CHAPTER - 1

INTRODUCTION

At a time when Europe, the birth place of modern industrial system, was inhabited by uncivilised tribes India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. The Indian handicrafts reflected the synthesis of the Indian culture of all communities composing the Indian Nation. The famous muslin of Dacca enjoyed world-wide reputation, the sarees of Chanderi, the silk brocade cloth of Nagpur, umrera and paoni, the chintzes of Lucknow, the 'dhoties' and 'dopattas' of Ahmadabad and silk bordered cloth of Nagpur and Murishidabad, the brocade work of Banaras and Ahmedabad and the woollen fabrics of Kashmir, Amristar, Ludhiana and Poona were all very famous. The British rule in India was responsible for the decay of rural industries.

In 1688 there was an agitation in various parts of

England about the imports of Indian Fabrics. While imports of Indian goods in England was stopped there by positive prohibition or by duties of 70% to 80% of their value, the British goods were forced upon India without payment of any duty. Thus the injustice of the alien political rule strangled the Indian rural industries.\(^4\) Besides step motherly treatment of the British rule the disappearance of Indian states and their patronage, change in tastes and fashions and emergence of modern factories contributed to the decay of Indian rural industries.\(^5\)

In the struggle for freedom of India khadi was at first an instrument of Swadeshi spirit and in course of time Mahatma Gandhi recognised it as means for eradicating unemployment, under employment and poverty in India.\(^6\) In Gandhiji's opinion khadi would be the Sun of the industrial solar system and village industries should receive warmth and sustenance from it. However without


village industries khadi alone can not solve the problems of rural development. If villagers are "to be able to occupy their spare time profitably the village life should be touched at all points".  

It is true that Pandit Jawaharlal Nehru held different views about the role of khadi and village industries in the economic development of India. In his view, these activities could be transitory means of employment and poverty-amelioration but they could not be a permanent means of achieving material progress. He relied on development of river-valley projects, heavy industries etc for the modernisation and prosperity of India.  

Inspite of massive programmes of economic development with pronounced emphasis on the development of river valley projects and heavy and modern industries the number of unemployed workers rose from 5.3 million in 1956-57 to 13.86 million in March 1985. Therefore there is a strong need for development of capital-saving products.

and labour-intensive khadi and village industries for the diversification of the Indian economy and expansion of employment opportunities.

Indeed, the ideology of khadi and village industries had to undergo certain changes enabling these activities to take on the emerging challenges of the planned economic development, launched after India's independence. When guidance was sought from Vinoba Bhave for the development of khadi and village industries, he endorsed the use of power in khadi and village industries, production of khadi for sales (besides self-sufficiency khadi) and state assistance in research, training and technical development for khadi and village industries.10 Thus khadi and village industries could be modernised and their competitiveness improved in course of time.

Organisation

Before independence development of khadi and village industries was looked after by All India Spinners Association and All India Village Industries Association respectively. After independence Government of India created All India Khadi and Village Industries Board in 1952 for the promotion

of khadi and village industries as part of the planned development of the Indian economy. The Board was converted into Khadi and Village Industries Commission in 1957. The Commission has been charged with planning, promotion, organisation and implementation of the programme for the development of khadi and village industries in the rural areas. The Commission prepares plans for the development of khadi and village industries and on the basis of approved plans the Commission gets allocation of plan-resources for the promotion of khadi and village industries. The Commission implements programmes of khadi and village industries through 28 state khadi and village industries boards - 1 board in each state and union territory. There are 1,300 registered institutions and 32,000 industrial co-operative societies as in 1988-89. These organisations have developed activities in about 1.5 lakh villages employing 42.87 lakhs of workers and paying Rs.546.99 crores as wages. Among the beneficiaries scheduled castes and scheduled tribes accounts for 30% and the participation of women is as high as 46%. A brief profile of the work under khadi and

village industries is be found in Table-1.1. It is found that between khadi and village industries the former grew at lower rates than the latter in production, sales employment and wage income because khadi has to face competition from both textile mills and handlooms while village industries have to compete with the factory sector only. Because of the said twin competition and consequent reduction in volume of production in khadi, coupled with the introduction of new technology in khadi, the number of workers in khadi industry as in 1988-89 fell below the level of 1960-61. In village industries too new tools were introduced and consequently the level of employment rose at lower rate than production. Again thanks to the new techniques, wage-earning rose at higher rate than the number of workers-indicating an increase in the percapita-earning.

