Chapter - 2

REVIEW OF LITERATURE
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Village industries constitute an important segment of rural India. Much importance was given to this sector in the post independence period. Several studies have been undertaken on the working of Khadi and Village industries units at the regional and national level. A brief review of such important studies is made here.

United Provinces Cottages Industries sub-committee (1947) in their report studied the influence of Second World War on ‘Cottage Industries in United Province’. The study attempted to see the extent to which these industries can be complementary to large-scale industry and the possibility of applying the co-operative principle in this sector. Further, the technical improvement possibilities with reference to power were considered.

The Planning Commission (1955) appointed KARVE committee to evaluate the performance and small scale industries for the implementation of the First Five Year Plan and to prepare an effective programme for the Second Five Year Plan. This committee made an assessment of the progress and presented its report in 1956 titled ‘Report of KARVE Committee on the Village and Small-Scale Industries’. In their report they had mentioned that the technical research so far undertaken in the area has not been extended to the evolution of tools and implements helpful to raise productivity. The committee also stressed the need for an assured regular supply of raw materials at
reasonable prices that fairly secures markets for the product of village industries at prices that will give a fair rate of return.

The Seminar conducted by the Reserve Bank of India (1959) on ‘Financing of Small Scale Industries in India’ went deep into the problems of small-scale industries, role of government in assisting small industries, the resources of credit institutions and miscellaneous issues. The Seminar identified that various information agencies should improve the quality and increase the quantity of information provided to small-scale industries. Government assistance should be mainly non-financial. It emphasized on facilities needed in the sphere of management as well as in matters such as training in the maintenance of accounts.

The National Planning Commission (1962) constituted a high level rural industries planning committee. The committee was to review the progress of rural industries and to chalk out programmes for the intensive development of village and small-scale industries in rural areas. The committee in its report ‘Projects for Intensive Development of Small Scale Industries in Rural Areas’, has stated that the artisans were not involved while preparing plans. They suggested that the artisans should also be involved right from the beginning.

The Government of Kerala (1964) appointed a working group to study the organizational and functional aspects of Khadi and village industries in Kerala. The working group in their report titled ‘Report of the Working Group
on Khadi and Village Industries in Kerala’ observed that the organizational and technical deficiencies hindered the growth of this sector. It also tried to identify the various steps to be taken to overcome these deficiencies. They suggested ways to overcome the difficulties associated with raw material procurement and marketing of finished products. The committee suggested the exemption of village industries products from the levy of Sales Tax.

Kripalani (1967) in his book ‘The Gandhian Way’ analyzed the relevance of rural industrialization. He viewed that adoption of large-scale industrialization to reduce dependence on agriculture was inappropriate. Even in industrialized countries there existed the problem of poverty and unemployment. He also discussed the relevance of spinning wheel.

Oommen (1967) in his study on ‘Small Scale Industrial Development Programme of Kerala’ made an evaluation of the small scale industrial development programme and also examined how far the various objectives of the small-scale industry laid down in the five year plan were achieved. The study concentrated basically on employment generation and resource mobilization aspects of these industries. The study concluded that there was lack of finance, less marketing assistance from Government and other agencies and that the training programmes were not effective.

A symposium ‘Decentralized Development’ organized in the name of the late Vaikunthbai Mehta (1969) discussed in detail the various problems
in the small-scale sector especially the village industries sector. The symposium, which was the first of its kind, was attended by eminent personalities of various spheres who did reflect authoritatively on these aspects. It resolved that finance was an important handicap and the support given by the State Government and other commercial agencies was not adequate. They stressed the need for improvement in quality and increase in the number of outlets for increasing the sales, storage and communication facilities. They suggested that the Government should evolve a common production programme, reserving certain items exclusively for small-scale sector.

Dantawala (1973) in his book ‘Planning for Industrialization’ examined the reasons as to why Gandhiji opposed machinery. He observed that objection to machine arises from two different sets of reason. One is based on the evils arising out of the capitalist exploitation and second evil is industrial civilization. He stated that the latter is more fundamental of the two. Gandhiji not only opposed to the manner in which machine was utilized but also believed that its unrestrained use would not be compatible with his decentralized pattern of economy and a free and just society.

Papola (1975) in his study titled ‘Rural Industrialization-Approaches and Potentials’ provided a framework for assessing the role and potentialities of rural industries for industrial development in the country. He recommended concentration by developmental authorities on those industries that have a
positive income elasticity of demand, and those that use appropriate technology and having a co-operative basis.

