khadi and 62% of village industries workers were trained, whereas their share in employment was 25.4% and 74.6% respectively. Similarly, 24.5% of the trainees were from Engineering and Non-Convention Energy industries which employ only 5% of the workers, whereas the share of agrobased industries which employ more than one-fifth of workers was 10.7% in the total number of workers trained in the Eighth Plan.

The khadi and village industries can face competition from organised industries only through continuos upgradation of their products and technological improvements. Regular training by competent staff must be imparted to the artisans through a wide network of training institutions. The present study has not examined the functioning of the training institutions, but has noted that existing training methods and practices are not effective. It is felt that **a comprehensive evaluation of KVI training institutions be conducted and the necessary steps be taken to revamp and reorient these so that training helps contribute to labour productivity and development of khadi and village industries.**

1.8 Cost of Job Creation/Maintenance

Derivation of cost norms for job creation and maintenance is beset with problems, primarily because of **various types of part time employment in khadi and village industries units, multiple sources of funds** and **the practice of accounting followed by KVIC**. Several assumptions had to be made and primary data from the units had to be used to standardise the definition of employment and circumvent the problems relating to financial flows for derivation of the cost of job creation from secondary data.

On the basis of the analysis of primary data collected from KVI units, it is found that:

- average public cost of **job creation in the khadi sector is Rs. 27,259 /FTE** (Full Time Equivalent) job;
- **average cost of job creation in the village industries sector is Rs. 43,366/FTE, to which the contribution of the government is estimated at Rs. 38,775;**
- **annual public cost of maintaining a job in the khadi sector is estimated at Rs. 4979/FTE**. Thirty three (33) percent of this amount comes in the form of ‘grant’ from KVIC, 61% as interest subsidy on loans, and the rest is the cost of administering the programme;

- annual public cost of maintaining a job (FTE) in the village industries sector is Rs. 2158;
- **as per statistics maintained by KVIC, the estimated annual earning per (FTE) worker in the khadi sector is Rs. 4835 and that in the village industries sector is Rs. 4323** (at 1996-97 prices). However, **survey data revealed that an FTE worker in the khadi sector earned Rs. 2740/annum,** while no major difference from secondary data was noted in the case of village industries sector. **The government pays about 182% of the wage bill to the khadi sector** and **50% of the wage bill of the village industries sector**. These estimates may be taken as the **delivery costs** of maintaining jobs created in the KVI programme;and
- in aggregate terms the annual public cost of maintaining 5.084 lakh (FTE) jobs in the khadi sector comes to around Rs. 253 crore, while it is Rs. 601 crore for maintaining 27.83 lakh (FTE) jobs in the village industries sector.

1.9 Economics of Khadi Production

On an average, a sample khadi unit was found to have machinery and equipment worth Rs.4,96,305, invested Rs. 61,39,744 in working capital and employed about 246 FTE workers during 1997-98. An average khadi unit generates a surplus of Rs. 5987 per FTE worker under the present pattern of financing. However, this **surplus** is not translated into **profit,** as the entire production of the unit is not sold during the year. The average unintended **stock build-up is around 35%** of the annual production, and for small units, **it is as high as 80%.** The economics of khadi production will work out very differently if the inventory of finished goods could be reduced to, say, 5% of annual production. In such a scenario, a khadi unit will **generate a profit of Rs. 5131/FTE worker** or more than **Rs. 12.6 lakh as total profit** for the unit.

Another area of concern is the high raw material to output ratio. For some units, the ratio is as high as three-fourth. A ratio of more than 25% is neither justified, nor sustainable. While large khadi units have been able to keep their input –output ratio low (less than 20%), most of the medium and small units have shown very high ratio – implying high input prices, or dominance of production of lower count khadi items, or both.

