Chapter I

INTRODUCTION AND DESIGN OF THE STUDY
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India is a country covers with enormous resources which attracted many foreign countries to utilize and enhance their economy at the maximum level, particularly by the Muslims, Englishmen and other European countries. The Englishmen introduced mechanisation to produce large volume of productivity. This affects employment opportunities for the rural enmass and most of the people living in rural areas enable to go for urbanization for employment purpose, to pursue an employment and to manage their day to day life. At this juncture, the congress movement organized and established small and tiny industries in many villages to provide employment opportunity. Among these village and cottage industries, Gandhi Ashram cottage and village industry was established under the leadership of Chakravarthi Rajagopalachary, the first Governor-General of India. The rapid development of such a kind of industries in the village area is very much necessary for the development of our nation as well as to make people economically independent.

In India, villages are providing the base for the economic development of the country. The village artisans had command over raw materials, assured demand for their products and services and an assured return. A reference may be made to the glory of the textile industry, origin of which is lost in ambiguity. It was the British who destroyed not only the
glorious Indian trade but also the rural industries in self-interest. The East India company pursued a policy which was detrimental to the development of industries in India. The industrial revolution in England thrived at the cost of India while the artisans of the country were out from the industrial scene. Only at this stage, khadi was introduced by Mahatma Gandhiji as important instrument for remaking the Indian economy.

It is well known, that congress movement introduced Khadi in 1920, primarily with a political interest to boycott foreign goods in general and cloth in particular and provide an opportunity for every human being about the self discipline and self sacrifices as a part of non-cooperative movement.

NEED FOR THE STUDY

The major measures which the government of India has undertaken since independence, particularly since 1960, to generate productive employment in rural areas has been in agriculture, supplemented and complemented to some extent by horticulture, poultry, pisciculture and dairying and livestock breeding. However, the combined agriculture investment by the centre and the states has decreased from 1.6 per cent of GDP in 1993-94 to 1.3 per cent in 2001-02. A majority of the workforce still depends on agriculture for their livelihood – 77 per cent in Bihar, 72 per cent in Madhya Pradesh, 66 per cent in Rajasthan and Uttar Pradesh, and 65 per cent in Andhra Pradesh. This is especially stark because the employment elasticity of agricultural output in our country, post-green revolution, has now become almost zero.

This makes the potential of rural industries as a major complementary and supplementary area of production of goods and services and the
generation of employment for unskilled, semi-skilled and skilled employment in those industries, a top priority issue. This was recognized as far back as 1955 when the Khadi and Village Industries Commission (KVIC) was established as a statutory body under an Act of Parliament. Over the last 50 years, the KVIC has taken many measures to promote the production of Khadi and the setting up of village / rural industries. It did so through a nationwide network of Khadi and village Industry Boards (KVIBs) at the state level. As a result, by March 2004, the KVIC had created around 19 lakh rural enterprises and generated a cumulative employment for 23 million persons. The achievement in 2003-04 was 25,000 enterprises and 0.45 million and the provision of Rs. 270 crore as margin money.

**STATEMENT OF THE PROBLEM**

Rural development is one of the primary objectives of National development in India. Uneconomic size of holdings, excessive pressure on agriculture, limited productivity, lack of resources and work opportunities and other inherent limitations have let the break down of rural economy. The village and cottage industries are fast declining due to severe constrains on their improvement and upgrading competition from the organized sector, and lack of support of raw material supply and marketing. Similar is the position of artisans engaged in rural services, forced by under employment or unemployment they are migrating the industrial town and cities in search of jobs and means of livelihood.

It is quite obvious that the village and cottage industries occupy a very important place in India. They, however, suffer from number of problems.
In a number of cases, they are promoted and sustained at heavy social cost. The enormous subsidies they are granted such as concessional finance, fiscal incentives, price preference etc. are borne by the society. It is time that a social cost-benefit analysis of the various industries are to be made and more pragmatic policy towards their development may be formulated. By clamouring more and more protection and incentives, these industries create the impression of an unhealthy existence. Improvements in the operative efficiency and in the quality of the output will widen the socio-economic perspectives of this sector.

The policy towards this sector needs to be more oriented towards developing economically viable units. The present enthusiasm to increase the number of units seems to giving birth to a number of weak units which in turn become a problem for the society as well as entrepreneurs.