Dagli, Vadilal (1976) in their book ‘Khadi and Village Industries in the Indian Economy’ evaluated the growth of some of the industries listed under the purview of KVIC during the period of twenty years from 1953-1973. It makes an analysis of the organization, financing and development of these industries. The technological improvements brought into effect during this period are also evaluated. They also remarked on the prospects of these industries.

Arunachalam (1977) in his article ‘The Livery of Freedom- Before and After Independence’ asserted that after independence, Khadi production has increased but the entire programme is being undertaken on a commercial basis. If Khadi is to be symbol of instruments of Purna Swaraj, it had to give up commercial aspects and it must become a way of life. Spinning and weaving are more important to achieve economic and moral freedom.

Balakrishnan (1977) in his book ‘Financing of Small Units in Indian Economic Development’ made a study on the financial experiences of small firms under two classification viz. units with paid-up capital of not more than ₹5 lakhs called tiny units and those exceeding ₹5 lakhs called small companies, during the period 1950-1970. In his opinion the tiny units are more satisfied and successful than the large firms.
Patel (1978) in his article, ‘Bee-keeping: A unique Rural industry’ pinpoints that village industries have a unique role to play in the economic development of poor rural people in India. The scientific management of bee-keeping will add to the countries income by way of honey. It is also pointed out that as the demand for Indian honey from abroad is increasing and fetching good price, there is need to increase the output of honey and earn more valuable foreign exchange.

Rao (1979) in his article ‘Small Scale Industries and Planned Economy’ highlights the problems and prospects of these industries and indicates that the absence of proper marketing channels is the main and long-standing problem of the village industries. The products of cottage industries have to be sold mainly in local markets, which provide minimum prices to entrepreneurs. He has expressed that the KVIC have been playing a significant role in marketing the finished commodities through its wide net work of distribution channels.

Sitrammaya (1981) in his article titled ‘Man and Machine’ has suggested the introduction of small or improved implements in rural industries so that artisans can gain in his trade or vocation by improving productive efficiency. He also stated that machine should not be set up to benefit capitalists who has utter disregard for the interests of workers using traditional methods.
Suneja (1982) in his book ‘Indian Rural Economics’ has stated that village industry in India, besides helping to solve both social and economic problems of the village craftsman and the vulnerable sections of the society has to play an important role in earning valuable foreign exchange for the country.

Jain (1983) in his article ‘Khadi - Mass Awakening must Precede, Mass Spinning’ examines the importance of cost of production of Khadi. It is noticed that the absence of local production of cotton is the basic cause of high cost of production of Khadi, which results in high cost of distribution also. This compounding effect of cost on production and distribution levels has made Khadi painfully dependent on government support and subsidy.

The National Bank for Agricultural and Rural Development (1983) appointed a task force to suggest ways to improve the role of commercial banks in the development of Khadi and Village Industries sector. The Task Force in their report titled ‘Report of the Task Force on Khadi and Village Industries’ made an assessment of the various types of industries and the best means for credit delivery system. The report has elaborated on the feasibility of inducing cluster approach, establishment of mini rural industries centers etc. The study reveals the unsatisfactory working of the co-operative societies. Sales possibility through outlets other than Khadi and village industries outlet is to be explored.
Ramachandran (1984) in his article ‘Some Thoughts on Reorganization of Khadi and Village Industries Programmes’ noted that the value attached to Khadi has undergone change as it stands more as a relief measure than to destroy the evil of poverty and unemployment. The introduction for workshed and 6-spindle Charkha increases income and improves working condition of artisans. He stated that use of power in Charkha will further improve the income earning capacity of the artisans.

Kumarappa (1985) in his book ‘Economy of Performances’ has mentioned that for Indian economy where manpower is abundant and capital is scare, village industries are the only solution to absorb labour. He mentioned that machine or not machine is not the fundamental question. The problem is creation of employment to the people. Machinery, which only saves labour, is a curse to India. Machinery should be used to make such things as hands cannot make and where it will not displace workers gainfully employed.

Ram. K.Vepa (1986) in his book ‘India’s Developing Villages’ stated that village industries products appeal to customers principally because of their quality and aesthetic design. He suggested that there should be a planned development to improve the industry by avoiding middlemen and by increasing the resources of production.

Sing, Inderjit and Gupta (1986) in their book ‘Financing of Small Scale Industry’ made a study to find out the role of commercial banks in
financing small artisans and small-scale industries operating in New Delhi. This study, made under the auspicious of Banking Commission, was intended to find out the part played by banks and the responsiveness of the small-scale units to bank finance. The study tried to project the prospects of bank finance in the state in particular and country in general.