The third area of concern brought out by the survey results is the low wage payment to workers. As per secondary statistics brought out by KVIC (on the basis of the returns from the units), the average annual earning of a full time worker was Rs. 4835 in 1996-97. However, our analysis shows that an FTE worker got only Rs. 2740 during 1997-98. Not only is this **earning much less than what is reported in secondary statistics** but, **it also forms a relatively small proportion of the value added by an FTE worker**. It is also important to note that the opportunity cost (of sustaining khadi production) to the government in the form of grants, concessional loans and rebate works out to Rs. 4979/ annum per FTE worker. This implies that **only 58% of what the government spends on a khadi unit reaches the khadi workers.**

1.10 Economics of Village Industries Units

On an average, a village industry unit invested Rs. 6,97,940 and employed 16.2 FTE workers. As per MMS pattern of financing, 25% of this investment is government grant, 65% loan and 10% own contribution. The composition of capital observed among the sample units, however, shows much higher proportion of own capital, because of difficulties in obtaining concessional loan of under CBC. The village industries units are commercially viable and capable of sustaining themselves without much government subsidy. The average wage payment to an FTE worker is almost 58% higher than that in the khadi sector. The government bears only 50% of the wage bill of Village Industries units implying positive contribution by Village industries to the social goal of generating employment opportunities at low public cost.

1.11 Profile of Beneficiaries & Impact

One objective of the study is to examine if the benefits of KVIC programmes are flowing to the intended beneficiaries and contributing to their well being. For this purpose, 1071 workers from 494 households were approached. The PEO field teams also interviewed 158 key persons (presidents/ secretaries) and 78 ordinary members of institutions/units. The findings are as follows:

- The workers of KVIC units/institutions were found to be mostly poor, disadvantaged, illiterate and local people. The REGP was designed to attract this group.
- The annual per capita income of the beneficiary households (workers) is Rs. 5655 and the earnings from KVIC programme constitute 52.71%. The income of an average village industries worker's family is 70% more than that of a khadi workers' family. The khadi workers' families get 46% of their annual earnings from KVIC programme, while the village industries workers' families earn about 58%. The relatively low income of khadi workers' families is because of the dominance of part-time employment in the khadi sector.
- More than two-thirds of the 494 sample households (workers) originally belonged to the families below the **Poverty Line**. **Of these poor households, about 71% have actually crossed the poverty line with the help of additional income from the KVIC programme.** Here too, the performance of the village industries sector (80.5%) far outweighs that of the khadi sector (62.3%).
- A comparison of the household expenditure patterns of the workers of the khadi and village industries sector suggests that high earnings from KVIC have enabled the beneficiary households to spend a lower proportion of income on food and a relatively high proportion on education, health and clothing (Table 7.6). Thus, the programme has contributed towards improvement in the wellbeing of beneficiaries.
- The key persons (presidents/secretaries) are also direct beneficiaries of the KVIC programme. The average annual income of such households is estimated at Rs.73,598 at 1996-97 prices. Analysis of survey data reveals that **more than 50 per cent of the household income of the key persons comes from the KVIC programme (**See Table 7.3)**. This happens even though there are 3 to 4 earners in such families.** While such a situation can be explained in the case village industries, **the share of income from the unit seems very high in the case of the khadi sector.**
- The non-working members of the governing bodies of the units/ institutions also receive financial benefits from the programme. On an average 15% of their annual household income of Rs.70072 comes from the KVIC programme. About one-fifth of the earners of such households in case khadi, and one-fourth in case of village industries units were found to be employed in the units/institutions.

1.12 Suggestions

The khadi and village industries programme holds great potential for generating gainful employment opportunities for the rural poor, arresting migration of rural unskilled workers to urban areas and for promoting the strategy of sustainable development. It can also be a viable and **effective social safety net** to enable the poor to ward off the adverse impacts of structural adjustment and economic reforms on their wellbeing. However, this potential can not be realised without addressing some basic weaknesses with regard to the **design and implementation of** the programme and without making it **fiscally sustainable.**

The evaluation study has brought out a number of weaknesses of the scheme in each area of operation of KVIC. In fact, KVIC has spread its net too wide and has got involved in areas of operations where it has very limited expertise and which can be better done by other government agencies and the private sector. Because of this imbroglio and all pervasive weaknesses in its implementation, the **programme warrants major changes in policies and implementation methods.**

