



# The Conceptual Study of Khadi and Village Industries Commission and their Entrepreneurship Development Programmes in Wardha District

- 1) Miss Kiran Dashrath Nagare  
Research Scholar,  
G.S.College of Commerce, Wardha
- 2) DR. S. R. Junghare  
Assistant Professor,  
G.S.College of Commerce, Wardha

## **Abstract**

The purpose of this research is to study the concepts involved in entrepreneurship development programs offered by the Village and Khadi Industries Commission with specific reference to the Wardha district and its rural job generation arrangement, with a focus on the Rural Job Generation Curriculum, Analyze, with the aid of research of the portfolio of the first business people who engaged in the innovators' transformation plan under KVIC's REGP plan, not only the capabilities of entrepreneurial activities underneath the system but also its limitations/limitations. The study is based purely on secondary data collection. The researcher has collected all the data to understand remarkable terminologies involved in entrepreneurship Development Programmes of Khadi and Village Industries Commission in Wardha District. The primary objective was to collect the theoretical framework for further research.

**Keywords - Entrepreneurs, Khadi & Village Industries Commission, Entrepreneur Development Programmes, Government Schemes**

## 1.1 Introduction of the study

In India, Village economy is not at all sufficient; rather it is dependent on the government initiatives and the backward linkages with town ships. The primary occupation in the villages is agriculture and its share in the Indian economy is below 30% of the economy, i.e. there is high degree of under employment in Agriculture. In the present context entrepreneurship can serve as a boon for poor. There is a dire need for people with enterprising mindset to come forward and undertake initiatives to established viable economic enterprises in the rural areas so that the value addition that would take place in products and services in rural areas would throw up a number of direct and indirect jobs, apart from opportunities for self-employment for the rural entrepreneur themselves.

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 utilizing local resources and skills so that rural people can get work in the villages itself. 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. 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.

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.

In order to move ahead in Khadi's direction and to create as self-reliant and strong community spirit, the Khadi and Village Industries Commission (KVIC) was established in 1957. Those industries which were inherent in the village legacy and others which could blend with the work culture and ideologies of the rural folk were accepted and became successful in the rustic environment. To keep pace with the changing times, the definition of village industries has been widened considerably by KVIC since 1986. Further, with the inclusion of new ideas and techniques, rural industries are well poised to realize their goals and have opened up a whole new vista of growth and development. Steady progress in the village industries for the last 40 years has led to an increase in the annual sales of KVIC, which are over few thousands crores today. From a humble start with a few centres, KVIC

## 1.2 Objectives of the Study

- To study the present/past scenario of village/rural industry sector in Wardha District under KVIC and its entrepreneur development Programmes.

## 1.3 Scope of the Study

- The study will cover Entrepreneur Development Programmes offered by Khadi and Village Industries Commission in Wardha District has over around 2 lakhs centres scattered through the length and breadth of India.

## 1.4 Concept of Village Industry

- (i) Any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed [one lakh rupees] or such other sum as may, by notification in the Official Gazette, be specified from time to time by the Central Government;

Provided that any industry specified in the Schedule and located in an area other than a rural area and recognized as a village industry at any time before the commencement of the Khadi and Village Industries Commission (Amendment) Act, 1987 shall, notwithstanding anything contained in the sub-clause, continue to be a village industry under this Act; provided further that in the case of any industry located in a hilly area, the provisions of this sub-clause shall have effect as if for the words "one lakh rupees", the words "one lakh and fifty thousand rupees" had been substituted.

- (ii) Any other non-manufacturing unit established for the sole purpose of promoting, maintaining, assisting, servicing (including mother units) or managing any village industry.

## 1.5 Concept of Rural Area

- (i) Any area classified as Village as per the revenue record of the State/Union Territory, irrespective of population.
- (ii) It will also include any area even if classified as town, provided its population does not exceed 20,000 persons.

Following are the main strategies of the Khadi and village industries sector in the plan

- a) Provide employment to rural people in villages.
- b) Produce saleable/marketable products
- c) Creating self-reliance amongst people and building up of a strong rural community
- d) More emphasis on "No Loss" instead of "No Profit" by Khadi and village industries organizations/institutions

## 1.6 PMEGP Scheme and its objectives

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two Programmes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP is a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MSME). The Scheme is implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the Scheme is routed by KVIC through the identified banks for eventual distribution to the beneficiaries/ entrepreneurs in their Bank accounts.