Sharma and Desai (1988) in their book ‘New Economic Policy in India’ opined that technological innovation should aim at redistribution of income among poor. The most important characteristic of technology appropriate for village industries is to build up technological self reliance, increase productivity and reduce technological gap between different sectors. They mentioned that if a relatively labour intensive technology can be chosen for all sectors, it will make a new and integrated economy.

Ambilikumar (1989) in his study ‘Working of Small Scale Industries in Kerala with special reference to Thiruvananthapuram District’ observed that the investment in fixed capital in the small-scale units was declining. In these units fixed capital constituted 60.0 per cent of the total productive capital. For the small scale units, working capital assistance was more important. Majority of the units faced the problem of finance and lack of modern technology resulted in underutilization of production capacity.

Dhar (1989) in his book ‘The Role of Small Enterprises in Indian Economic Development’ has critically evaluated the various arguments
usually advanced in support of small industries. In his assessment of the
technical and financial assistance attempted by various institutional
agencies, he criticized the policy of creation of more and more small units.
The policy should be aimed at the improvement in the efficiency of existing
enterprises and the creation of opportunities for these firms to grow. Instead
of giving protection, measures to remove disabilities of small firms and to
give them a fair chance to compete in the market must be pursued.

Bhagavan Reddy, Krishna Raju and Subha Reddy (1990) in their article
‘Progress of Village Industries in Andhra Pradesh’ have suggested that for an
equitable distribution of income and wealth, development of village industries
is a must and these industries are most suited because they are labour intensive
in nature. They suggested that for planned development of village industries,
intensive policies should be formulated in the Five Year Plans to combat the
twin problems of poverty and unemployment facing the nation.

Mathur (1990) stated in his book ‘Economics of Small-Scale Industries’
that the establishment of the British rule affected village industries because
the rule indirectly weakened the power of the guilds which regulated the
trade. He said, with the removal of regulatory bodies, evils like adulteration
of materials began to take place and qualitative workmanship disappeared
and these led to a decline of artistic and commercial values of the village
industrial products.
Anirudh Prasad (1991) in his study ‘Economics of Khadi and Village Industry in Bihar’ analyzes coverage of Khadi and village industries in Bihar, their historical perspective, their growth during planning period and the present position. The trends in production, employment, capital output ratio and capital labour ratio were analyzed for KVI under the preview of KVIC and Bihar KVIB. One observation made was that in Bihar, the production of Khadi is rural oriented and its consumption depends on inter institutional and interstate transaction.

Kurien (1991) in his study ‘Policy Measures for Small, Tiny and Village Enterprises Announced’ emphasizes that an intensive development of KVI through area approach by tie-ups with DRDA, TRYSEM, and ongoing developmental programmes relating to weaker sections like scheduled caste, scheduled tribes and women should be extended throughout the country.

Pande (1991) in his report ‘Origin of Training Programme and its Gradual Transformation under KVIC’ reviewed the need for trained personnel to become an effective salesman in the Khadi and Village Industries sector. He found that the KVIC has taken some measures to make its training programme effective. He also suggests that salesmanship is a highly skilled profession like any other which demands a very high degree of proficiency.
Pethiya (1991) in his article ‘Technology for Rural Industrialization’ pointed out how one can use modern technology in rural industries. The argument is not traditional versus modern or sophisticated technology, but mainly with establishment of industries in rural areas, where they have proximity to rural raw material and artisan. The suitable or appropriate technology is a relative concept to an area. Activity or need suitability means what is acceptable to local population. Main question is how one can use modern technology for rural industries for the betterment of rural life, but such technological upgradation should not disturb existing socio-economic organizations of rural people. Suitable technology should be able to provide more employment and higher income and help artisan to come out of the poverty trap.

Thomas (1991) in his thesis ‘Problems and Prospects of Village Industries in Kerala’ has taken stock of the difficulties confronted by the village industries in the procurement of raw materials, labour and other inputs and the technology required for production. The study analyzes the pattern of investment and the problems related to the utilization of funds. It also discusses the strategies in marketing and consumer attitude towards products of village industries and studies the socio-economic conditions of the workers in the village industries sector. A comparative analysis on KVIB and non-KVIB workers was made. The study concludes optimistically with the observation that the village industries in the State have a bright future.
Damayanthi (1992) in her article ‘Employment and Income Generation through Khadi and Village Industries in Kerala’ emphasized that the Khadi and village industries in Kerala play an important role in solving the problem of unemployment in rural areas by generating large scale employment opportunities.

