CHAPTER 2
RESEARCH METHODOLOGY AND
REVIEW OF LITERATURE

2.1 Introduction:

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. As a result, the number of jhuggi-jhonpari clusters and slum dwellers in urban areas is steadily increasing. The khadi and village industry sector has got the potential to create new jobs in rural areas. During the Ninth Plan period, new policy measures were provided to the sector for enhancing production and employment.

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 fulfill 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 environs. 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 centers, KVIC now has over around 2 lakhs centers scattered through the length and breadth of India, from Ladakh to Lakshwadeep, and from Bhuvaneshwar to Bhuj.

2.2 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.

**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.

**Main Strategies:**

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

**2.3 PMEGP Scheme:**

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 schemes 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 (MoMSME). 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.

Quantum and Nature of Financial Assistance Levels of funding under PMEGP Categories of beneficiaries under PMEGP Beneficiary’s contribution (of project cost) Rate of Subsidy (of project cost) Area (location of project/unit) Urban Rural General Category 10\% 15\% 25\% Special (including SC / ST /OBC /Minorities/Women, Ex-servicemen, Physically handicapped, NER, Hill and Border areas etc. 05\% 25\% 35\% Note: (1) The maximum cost of the project/unit admissible under manufacturing sector is Rs. 25 lakh. (2) The maximum cost of the
project/unit admissible under business/service sector is Rs. 10 lakh. (3) The balance amount of the total project cost is provided by Banks as term loan 4. Eligibility Conditions of Beneficiaries (i) Any individual, above 18 years of age (ii) There is no income ceiling for assistance for setting up projects under PMEGP. (iii) For setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business/service sector, the beneficiaries should possess at least VIII standard pass educational qualification. (iv) Assistance under the Scheme is available only for new projects sanctioned specifically under the PMEGP. (v) Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP. (vi) Institutions registered under Societies Registration Act,1860; (vii) Production Co-operative Societies, and (viii) Charitable Trusts. (ix) Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

2.4 Significance of the Study:

Today the Khadi and Village Industries have a strong foothold. The low capital investment, the easy availability of raw materials and the need for simple skills favor the villages industries. These provide a livelihood to the villager serve to supplement the income of the peasant. Since a majority of these vocations involve anterior and posterior industries, these lead to the overall growth and development of the village. The dictates of economy of a village be distributed within it or in the neighboring towns and cities.

The making of pottery, textiles, shellac, ghani oil, cottage soap, handmade paper, fireworks and agarbatis, cater to the simple needs of rural life and are rooted in the village tradition. The idea behind these craft and skills is to fulfill the villager’s requirements, simultaneously providing in him a spirit of self-reliance. Creative expression is combined with utility to make art a part of life. The true significance of
handicrafts lies in the newness and surprise of each object. No two are alike since each one is a new creation defeats the very purpose of a handcrafted object. The advent of science and technology in this field has resulted in the electrically operated potter’s wheel which makes operation facile and increases earnings. The use of the double ball-bearing potter’s wheel has further improved the performance.

In addition, to cottage pottery, other mineral-based industries related to limestone, lime-shell and other lime production are also under the purview of the KVIC. Handmade paper, characterized by a rough finish has a special aesthetic appeal. In an age of machine-tooled monotony, hand-crafted paper is a welcome change. The commission has initiated experiments on unconventional raw materials such as paddy straw, wheat straw and sabai grass, pilot tests on mechanic-chemical pulping have also been conducted.

Various kinds of art paper with a tinge of color and background decoration are particularly impressive. These have found a market abroad and handmade paper worth over rupees few lakhs is now exported every year. Handmade paper ranges from wrapping paper to writing paper and provides gainful employment to rural men and women.

Forest based industry also includes bamboo and cane. Baskets, bags, purses and flowerpot holders are carefully woven by the artisan who is also the designer. Light, but strong and durable, bamboo is increasingly used as a furniture material. In addition to this, the commission supports artisans who make braided boxes, bowls and flower stands from finely split bamboo. Gorgeous silk sarees and rich brocades are also produced by the village industries. At the silk centers of TamilNadu such as Kancheepuram, the KVIC provides cocoons to the artisans who are bought from the Central Silk Board or the Directorate of Sericulture at competitive prices.

2.5 Statement of the Problem:

Khadi and village industry sector, is implementing package of (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 fulfill the objectives of generating rural employment and improving the quality of life of the rural people. Keeping in the above things the present study is entitled, ‘A Study of Economic Activities of Khadi and Village Industries Board in Solapur District’.