Patterns Of Assistance

Assistance given by Khadi and Village Industries Commission to the above institutions consists of capital expenditure loan, capital formation loan, working capital loan and grants in addition to free training facilities and research programmes organised by Commission. Loans given by Khadi and Village Industries Commission are
<table>
<thead>
<tr>
<th>Particulars</th>
<th>India 1960-61</th>
<th>India 1988-89</th>
<th>Annual compounded growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>I. Production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Rupees in crores)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Khadi</td>
<td>14.2</td>
<td>235.35</td>
<td>10.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(30.76)</td>
<td></td>
</tr>
<tr>
<td>b. Village industries</td>
<td>33.2</td>
<td>1443.39</td>
<td>14.42</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(188.70)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>47.4</td>
<td>1678.74</td>
<td>13.58</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(219.47)</td>
<td></td>
</tr>
<tr>
<td>II. Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Rupees in crores)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Khadi</td>
<td>14.1</td>
<td>258.05</td>
<td>10.90</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(33.74)</td>
<td></td>
</tr>
<tr>
<td>b. Village industries</td>
<td>28.3</td>
<td>1598.13</td>
<td>15.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(208.93)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42.4</td>
<td>1856.18</td>
<td>14.14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(242.66)</td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 1.1 (Cont.)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>India</th>
<th>Annual compounded growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960-61</td>
<td>1988-89</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

#### III. Employment
(No. in lakhs)

- **Khadi**: 17.1 \( \rightarrow \) 14.04
- **Village industries**: 6.8 \( \rightarrow \) 28.83
  
  **Total**: 23.9 \( \rightarrow \) 42.87

#### IV. Wage-earning
(Rupees in crores)

- **Khadi**: 8.6 \( \rightarrow \) 120.29 \( \rightarrow \) 9.88
  
  (15.73) \( \rightarrow \) (2.18)
- **Village industries**: 6.5 \( \rightarrow \) 426.70 \( \rightarrow \) 16.11
  
  (55.79) \( \rightarrow \) (7.97)
  
  **Total**: 15.1 \( \rightarrow \) 546.99 \( \rightarrow \) 13.68
  
  (71.51) \( \rightarrow \) (5.71)

**Note:** Figures in brackets represent money-value in the price levels of 1960-61.
interest free for khadi whereas loans for village industries carry an annual interest of 4%. Now nationalised banks also extend working capital loan to khadi and village industries. For such bank loans, borrowing institutions have to pay the banks 4% of the interest charged by the banks and the balance of the interest is paid by the Commission under interest subsidy scheme. For bank loans for khadi activities also the borrowing institutions will have to pay an interest of 4%. In addition the Commission pays rebate at a rate of 15.25% on sale of khadi cloth. Products of khadi and village industries enjoy exemption from central excise and sales tax.

**Khadi and Village Industries Under Five Year Plans**

In the First Five Year Plan, khadi and village industries were part of agriculture and were meant to reduce seasonal unemployment of agricultural workers. In the Second Plan these activities were expected to augment the supply of consumer goods and services bringing down inflationary pressure which was anticipated in the context of marked emphasis on development of heavy industries with large requirement of capital and long gestation period.¹³

¹³ Dagli, V. 'Khadi and Village Industries In Indian Economy', Commerce Publication Division, Bombay (1976) pp. 3-4.
The objectives of these programmes in the succeeding Five Year Plans have been "to generate large scale employment opportunities on a decentralised and dispersed basis, to upgrade the existing levels of skills of artisans as well as quality of their products and to step up production for both mass consumption and export".  