Grover, Dak, Sharma (1992), in their article titled ‘Socio Economic Determinants of Rural Industrialization in Haryana’ observed that rural industries having fixed assets in plants and machinery below ₹ 2 lakhs continue to dominate industrial scene in the rural areas and not much headway had been made in respect of introducing new or non-traditional industries. The continuance of traditional industries is a result of factors like their capacity to meet local demands, and placing greater value on self-employment than on wage employment.

Jamuar (1992) in the book ‘Small-Scale and Cottage Industry in India’ has expressed the view that an integrated development thrust must be provided to handicraft sector with a view to enlarging the production base and thus enhancing the opportunities for employment and income. He also emphasized the need for supply of raw materials, design and technical guidance, market support and training.

Gandhi (1993) in his study titled ‘Future of Village Worker in India’ has suggested that revitalization of industrial co-operatives by formulating a
new economic policy by the Government will strengthen the competitive power of industrial co-operatives.

Rajendran (1993) in his study titled ‘Training in Khadi and Village Industries - A futuristic Approach’ stressed the need for training in Khadi and Village Industries and he pointed out that training occupies a prominent place in the efficient management of any developmental programme. He suggested that KVIC should think seriously about strengthening the training programmes to meet the future requirements.

Sen (1993) in his book ‘Rural Industrial Development in India’ compared the performance of Ambar Charkha and traditional Charkha. The aim was to study the benefits of Ambar Charkha as a technological possibility in terms of labour productivity, net value added per unit of output, net surplus per unit of output, the capital output ratio and the rate of surplus per unit of capital investment. He argued that recurring cost far exceeds the output flow from the Charkha and its contribution to domestic capital accumulation seems to be negative.

Natoo (1994) in her dissertation ‘Rural Industrialization through Village Industries with case study of Ghani Oil and Soap Industry in Maharashtra’ noted that capital-intensive industrialization was responsible for exodus of rural population to urban areas in search of job. It aggravated the problems of urban housing, congestion, sanitation, pollution and crime.
In view of the consequence of western pattern of industrialization and excessive pressure on agriculture, it is essential to provide alternatives of employment. This can be achieved by setting industries in rural areas, with focus on choice of technology, scale of operation, class of entrepreneurs and nature of product structure.

Prasad (1994) in his book ‘India’s Rural Problems’ has stated that the upgradation of the technologies of rural industries can alone make rural industries an integral part of the industrialization process in the country. He also expressed that the use of technology which requires a heavy labour input but yields a low productivity per unit of labour is unlikely to serve the basic objectives of rural industrialization.

Venugopal Rao and Ramaprasada Rao (1995) in their article ‘Plight of Woolen Carpet Weavers’ examined the socio-economic conditions of the carpet weavers and the problems faced by them. The study revealed that no effort had been made to improve the economic conditions of rural artisans. The levels of literacy among artisans were not found satisfactory. The study concluded that even though artistic know-how is available in abundance, the artisans are handicapped by certain socio-economic conditions like illiteracy, inadequate finance and poor marketing.

Vanaja (1997) in her article ‘Manufacturing Efficiency of Small Scale Industries’ made a comparative study of the manufacturing efficiency
of the reserved products with unreserved products and has mentioned that unreserved products showed a better performance in technical progress. The study concluded that the total factor productivity is higher in the case of unreserved products.

Solanki S.S. and Quershi M.A. (1998) in their study ‘Village Pottery Industry’ aimed at exploring the scope of upgradation of village pottery industry. They concluded that adoption of modern technology by pottery units is far from satisfactory. 70.0 per cent of the potters used traditional raw materials and implements and 60.0 per cent used traditional fuels. The study also revealed that village pottery industry has failed to grow because of its inability to get adequate finance.

Vasant Desai (1999) in his book ‘A study of Rural Economics’ points out factors like organization of units without conducting a proper feasibility study, lack of attention by management to planning and failure on the part of Government to give loans and subsidies as promised at the time of formation of units as the reasons for units becoming defunct. The study noted that the protection policy followed by the Government has only helped to weaken the structure. Modern technology and professional management can make possible a rapid development in the small-scale industries sector. He suggested that small scale industries should plan export and diversification.
Bhattacharya, Vivek and Renjan (2000) in their book ‘New Strategy of Development in Village India’ are of the opinion that Indian traditional products are unanimously acknowledged as the very best and they are the true symbols of the spirit of the country. They also wrote that Indian artisans work for the finest, but they do not know anything about the world market and latest designs.

