Chapter - 10

FINDINGS AND CONCLUSIONS

- Policy Recommendation

- Areas Identities For Further Research
FINDINGS AND CONCLUSIONS

The present study analysed the relationship between major inputs and benefit accrued from the value of production, measurable and non measurable five Khadi and Village Industries institutions for a period of twelve years from 1986-87 to 1997-98. In pursuing the objectives of the study i.e.,

to analyse the relationship between input and out of KVI products (selected products only).
to study the relationship between economic and social benefits of Khadi and Village Industries (selected industries only) and
to suggest a viable common model for the promotion of Khadi and Village Industries on the basis of the study.

The Findings are Listed Below

Based on the analysis in the preceding chapters, it is found that the average cost of raw materials on value of production for a period of 12 years was 22.97 per cent at constant price and the percentage share on value of production was 31.80 per cent. The growth rate of cost of raw materials and value of production was positive during the study period except GSS. It witnessed negative growth rate.

Perusal of the table clearly reveals that the KSS performed well in maintaining the cost of CRM and VP. The value of production is 4.73
times on the value of CRM. The next position goes to TNSS, which obtained 3.69 times of production on CRM. Third being GKVIPCT. The other two institutions obtained the VP below three in which the GSS is getting fifth rank by obtaining 1.75 times of VP on CRM.

Higher percentage of Labour Cost is borne by KSS while GSS offers the lowest labour cost. It is clear that the institution which undertakes khadi as the main activity has to pay more wages. The three institutions namely KSS, MNSS and TNSS have paid 55.70 percent, 45.17 percent and 49.51 percent respectively towards the cost of labour on total value of production. Now it is proved once again that khadi activities are labour intensive and hence it involves higher labour cost. The major part of production value goes to workers as wages.

The other two institutions namely GKVIPCT and GSS have diversified their activities and they undertake more VI activities than Khadi. Comparing to GKVIPCT, GSS undertake very little khadi activity and hence the wage component is 22.47 percent and GKVIPCT paid 30.50 percent towards labour cost as it has more khadi activity than GSS.

It is proved that labour input on khadi activity is nearly 50 percent on total value of production and for Village Industries activities, it is around 25 percent.

The KSS strictly depends on KVIC for its finance and hence the cost of capital of this institution is 4 per cent. KSS is followed by the MNSS and GKVIPCT which have paid interest of 4.24 percent and 4.86
percent respectively towards the cost of capital on the total value of production.

The GSS, and the TNSS grossed five percent (5.11 percent) and the highest cost of capital was incurred by GSS. However, the average capital cost is 4.75% for all the five institutions under study.

Average cost of MLC is 55.50 and the mean of VP is 72.21 and there is a difference of 16.71.

Average share of MLC on VP for the five institution is 76.58%. It is concluded that only 23.42% of VP is available for meeting the other administrative expenditures, which includes, rent, transport, tax, repair and replacement, etc. This may be the major reason why the Khadi institutions are not able to make huge profits.

First hypothesis of this study is proved as the cost of major inputs such as materials and labour constitute 76.58% on Value of Production and hence the profit is meagre.

Based on the present study, a model is created using operation research method (Linear programming) to increase efficiency of the KVI institutions. As per this model without any additional investment the KVI institutions under study can earn the profit of Rs.57.48 lakhs.

It is also found that Khadi Institutions have to depend only on KVIC for its financial requirements, as it charges the lowest rate of interest.
The average profit earned by the five institutions is less than one lakh and the percent share on Value of Production (output) is 1.03 MNSS and KSS contributed nearly 2% on Value of Production GSS contributed nothing towards profit because of its internal management problem.

Profit alone cannot be used as a tool to measure the efficiency of the Khadi and Village Industries activities, as its main objective is to generate employment.

The mean average of capital cost per work place of the five institutions is Rs.10,495/-. It is clear that the institutions under study used 50% less than the cost of capital spent by Khadi and Village Industries Commission per work place. Total employment generated by the institutions is 4683.

Three institution invested less than Ten thousand per work place. One institution is just above the average of Rs.10,548/-. It is concluded that KVI activities are labour oriented and need less capital investment per work place. Hence, the second hypothesis is proved that the cost of capital is less as these activities are labour intensive.

The average earning of the five institution is Rs.144.63 lakhs for the employment of 4683 and per capita earning is Rs.3,167 per year. The percentage of wage on Value of Production is around 40%. Hence, it is well known that Khadi and Village Industries' programme are mainly for
the worker (or) poor artisans and not for augmenting wealth by earning more profit.

It is proved beyond doubt that lot of social benefits as discussed above are accrued from KVI sector, but earn meagre net profit which is not worth noted. Thus third and fourth hypothesis are proved.
POLICY RECOMMENDATION

The preceding analysis points to certain new policy recommendations.

1. Raw material bank for Village Industries with cold storage wherever necessary may be established by KVIC.

2. Modernisation of Machine and tools, use of power wherever necessary may be permitted.

3. KVIC may take steps to ensure financial discipline among the Sarvodaya institutions, especially in the use of short-term and long term funds.

4. KVIC should develop Research and Development at the grass-root level considering the artisans also as scientists.

5. KVIC should give training to entrepreneurs and managers in various segments including inventory, finance, management, marketing etc.

6. KVI products should be easily made available to the consumers all over the country by developing sufficient marketing network.

7. Departmental stores may be opened in 'SAARC countries.

8. The KVIC should concentrate on product standardisation, quality control, prompt deliveries, etc., to build up its export.
9. Purchase preference for KVI products, may be given to Government sectors (Railways, Hospitals, Transport etc.)

10. Advertisement of KVI products in the Government media free of cost.

11. The media should provide greater focus on rural industrialisation by giving prominence to success stories of the KVI sector.

12. Marketing support from government is inevitable. KVI products may be marketed with Government support under one common brand.

13. Liberalised labour laws and regulatory laws to KVI sectors.

Areas Identified for Further Study

The present study analysed the input and output relationship for both Khadi and Village Industry as a whole at the macro level. Product wise, activity wise study can be undertaken at the micro level. The present study facilitates further research of KVI at the micro level.