In pursuit of the above goals the Commission introduced a number of improvements in technology and tools in khadi and village industries in order to bring down cost of production, make these activities more competitive, reduce fatigue and tedium of workers and raise their wage income. Nepalli loom, six spindle and twelve spindle spinning equipments and power operated ghannies are among the important improved tools, inducted in khadi and village industries.

Data on plan-outlays for the development of khadi and village industries can be found in Table-1.2. It will be observed that the amount of allocation for khadi and village industries increased from Rs.11.6 crores in the first plan to Rs.540 crores in the seventh plan. However the share of these activities in the total plan resources has declined, almost continually, since second five year plan.

There are certain reasons explaining the lack-lustre performance of this sector in the planned development of the Indian economy. Owing to the competition from the organised sector in the sphere of marketing khadi and village industrial institutions are unable to expand their activities considerably. In fact due to mounting stocks of unsold khadi the volume of production of khadi had to be reduced gradually from 84.9 million square meters in 1965-66 to 60 million square meters in 1968-69 and the level of 1965-66 in khadi production could be regained only in 1982-83.


### TABLE 1.2

**PLAN RESOURCES FOR KHADI AND VILLAGE INDUSTRIES**

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Plans</th>
<th>Total Public sector outlay</th>
<th>Outlay for khadi and village industries</th>
<th>Share of khadi and village industries in total outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
<td>%</td>
</tr>
<tr>
<td>First Plan</td>
<td>1960</td>
<td>11.6</td>
<td>0.59</td>
</tr>
<tr>
<td>Second Plan</td>
<td>4672</td>
<td>78.7</td>
<td>1.68</td>
</tr>
<tr>
<td>Third Plan</td>
<td>8577</td>
<td>86.9</td>
<td>1.01</td>
</tr>
<tr>
<td>Annual Plans</td>
<td>6756</td>
<td>53.1</td>
<td>0.78</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>16160</td>
<td>97.7</td>
<td>0.61</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>37250</td>
<td>118.3</td>
<td>0.32</td>
</tr>
<tr>
<td>Annual Plans for 1978-79 &amp; 1979-90</td>
<td>24192</td>
<td>154.2</td>
<td>0.64</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>97500</td>
<td>521.8</td>
<td>0.54</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>180000</td>
<td>540.0*</td>
<td>0.30</td>
</tr>
</tbody>
</table>

* Allocation only.

Secondly, most of these organisations do not have human and other resources, on sufficient scale, for organising programmes of expansion and modernisation of these activities and cope with emerging problems of management. Thirdly, the existing number of institutions is quite insufficient for nationwide programme of decentralised activities and organisation of new sound institutions has not been easy task. As explained below, the problems and prospects of khadi and village industries have been studied by many expert committees and their recommendations for remedial action submitted.

**Review Of Literature**

Evaluation Committee for khadi and village industries (1959), Working Group On Khadi and Village Industries (1965), Khadi and Village Industries Committee (1968) and Khadi and Village Industries Review Committee (1987) evaluated the performance of khadi and village industries and recommended steps for accelerating the pace of progress in this sector. Besides the above comprehensive studies covering the whole span of activities covered under khadi and village industries individual activities like khadi and
processing of cereals and pulses and specific areas like technology were dealt with by specialised committees. Report of the Rice Milling Committee (1955) studied rice processing industry and recommended ban on expansion in the capacity of rice mills and pleaded for support to hand pounding industry. Ambar Charkha Evaluation Report (1962) examined the work of khadi industry and suggested steps for cost reduction in khadi. All India Saranjam Sammalan Report (1968) and Technology Panel for Khadi and Village Industries (1975) examined the feasibility of improved technology in khadi and village industries.