Das (2001) in his article ‘Khadi and Village Industries Programme—An Employment Evaluation’ examined whether there existed any significant relationship between generation of employment and resource allocation. The study came to the conclusion that there was no significant relationship between resource allocation and employment generation either in Khadi or Village Industries.

Veena Mazumdar (2001) in her article ‘Implication of Naya Margh’ has analyzed the performance of KVIC with special reference to Khadi and the role of women as equal partners, participants and beneficiaries in the programme as propounded by Gandhiji. Case study of Amreli and Mehasana districts of Gujarat was undertaken. Performance and administrative structure of KVIC is less satisfactory as 70.0 per cent of time is spent on administrative procedures. She pointed out that KVIC is not following labour laws for the artisans and not giving maternity and other benefits to the rural women. KVIC does not have any specific target group like government’s anti-poverty programme. It was also noted KVIC did not encourage active participation of
workers in management. Gandhiji’s concept of self sufficiency was not applied. On the contrary, there was concentration or centralization of decision-making powers in an agency that was created to promote decentralized development. In the various evaluations and amendments of KVIC’s structure and functions, the issues of women in respect of employment, wage rates and role in decision making were never posed an important consideration. At the national level, recommendation was given for fixation of target groups. Involvement of non commercial organizations and education institutions was suggested.

Nainta (2001) in her article ‘Traditional Products in the New Millenium, Challenges and Opportunities’ expressed the view that there is a fear that traditional industry will not be able to face competition from the private sector. The modern expensive advertising techniques especially on television had a detrimental impact on already poor marketing structures of Khadi and village industries.

Brahmananda, Narayanan and Kallappa (2002) in their book ‘Dimensions of Rural Development of India’ has identified the defects of the village industries sector as traditional skills, inaccessibility to institutions and markets, inadequate information on market and marketing channels, resistance to change, inadequacies of credit, technology and lack of proper entrepreneurship training.
Vinod Deepak (2003) in his article ‘Development Through Khadi and Village Industries’ argued that khadi and village industries opened a novel way of self-employment, using local resources, traditional but improved techniques and tapping the market for such products locally as well as from nearby towns. To achieve this objective, the successive Central Governments had initiated several schemes and programmes since independence.

Kulshresta (2004) in his book ‘Problems of Rural Industrialisation’ has written that the village artisans neither want to leave their traditional way of working nor the modern technological processes are being diverted towards rural segments. He also suggested that the rural worker would at least be provided with modern tools and equipments to make their work easier and quicker.

Madaswami (2004) in his article ‘Creating More Employment in the Rural Areas’ pointed out that village and cottage industries provide immediate large-scale employment and offer a method of ensuring a more equitable distribution of national income and facilitate effective mobilization of capital resource and skill. The principle of self-employment is motivated by offering various promotional schemes by both the Central and State Governments. The study concluded by observing that sample units failed to gain financial support from Khadi and Village Industries Board (KVIB) because of cumbersome procedures involving such financial assistance.
The Government of India (2005) appointed High Power Committee to study the status of Khadi and Village Industries and suggest perspective and operational plans. The committee in its Report captioned ‘Evaluation of the Working of Khadi and Village Industries’ noticed various shortcomings which have inhibited the growth of the sector such as inadequate flow of funds, lack of proper planning and financial control in the KVI institutions and boards, lack of trained personnel to guide the artisans and inadequate marketing and quality control. The committee prescribed a standard financing pattern. KVI sector will not be able to bear the entire burden of training artisans in the village industries sector in the country. There is need for education departments in the states to include KVI trades in their vocational training programmes. The committee also recommended that KVI sector should be treated separately from other sectors in respect of labour laws and that their participation in labour force is increased.

Kulwant Singh Pathania and Surrender Singh Metha (2009) in their book ‘Status, Problems and Challenges of Khadi Village Industries’ have attempted to study the working performance and other issues of KVI sector in Himachal Pradesh. They opined that shortage of lubricant (finance) forces entrepreneurs to use second hand machines, inferior methods of production and ineffective techniques of production.

Despite the large number of studies elaborated above, no specific study has been undertaken to assess the exact role of KVIB in promoting
and developing Khadi and Village Industries in Kerala. The present study is an attempt to fill this research gap in the literature. The study proposes to trace the problems faced by this sector, make an evaluation of the role played by the Board and assess the socio-economic conditions of the artisans working in KVI units in Kerala.
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