The very first aspect of the programme that **merits attention at the highest decision-making level** is to examine whether it would not be more appropriate to have two separate implementing agencies for the khadi and village industries. It is proposed that the KVIC may be reorganised into two separate organisations, e.g. the **"Khadi Commission"** and **"Village Industries Commission"** with **suitable representation from the respective associations of institutions/units.** It may be mentioned that about 90% of village industries programme is currently being implemented by the State KVI Boards. Thus, such a division of responsibilities is very much in tune with the present implementation mechanism. The division of responsibilities will help avoid much of the mix-up that has taken place, and **fix accountability for the performance of each sector**. At the state level, the khadi units/institutions of KVIBs can be brought under the purview of the ‘Khadi Commission’ and the KVIBs may be renamed as "Village Industries Boards."

The **Khadi Commission** may be brought under the **Ministry of Textiles** while the **Village Industries Commission** may continue to work under the **Ministry of Small Scale and Agro and Rural Industries.** The advantage of bringing the khadi sector in the Textiles Ministry will be manifold. First, the **subsidy on mill-made yarn supplied to the Handloom Sector can be eliminated** by **meeting the yarn requirement of both Khadi and Handloom sectors from a common source, viz; the khadi sector.** The spinning activities in the khadi sector have however, to be reorganised and strengthened for such large scale production of hand-spun yarn. This would involve supply of improved **Charkhas** to millions of spinners, supply of adequate raw material (sliver or, rovings) at reasonable prices, and a mechanism to ensure steady supply of yarn to the Handloom Sector. Secondly, for supply of adequate quantity of raw material (sliver/rovings) to the spinners, the under-utilized NTC mills can be used, as the supply from KVIC’s Sliver Mills will be inadequate to meet of the requirement. Thirdly, **it holds the potential for raising rural employment opportunities manifold**. It may, however, be mentioned that the Textile Ministry needs to be sensitized about the potential of the reorganised Khadi and Handloom sectors. The Khadi Commission also needs to be given the autonomy it needs to translate this vision into reality.

Corrective Measures for the Village Industries Sector:

- No major changes are suggested for the design and implementation of village industries programme. Under the existing mode of financing, the units are viable and are contributing to the social cause of generation of gainful employment opportunities with justifiable level of fiscal support. However, since there is scope for improvement in certain areas of operation as also for reducing the public spending on job creation/maintenance, the following measures are suggested.

- The Village Industries Commission should extend the necessary help to enable the village industries to expand the market at home and abroad. In the domestic market, the village industries products may be standardised and sold through the various marketing co-operatives/federations rather than through KVIC outlets. For the export market, the Commission should organise special trade-fairs for Village Industries products both in India and abroad to enable the units to display their products and innovations.
- The Village Industries units encounter difficulties in obtaining the CBC financing facilities, even though their repayment record is good. The new Commission should look into the various aspects and put in place a mechanism that would ensure easy financing facilities for approved schemes.
- The existing monitoring mechanism of KVIC is very weak, as it does not help generate realistic picture of employment, production, number of functional units and utilisation of government assistance. The new Commission should strengthen the monitoring system for generation of reliable information with the provision for periodic joint inspection of certain percentage of the village industries units.

Corrective Measures for Khadi Sector:

The primary concern under the khadi programme should be to ensure that **production of goods actually takes** place **on a sustainable basis,** so that its main objective of generating employment opportunities for the unskilled/ rural poor is met. The quantity and quality of employment are not satisfactory at present, because of low and shrinking production base. Factors, such as unintended stock build-up, constraints to input availability, capital of institutions/units getting locked up for years, non-availability of improved technologies and repair facilities, outmoded product mix etc. have all contributed in different degrees to the present sorry state of affairs.