2.6 Objectives of the Study:

The following are the main objectives of the study:
1. To study the progress of khadi and village industries.
2. To study the working unit, production and sales of khadi and village industries.
3. To study the employment and earning in khadi and village industries.
4. To study the various economics activities of board in the study area.
5. To examine the socio-economic condition of the beneficiaries.

2.7 Hypothesis of the Study:

The following are the hypothesis for the present study.
1. The performance of Khadi and Village Industries in providing the employment opportunities is significant.
2. The performance of Earning of Khadi and Village Industries is significant.

2.8 Research Methodology:

The following methodological procedure is adopted.

2.8.1 The Study Area and Sampling Plan:

1. Selection of the Area:

All talukas of Solapur District is selected as study area. The names of these talukas are North Solapur, Barshi, Akkalkot, South Solapur, Mohol, Mangalvedha, Pandharpur, Sangola, Malshiras, Karmala, Madha. Almost every taluka is having the activities of Khadi and Village industries board.
2. Selection of the Respondents:

The table 2.1 shows the details about the selection of respondents according to Taluka of Solapur District. The name list of beneficiaries of Khadi and Village industries is collected from District Industrial Centre (DIC), Solapur. The DIC is provided total 350 beneficiaries name list with their unit address. Out of them, only 150 beneficiaries are responded and remaining beneficiaries are not given any information of their units during the study because of their various problems.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Taluka</th>
<th>No. of Respondents</th>
<th>Percentage Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Akkalkot</td>
<td>9</td>
<td>6.0</td>
</tr>
<tr>
<td>2</td>
<td>Barshi</td>
<td>26</td>
<td>17.3</td>
</tr>
<tr>
<td>3</td>
<td>Karmala</td>
<td>19</td>
<td>12.7</td>
</tr>
<tr>
<td>4</td>
<td>Madha</td>
<td>16</td>
<td>10.7</td>
</tr>
<tr>
<td>5</td>
<td>Malshiras</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>6</td>
<td>Mangalwedha</td>
<td>4</td>
<td>2.7</td>
</tr>
<tr>
<td>7</td>
<td>Mohol</td>
<td>20</td>
<td>13.3</td>
</tr>
<tr>
<td>8</td>
<td>North Solapur</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>9</td>
<td>Pandharpur</td>
<td>15</td>
<td>10.0</td>
</tr>
<tr>
<td>10</td>
<td>South Solapur</td>
<td>12</td>
<td>8.0</td>
</tr>
<tr>
<td>11</td>
<td>Sangola</td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Therefore, after selection of the area, total 150 respondents from eleven taluka of Solapur District is selected as beneficiaries of Khadi and Village industries scheme for analysis by adopting purposive sampling technique.

2.8.2 Period of the Study:

As pointed out earlier, the present study aims to examine the progress made by the Khadi Village Industries in Solapur District. In
this direction the period, from 2000-01 to 2009-10 is selected for analysis.

2.8.3 Collection of Data:
The analysis is mainly based on both primary and secondary sources of the data. The primary data is collected by personal observation and personal interviews with structured schedule from the selected respondents for the study. The statistical data on relevant information is collected from the Annual Reports published by KVIC and KVIBs. Additional information is also collected from the books, journals, Govt. publications library and Internet etc.

2.8.4 Tools for Data Analysis:
Keeping in view the objectives of the study, some appropriate statistical techniques are used for relevant variables. Moreover, some graphical devices are used for data analysis.

2.8.5 Data Processing Plan:
The data thus collected is processed with the help of Computer Software viz. MS Excel and SPSS etc.

2.8.6 Name of Chapters:
1. Introduction
2. Research Methodology and Review of Literature
3. Performance of Khadi and Village Industries
4. District and Taluka wise Progress of Khadi and Village Industries
5. Empirical Study of Beneficiaries
6. Findings and Suggestions

2.9 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 schemes”. 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 meager”.

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) the 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 counseling, 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 has 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 Corporations (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 upgradation. 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 centers, 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 Corporations (SFCs) and their inter state 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. There were numerous studies on the industrial development of the North-Eastern Region of India. The Seminar on the Impact of Five-Year Plans and the Socio Economic Development of the NER of India (1988) organized by Gauhati University discussed many aspects of industrial development in this region. The Seminar concluded that there are ample potentials in the industrial sector of the region which can absorb more labour force by utilizing local raw materials. This region has enough employment opportunity with increasing industrial production and productivity especially of the small scale and cottage industries.

References:
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