The Gandhi Ashram, one of the Khadi and village units faced problems in getting supplies of certain inputs and marketing the outputs. Though, there are Government schemes to help them, there appears to be a general dissatisfaction the way these schemes have been working. It is observed from the investigating point of view that, low levels of technology result in poor productivity and inadequate returns have continued to characterize the traditional industrial sector. Coupled with this, the problem of obtaining raw materials of desired quality at reasonable prices and lack of marketing arrangements for selling their produce at fair prices have deprived the artisans of a good part of the earnings which should have occurred to them. The marketing problems of cottage and small industries flow from their scale of operation, lack of standardization, inadequate market
intelligence, competition from large scale units and Global markets and insufficient holding capacity.

The large number of artisans and craftsmen continue to depend on middlemen for supply of their inputs and marketing outlets who appropriate most of their profits. Sales of these products like handlooms, handicrafts and Khadi depend very much on the rebate during special occasions. The volume of inventories, rebates are not operative, becoming quite large. It is obvious that the economic survival of the units is very much on improvements in productive efficiency, quality improvements and efficient marketing.

OBJECTIVES OF THE STUDY

The following are the main objectives

1. To study the Khadi and village industries in general and in particular to Gandhi Ashram, Tiruchengodu.
2. To study production performance of Gandhi Ashram, a unit of KVIC.
3. To ascertain sales performance of KVIC products produced in Gandhi Ashram.
4. To examine the financial performance of Gandhi Ashram.
5. To analyse the factors influencing the utilization of KVIC products by the customers in the study area.
6. To identify the common problems faced by the customers, Gandhi Ashram Artisans and Craftsmen in production and marketing of KVIC products.
7. To suggest better ways and means for efficient functioning of Gandhi Ashram.
METHODOLOGY

The validity of any research is based on the systematic method of data collection and analysis. Both primary and secondary data were used for the present study. The primary data was collected from 400 sample respondents in the study area. For collecting the first-hand information from the customers of KVIC products, 400 respondents were chosen by simple random sampling method. The researcher approached the Managers of the Khadi village industries and sales centres located at Erode, Namakkal and Salem Districts.

DATA COLLECTION

Primary Data

Field survey method was employed to collect the primary data from the selected sample respondents. For this purpose, direct face to face interview method was employed to collect the data from the respondents. Hence, the researcher maintained a good relationship with the Sales Managers and Customers of KVIC products. The respondents properly responded to all questions framed in the questionnaire. This shows the literacy level of the respondents, which helped the scholar to complete the task easily. The specimen of the questionnaire given to the selected sample respondents is shown in the appendix section of this thesis.

The data thus collected from the primary sources of information were arranged systematically and sequentially to form simple tables.
Secondary Data

Secondary data was also collected for this study from the Head Office of Gandhi Ashram, and KVIC unit’s published data relating to the financial analysis of the selected KVIC units were complied from their annual reports. Similarly the required data regarding to production and sales also collected from the annual reports and records maintained by Gandhi Ashram. Apart from this data, the leading journals and magazines relating to KVIC industries also referred for this study.

DISCUSSION AND INFORMAL INTERVIEWS

In order to know the general working pattern of Gandhi Ashram, several rounds of discussion were held with knowledgeable persons in the field of Khadi and village industries, such as Mr. Aravamuthan, Trustee, Gandhi Ashram, Secretary, Manager of KVIC Sales Managers of different sales centres and the Research Supervisor.

TOOLS FOR DATA COLLECTION

By virtue of mass data obtained from research survey, as well as data from secondary sources collected and presented in the present report, descriptive and analytical research was considered most appropriate for the study. The research problems and questionnaire were all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the study of the sample respondents information. The researcher used closed-ended and open-ended questions in the questionnaire to collect primary data.
Questionnaire was the main tool used to collect the pertinent data from the selected sample respondents. For this purpose, a well structured questionnaire was framed with the help of the Research Supervisor and research experts in the study area. The questionnaire so drafted was circulated among the top executives in KVIC and research scholars for critical view with regard to wording and format, sequence and the like. The questionnaire was redrafted in light of their comments.

PILOT STUDY

After contracting the questionnaire with coverage of personal data, awareness, sources of information, extent of utilizing the KVIC products, level of satisfaction perceived, problems and suggestions, the questionnaire was pre-tested with a few sample respondents of the utilizers of KVIC products. Taking in to consideration, the suggestions of the selected sample respondents, necessary modifications and changes were incorporated after the pilot study as suggest by the Research Supervisor.