Interjit Singh and Gupta have in a study on financing of small industry in Jammu and Kashmir based their observations on survey of 50 artisans and 200 small units which were selected at random from different lines of manufacture. Arumukham, P. has examined the feasibility of applying modern tools of analysis like value added by manufacture, fundflow statement and breakeven point to the problems of khadi and village industries. He has argued that in

these industries with low value added by manufacture
main attention should be paid to acquisition of inputs.\textsuperscript{19}

In his unpublished doctoral thesis, submitted to
Gandhigram Rural Institute (Deemed University) in 1990
he has sought to evaluate the performance of Tamilnadu
State Khadi and Village Industries Board in financial
management. In addition, three M.Phil. dissertations,
by George Varghese, Vijaya and Radhakrishnan in
Gandhigram Rural Institute also deal with the problems
of financial management, as faced by khadi institutions.

Patel is of the view that in India there is much
scope for the development of village industries.
He has recommended the setting up of rawmaterial banks,
marketing outlets, training centres, demonstration
centres, technical guidance and financial facilities
to artisans for meeting the capital expenditure and
working capital needs.\textsuperscript{20}

\begin{flushleft}
\textsuperscript{19} Arumukham, P. 'Concepts and Tools of Management in
Khadi and Village Industries Sector', Khadi
Gramodyog, Khadi and Village Industries Commission,
(October 1978) pp. 77-78.
\end{flushleft}

\begin{flushleft}
\textsuperscript{20} Patel, A.R. 'Financing Village Industries Problems
and Prospectus', Khadi Gramodyog, (October 1978)
pp. 41-47.
\end{flushleft}
Dasaradharami Reddy points out that small and village industrial sector is mainly financed by non-industrial agencies. The author is of the view that institutional finance would help the revival of village industries and removal of rural poverty. The suggestion was to establish a separate funding agency viz National Bank for Village and Small Industries Development (NBVSID) on the lines of National Bank for Agricultural and Rural Development (NABARD). Basant Kumar points out that the sickness of khadi and village industries must be studied carefully with reference to its production techniques.

The above reports, books and papers have mostly addressed themselves to questions like relevance of these programmes in terms of employment, income and goods and services generated by the sector of khadi and village industries as a whole as well as problems faced by them in respect of technology, supply of raw materials, availability of finance and marketing.

Very few of these macro studies examined the performance of individual institutions in developing these activities or managerial aspects like inventory, working capital or profitability to be tackled by these institutions. A few exceptions are the doctoral thesis of P. Arumukham and M. Phil. dissertations of George Varghese, Vijaya and Radhakrishnan. These writers have examined the problems of financial management of the institutions, chosen for their studies. But questions relating to production, sales, employment and wages were left untouched in these studies. However these aspects have a vital bearing on financial performance. Whereas production and sales are at once sources of income and avenues of expenditure employment and wages are the main justification for these activities. Hence the need for their coverage.

**Objectives**

The present study is devoted to evaluation of the financial performance of khadi and village industrial institutions in Tamilnadu in developing khadi and village industries. Objectives of the study are to

a) measure the progress achieved by these institutions in respect of production, sales and employment.
b) find out changes in capital-intensity and rate of utilization of productive assets in these institutions in the wake of improvements in technology, effected in khadi and village industries.

c) assess the profitability of these activities

d) gauge the efficiency in the management of working capital and

e) study the approach and strategy of the managements of these organisations in mobilizing and applying funds in the field of khadi and village industries.

While evaluating the work of the khadi institutions in the above lines it is also proposed to bring to light the impact of the composition of the activities of the organisations on their performance. In some institutions village industries are the major activities whereas khadi is the dominant activity in some other institutions. In between two extremes there are institutions developing both of these activities in a balanced manner. The study seeks to find out if one of the above three patterns of the composition of these two kinds of activities is congenial to the efficient working of these institutions.
Hypothesis

Perusal of Table - 1.1 shows that between khadi and village industries khadi recorded a lower rate of growth than village industries. In fact it was observed that volume of production in khadi declined after 1965-66 and the production-level as in 1965-66 was regained only by 1982-83. This was due to certain special problems faced by khadi activity viz competition from textile mills and handloom and short-duration of marketing season.

