Economic development of a developing economy requires diversification of economic activities. It reduces dependence on one particular sector of economic activities. During the last 4 decades of planned development in India many non-agricultural sectors like industry, mining and infrastructure have been expanded in order to reduce pressure of population of land. Despite of great strides taken by organised sector of industries, the increase in employment in this sector has not been substantial enough to bring about perceptible change in occupational pattern of the country. Capital intensive and labour saving technologies, adopted by corporate sector along with increase in population has in fact resulted in the increase in unemployment and under employment. Moreover growth of these industries has resulted in uncontrolled expansion of urban areas with the attendant problems from the growth of slums and deterioration in the ecological welfare. As opposed to this, the khadi and village industries, with their capital saving and labour intensive technologies, have helped to create employment opportunities on a massive
scale in the non-farm sector of rural economy. Development of these activities has helped to arrest the migration of rural labour to urban centres and incidentally curtailed the deterioration of ecological well being.

Khadi and Village Industries Commission, a statutory body created by Government of India in 1957 has been promoting Khadi and Village Industries with the help of 28 state level boards, 32,000 Co-operatives and 1300 other independent registered institutions. Tamilnadu occupies second place after Uttar Pradesh in the development of Khadi and Village Industries. The state has one state board (Tamilnadu Khadi and Village Industries Board), 72 registered institutions and 1260 industrial co-operatives. The present study is a modest attempt in highlighting the performance of the village based rural industrial units located in the State of Tamilnadu. The focus is on their financial performance and related activities. The outcome of the study will help in throwing a new light on their functioning and thereby better policies could be evolved and implemented for which I place on record my great acknowledgements due to my research supervisor Dr. D. P. Sharma, M.Com., Ph.D., L.L.b.,
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