FRAME WORK OF ANALYSIS

The core of the study being “Customers’ utilization of KVIC (Gandhi Ashram) products”, the study centers around the dependent variable viz., the level of satisfaction perceived by the customers using Gandhi Ashram products and their relationship with the related independent variables.
CHI-SQUARE TEST

The degree of influence of the following independent variables pertaining to respondents in their usage of Gandhi Ashram products, a unit of KVIC are,

(i) Respondents’ Age
(ii) Respondents’ Sex
(iii) Respondents’ Education
(iv) Respondents’ Occupation
(v) Respondents’ Experience
(vi) Respondents’ Income
(vii) Respondents’ Marital Status
(viii) Respondents’ Family Size
(ix) Awareness
(x) Status in the Society
(xi) Wealth of the Respondents

In order to identify the factors influencing the level of satisfaction perceived by the customers utilizing the KVIC products, a chi-square ($\chi^2$) test was used and the formula is given as follows.

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

with Degree of Freedom (D.F.) = (c-1) (r-1)

where, $O$ = Observed frequency,
$E$ = Expected frequency,
c = Number of Columns,
r = Number of Rows.
MULTIPLE REGRESSION ANALYSIS

The regression is a statistical relationship between two or more variables. When there are two or more independent variables, the analysis that describes such relationship is the multiple regression. This analysis is adopted where there is one dependent variable that is presumed to be a function of two or more independent variables. In multiple regression, a linear composite of explanatory variables is formed in such a way that it has maximum correlation with an active criterion variable. The main objective for using this technique is to predict the variability of the dependent variable based on its co-variance with all the independent variables. It is useful to predict the level of dependent phenomenon through multiple regression analysis model, if the level of independent variables were given. The linear multiple regression problem is to estimate coefficients $\beta_1, \beta_2, \ldots, \beta_j$ and $\beta_0$ such that the expression,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_j X_K$$

provides a good estimate of an individual $Y$ score based on the $X$ scores.

Where,

- $Y$ = Level of satisfaction perceived by the customers
- $X_1$ = Age
- $X_2$ = Sex
- $X_3$ = Educational Qualification
- $X_4$ = Occupation
- $X_5$ = Experience
X₆ = Income  
X₇ = Marital Status  
X₈ = Family Size  
X₉ = Awareness  
X₁₀ = Status in the Society  
X₁₁ = Wealth

and  β₀ + β₁ + β₂ +.........+ β_j  are the parameters to be estimated.

**GARRETT RANKING TECHNIQUE**

This technique was used to rank the problems faced by the customers using Gandhi Ashram’s Khadi Products. In this method the respondents were asked to rank the given problem according to the magnitude of the problem. The order of merit given by the respondents was converted into ranks by using the following formula.

\[
\text{Percentage Position} = \frac{100 (R_{ij} - 0.5)}{N_j}
\]

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor, the scores of individual respondents were added together and divided by the total number of respondents for whom the scores were added. These mean scores for all the factors were arranged in order of ranks and inferences are drawn.
PERIOD OF STUDY

The study was confined to a period of sixteen years data from 1990 to 2005. Reviewing the relevant literature and conceptual framework took two years. The data collection from the primary sources took two years. Preparing the master table, data analysis and interpretation consumed about six months. Presentation of the data in the form of the report took another six months.

SCOPE OF THE STUDY

The present study highlights the extent of utilizing the products manufactured in Gandhi Ashram, a unit of KVIC, by the selected sample respondents. It also brings to light the common problems faced by the respondents and the Gandhi Ashram particularly, in production and selling the Khadi products.

LIMITATIONS OF THE STUDY

1. Time is the major constraint in collecting the data from the respondents. Most of the respondents are from the rich creamy layer and middle income group of the society, and they are afraid to reveal the data like income, wealth etc. A cross checking was made wherever doubt arises in order to avoid bogus information.

2. The survey was conducted only in Erode, Namakkal and Salem Districts of Tamil Nadu. Hence, the results arrived from the study may or may not be applied to other districts and states. Further, the
survey method which was adopted for collecting the data in this study has its own limitations.

Hence, the generalization of the findings of the study is subject to these limitations.

CHAPTER SCHEME

This empirical study is organized into seven chapters. The First Chapter deals with the introduction, design and execution of the study.

The Second Chapter gives the Review of the previous research literature.

The Third Chapter presents an overview of Khadi and Village industries.

The Fourth Chapter deals with the production and sales performance of Gandhi Ashram, a unit of KVIC.

The Fifth Chapter deals with the financial performance of Gandhi Ashram, a unit of KVIC.

The Sixth Chapter deals with the factors influencing the customers level of satisfaction in utilizing the products of Gandhi Ashram, a unit of KVIC.

The Last Chapter recapitulates the key findings and conclusion of the study. Based on these findings, a few suggestions are recommended for better working of Gandhi Ashram and utilization of KVIC products.