The Implementing Agencies, namely KVIC, KVIBs and DICs will associate reputed Non Government Organization (NGOs)/reputed autonomous institutions/Self Help Groups (SHGs)/ National Small Industries Corporation (NSIC) / Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj institutions and other relevant bodies in the implementation of the Scheme, especially in the area of identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

The main objectives of this scheme as:

- (i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/ projects/micro enterprises.
- (ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
- (iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.
- (iv) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

## 1.7 Background of the study

In the Tenth Five Year Plan (2002-2007), it was proposed to set up rural Industrial estates and artisan clusters to provide necessary infrastructure and support services to the village Industries. These common Facility Centres of the Industrial estates were provided financial assistance by KVIC, NABARD, SIDBI and CAPART. All these initiatives are being taken up under National Programme for Rural Industrialization (NPRI) through creating rural clusters for Industrialization. Khadi and Village Industry sector was there from the First Plan along with Handloom, SSI, Handicraft, Sericulture and Coir. The KVIC and State KVIBs not only prepared programmes for industries with which it was concerned but also had them implemented through registered institution and cooperative societies.

The Commissioner for KVI has been charged with the function of planning, promotion, organization and implementation of programmes for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development, where ever necessary. It is engaged in the task of promoting and developing KVTs with a view to creating employment opportunities in the rural areas, thereby strengthening the rural economy. Its functions also comprise 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 provision of facilities for marketing of KVI products, apart from organizing training of artisan engaged in KVIs. CKVIs promote village industry through KVTBs (also NGO, SHGs) under banking system under rural employment generation Programmes, for generation of rural employment.

## 2.1 Review of Literature

A thorough review and survey of related literature forms an important part of research. It deals with the critical examination of various published and unpublished works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and also places the researcher in a better position to interpret the significance of his own results.

*According to the Village and Small scale Industries Committee Report (1955)*, popularly known as Karve Committee Report, since a substantial number of employed and underemployed belongs to the village and small industries group, setting up of small scale and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they possess equipment. The committee realizes the necessity of introducing better techniques in the village industry, so that they can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

*Professor A.M. Khusro (1999)* holds that “if you attempt to create only employment without regard to efficiency, output and surplus, you will soon end up with neither employment nor output or surplus”. Accordingly, Khusro suggests formulation of a strategy that depends on “self-financing surplus generating Programmes”. A World Bank Study (1978) has shown that all important requirements of more jobs and higher incomes are met by rural non-farm activities. The study suggests that these activities,

which have capital- labour ratio of less than \$50 at 1969 prices, deserve a high place in any employment oriented industrial strategy.

A study of *UNIDO (1969)* based on evidence from a number of developing countries, indicates that “small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises”. The promotion of small scale industries has been widely recognized as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage in invest able capital funds, and lack of entrepreneurial and managerial abilities (*Bharti, 1978*).

*The National Committee on Science and Technology report* on Khadi and Village Industries (*1975*) gave a gloomy picture of these industries as a source of employment in industrialization. The report shows that the “compounded rates of growth of employment in these industries, as compared to growth of output, are very meagre”.

*Ruddar Datt and Sundaram (1979)* strongly advocated the small scale and house hold enterprises as an important component of an employment- oriented strategy of industrialization. They found that employment-output ratio is the lowest in the small scale sector while that employment generation capacity is eight times higher than that of large sectors.

*K.M. Rastogi (1980)* has made a case study of Madhya Pradesh, which he calls “a unique case of growing unemployment and poverty amidst plenty”. He is in favour of only small scale and village industries, which made optimum use of indigenous techniques and local resources. According to him, “there are hundreds of items which can be produced in cottage and small scale industries more economically than in large industrial sector”.

*B.K. Sharma (1985)* suggested that the programme of rural industries would require constant support. The training and marketing infrastructures would therefore, have to be developed suitably for the sustenance and healthy growth of the rural industries programme.

*Prasad (1983)* in his study found that the small scale industrial sector is an integral part of not only the industrial sector, but also of the country’s economic structure as a whole. If small scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development. Small scale industrial sector has vast potential in terms of creating employment and output, promotion of export, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in both rural as well as backward areas.

*W.A. Lewis (1954)* has strongly advocated the application of labour intensive techniques of production to have a steady and smooth economic growth. He opined that many important works can be done by human labour with very little capital. Efficient labour could be used to make even capital goods without using any scarce factors. In this sense, small scale and cottage industry should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital intensive techniques only when they are necessary.