The first and foremost requirement is **thorough overhaul of the marketing strategy for khadi products**. Product development and marketing need a professional approach. The present policy of retail sale of khadi products through KVIC outlets and through the own effort of the units must be done away with, as it has led to unintended inventory build-up, malpractices and unsustainable and unjustifiable public spending (rebate, grants). Even the attempts to boost sales using khadi as a brand name is unlikely to succeed unless some fundamental changes are brought about.

One way of addressing this issue is to leave the entire marketing and product development to the **private sector,** while the semi-processed goods be produced by the KVI units/institutions under the guidance and supervision of KVIC as at present. However, the existing method of supervision and intervention followed by KVIC must be changed, as it is ineffective and does not contribute to the primary objective of the scheme.

Production and employment bear a direct functional relationship. The primary task of the Khadi Commission (KC) under the new regime should be to closely monitor the **flows of input and output**. This will automatically ensure generation of employment opportunities. **The Commission should be made accountable** for maintaining the input-output relationship. It should suitably reorient itself to undertake this task.

It is, therefore, proposed that the organisational structure of the **proposed khadi commission** be reoriented to ensure that: (a) the khadi units' raw material requirement is met at pre-fixed prices (reasonable prices) (b) the entire production (as per new cost charts) is received back as per certain quality standards. (c) the units may be prevented from undertaking processing and any retail sale of khadi products and, (d) upon receipt of output, The Commission must make prompt payment to the khadi units to enable them to plough back the money, so that the process of production and employment generation does not get affected adversely. To make this possible, **it is necessary to link availability of concessional funds to units with the delivery of output.**

Rationalize the cost structure of Sliver Mills through better capacity utilisation and other measures of cost control, including purchase of raw materials at fair prices. If the sliver supply from its own mills is inadequate to meet the demand of the institutions, KC can enter into an **agreement with the under-utilized NTC mills** to supply adequate quantity of better quality sliver for the institutions. The KVIC must ensure that entire raw material requirement of the units/institutions is met at the lowest possible price and that the entire output produced is delivered to it is as per cost-chart.

KVIC **should not undertake any retail sale of khadi products**. Instead, the entire unprocessed khadi products be sold to the private sector either at cost price or, on auction, keeping cost-price as the floor price. The auction of khadi products should take place in the presence of the representatives of the units/institutions to ensure transparency. This would also give an opportunity to the units/institutions to learn about the market demand for their products. **The product development and marketing of khadi products can be left to the private sector**. The details of this approach to marketing of khadi products need to be carefully worked out to ensure its viability and sustainability.

The reorganisation and reorientation of KC should be done keeping in view the role it has to play in the new scenario. It should concentrate on:

- technological upgradation and diffusion to continually raise labour productivity and improve product mix of units. The allocation to R&D must be substantially raised and the representatives of the units/institution should be involved in R&D activities for this purpose;
- ensuring supply of raw material and other inputs to all units at fixed (reasonable) terms;
- ensuring delivery of output by the units to KC as per cost charts and inputs supplied, by linking release of concessional funds to delivery of output;
- imparting training to artisans and technicians more effectively than being done at present. The entire cost of such training should be borne by the Commission. KC should also provide the necessary financial help to the units /institutions to bring about an improvement in the hygienic conditions of the work places (such as providing pollution mask for khadi workers);
- the monitoring of input delivery, output quality, assessment of needs of the units in response to changes in market demand;and
- developing an appropriate MIS to get market information feedback from the private sector on the desired product mix, output quality, demand pattern and respond to the changes by reorienting production pattern of the units; and the like.

- In the new scenario, **no rebate on sale is necessary and the units should be run purely on the basis of bank finance (CBC)**. The concessional bank finance may be linked to actual production and delivery of output.

It may be necessary **to constitute a Committee to examine the feasibility of the proposed model** and to suggest suitable measures for restructuring of KVIC and its various activities, so that the primary objective of the scheme is realised with justifiable level of fiscal support. It is learnt that some specialist organisations (TISS and Arthur Andersen) are already studying various aspects of the scheme. The Committee may look into the findings of these reviews/studies along with those of the PEO's evaluation study to arrive at a decision on restructuring of the programme and KVIC.