Therefore one is led to conclude—although tentatively that khadi has been a drag in the performance of the khadi institutions. Also the capital cost of employment, income generated by labour and per capita wages would have increased in both khadi and village industries as a result of the improvements in technology as effected in khadi and village industries.

Whereas khadi has to follow certified costs and prices, as prescribed by the khadi certification committee village industries are free to regulate their costs and prices. Therefore village industries are likely to be more profitable than khadi. Thus institutions
with village industries as main programme are likely to earn more profit than institutions with khadi as the chief activities.

In view of the competition from textile mills and handloom and also the short duration of marketing season khadi products have to remain in godown for a longer time than village industries. Thus khadi would cause greater strain in the management of working capital than village industries. Therefore it may be suggested that institutions with village industries as major activities in their programme would record better performance than institutions with khadi as a major activity in respect of the management of the working capital.

The above hypothesis can be tested in course of this study.

**Methodology:**

The proposed study is empirical in nature. It involves inter-disciplinary analysis encompassing spheres of economics and management. Therefore tools of analysis have to be drawn from both economics and management.
Progress in production, sales, employment and earning will be evaluated in terms of annual growth rate in percentages. The concept of value added by manufacture will be employed for measuring progress in a) income generated (b) productivity of labour and c) capital intensity of khadi and village industries. Profitability ratio relating profit to investment and sales will be used in this study for measuring profitability of khadi and village industries. All commodities wholesale price index with the base year of 1980-81 will enable us to deflate values in current prices to values in constant prices. Similarly discounted cash flow technique will be adopted for compounding capital fund in the analysis of profitability.

Efficiency in the management of working capital will be gauged with the help of operating cycle of the working capital. Performance in mobilisation and deployment of funds in khadi and village industries is sought to be evaluated in the form of fundflow statement comprising sources and uses.
In Tamilnadu there is one Tamilnadu Khadi and Village Industries Board, 1260 industrial co-operatives and 72 institutions implementing the programmes of khadi and village industries. Among these institutions the working of Tamil Nadu Khadi and Village Industries Board was the subject of doctoral thesis by P. Arumukham as already cited. Therefore the Board may be excluded from the present study. Most of the industrial co-operatives are artisan based, concentrating on only one village industry which is the hereditary occupation of the artisan members. Thus we have oil co-operatives, palm co-operatives, leather co-operatives etc. On the other hand registered institutions have developed a cluster of activities under each organisation covering khadi and village industries. Therefore such composite institutions can not be compared with activity-specific industrial co-operatives. Moreover while registered institutions have a uniform pattern of statement of final accounts, the industrial co-operatives follow a slightly different pattern of final accounts as per regulations of co-operative societies act especially with reference to reserves like statutory and
non-statutory reserves which are not maintained by the registered institutions. Thus the study will have to cover either industrial co-operatives or registered institutions. Coverage of more than one activity by the registered institutions tends to make them more promising area of study than industrial co-operatives most of which run only one activity. Secondly high mortality rate of industrial co-operative couppled with large number of dorment industrial co-operatives creates an air of uncertainty about the survival of the societies till the completion of the study. Therefore the present study has to skip industrial co-operatives and concentrate on registered institutions only.