*A. K. Sen (1957)* had propounded the surplus maximization criteria advocating the capital intensive techniques. Choice of technology depends on the nature of the economy whether developed or developing. According to him, a high wage rate will dictate a capital intensive technique, but a low wage rate, such as may be operative in the less developed countries will mean that a relatively labour intensive technique will maximize the surplus for further investment.

*Ranis and Fei (1961)* focused on the nature of the output employment conflict in the Indian context. They feel that only after „a critical minimum effort“ greater emphasis should be given to output rather than employment. By this criterion, they meant that the rate of labour absorption (L) in industry should be greater than the rate of population growth (G).

*Dhar and Lydall (1961)* made their study on the data collected from Census of Indian Manufactures, 1956 and the study prepared by the Perspective Planning Division of the Planning Commission in respect of capital, labour and output relations in various industries. They concluded that the issue of choice between large and small industries for the purpose of an employment-oriented industrialization strategy is largely irrelevant, and it should aim at making the best use of scarce resources, instead of aiming at creating employment for the sake of employment.

*Professor Gunnar Myrdal (1968)* recommends the adoption of a strategy based on predominantly labour-intensive techniques in less developed countries on the ground that “the large volume of unutilized labour possessed by these countries has a productive potential, capable of creating capital and increasing production”

*Desai (1983)* also stated that rapid industrialization in India depends on the growth of small scale industries. Most of the small scale industries are operating under certain handicaps like shortage of raw materials, low levels of technical knowledge and counselling, poor infrastructure, inadequate capital and credit facilities, improper distribution system, lack of facilities for market analysis, research and development. They are also weak in marketing their products beyond their localities especially in international markets.

*Nayak Committee (1992)* set up by the Reserve Bank of India to examine the adequacy of institutional credit to the Small Scale Industrial sector and the related aspects. The Committee found that banks have insufficiently serviced the working capital needs of the sector particularly that of cottage and tiny enterprises. Moreover, there is a need for the setting up of specialized bank branches for small scale industries, the absence of which has led to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporation's (SFCs) has given rise to a host of problems of co-ordination among them.

**Abid Hussain Committee (1997)** Report on small enterprises has examined and suggested institutional arrangements, policies and programmes for meeting long term and short term requirements of the small scale industries. The Committee found that the reservation policy of specific products for exclusive manufacture by small scale industries had not served much purpose as most industrialization had occurred in items not reserved for small scale industries. Moreover, it had resulted in low efficiency and productivity and restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to small scale industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.

**Mali (1998)** in his study has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

**Rajendran (1999)** made a study to examine the various kinds of assistance given to small scale industries with the prime objective of identifying institutional assistance for the development of small scale industries and the problems faced by these industries in Tiruchirapalli district of Kerala. He concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There were complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.

**Pande (1983)** explained few causes that attributed to the slow growth of small scale industries in hill areas. The small scale industrial units in the village area and suburban localities suffer from a considerable degree of technological obsolescence, inadequacy of raw materials, dearth of marketing channels, unawareness of market situation in urban centres, poor credit facilities and the shortage of skilled labour and power supplies.

**Ramesha (1999)** examined the trends in credit supplied to small scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporation's (SFCs) and their interstate disparities. The study found that commercial banks continue to play a dominant role in financing small scale industrial sector. However, the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the



banking sector has failed to meet the increasing credit requirements of the SSI sector. The inter-state disparities in the distribution of credit have also been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be sort of complementary relationship between Banks and SFCs in financing small scale sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit and vice-versa.

### 3.1 Conclusion

The present study yields several intriguing findings regarding the past, present, and possible future trends in the growth of businesses as a means of subsistence in various Indian states, with particular reference to the Khadi and Village Industry in Wardha under the Government of India. We recall that one of the primary objectives is to conduct serious research on the scheme Khadi and Village Industry for a few districts of Wardha from a scientific standpoint and to justify its standing in the science discipline of impact study about the village industry sector.

The Khadi and Village Industries Commission has shown to be vital and advantageous since the organizations' goods are often sold directly or via the administration. Furthermore, the agency arranges global exhibitions to promote the items and provides financial help to organizations and people for the development and guidance of Khadi and Village businesses by supplying ideas, prototypes, and other technical data. The study concluded with the theoretical understanding of important terminology involved.

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