Sample

In 1980-81, there were 62 khadi and village industries institutions in Tamilnadu. Among them 19 institutions were not in a position to supply necessary data as they were newly formed institutions trying to organise their work. The remaining 43 organisations agreed to supply data as required for the present study. Thus 43 institutions constituted the sample frame. These institutions
were stratified on the basis of their location. These institutions are located in 10 districts as shown in Exhibit-1.1. It was decided to select 33.3% of the reporting institutions in each district. However in the case of district like Thanjavur and Kanyakumari where the number of the reporting institutions was less than 3 one institution from each of these districts was selected. Thus the size of sample stood at 16 institutions constituting 37.21% of the sample frame. In North Arcot District the only available institutions was selected for the study and in the other districts selection of sample institutions was done through drawing of lot. Locations of these institutions are shown in the Map of Tamilnadu in exhibit 1.2. The original plan was to select sample institutions from each district in order to cover the whole of Tamilnadu. But due to non-availability of reporting institutions some districts like South Arcot, Dharmapuri, Pudukottai and Madras city had to be skipped. The 10 districts which now figure in the sample account for 66.67% of the districts in the state as in 1980-81.
| Sl. No. | Name of the District | Total No. of institutions of khadi and village industries located | No. of institutions of khadi and village industries selected 33% | Percentage selected to the total No. of institutions of khadi and village industries in the district | Name of the institutions running khadi and village industries selected for the study |
|--------|----------------------|---------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| 1      | Coimbatore           | 12                                                            | 4                                                             | 33                                                                                                                                | 1. Avarampalayam Sarvodaya Sangh, Coimbatore.  
3. Coimbatore Central Sarvodaya Sangh, Veerapandi, Tirupur |
| 2      | Tirunelveli          | 6                                                             | 2                                                             | 33                                                                                                                                | 1. Sankaran Koil Sarvodaya Sangh, Kalugumalai.  
2. Tiruchendur Sarvodaya Sangh, Tiruchendur. |
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Tanjore</td>
<td>2</td>
<td>1</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Periyar</td>
<td>9</td>
<td>3</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. North Arcot</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Salem</td>
<td>2</td>
<td>1</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Madurai</td>
<td>3</td>
<td>1</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Ramnad</td>
<td>3</td>
<td>1</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As may be seen in the table consists of not less than 33% of total institutions of khadi and village industries located.

<table>
<thead>
<tr>
<th></th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Trichy</td>
<td>3</td>
<td>1</td>
<td>33</td>
<td>1. Trichy North Sarvodaya Sangh, Trichy.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
For the purpose of this study the sample institutions have been classified into three groups according to the relative shares of khadi and village industries in the total value of production of these institutions. At the time of classification of the institutions data from these institutions were available for 5 years only from 1980-81 to 1984-85. Therefore the classification of the institutions into three groups based on the five-year average of the relative position of khadi and village industries in the total production of these institutions.

Institutions in which khadi accounted for less than 40% of the total value of production form group-A. In institutions under group B khadi activities formed between 40% and 75% of total value of production. Institutions in which khadi production was 75% or more formed group-C.
The institutions grouped in the category A are
1. Gandhi Ashram
2. Pollachi Sarvodaya Sangh
3. Thiruchendur Sarvodaya Sangh. The institutions included in the B category are sarvodaya sanghs at
1. Kanyakumari
2. Madurai
3. Ramanathapuram and
4. Sankarankovil and in the institutions under C group are: The sarvodaya sanghs at
1. Avarampalayam
2. Annur
3. Coimbatore Central
4. M. Kumara palayam
5. Nambiyur
6. North Arcot
7. Padiyur
8. Thanjavur and
9. Thiruchirapalli North

Sources Of Data
Khadi and village industrial institutions have to submit to khadi and village industries commission quarterly and annual returns on production, sales
employment and wages. These registered institutions, which have been registered under societies of Registration Act of 1975 are required to have their annual accounts audited by auditors. These returns and audited statements of final accounts were the chief sources of data used in this study. All the sample institutions have adopted a uniform pattern of statements of final accounts comprising

a) separate accounts of purchase, production and sales for textile and non-textile activities
b) a consolidated statement of trading account and
c) a consolidated statement of income and expenditure accounts (Profit and Loss account) and
d) Balance sheet. The last 3 combining khadi and village industries. The above uniformity and consequent homogeneity of data have rendered easy classification and tabulation of data. The above particulars were supplemented with discussions held by the researcher with Secretary and Chairman of the sample institutions on various issues of khadi and village industries like problems and prospects as perceived by these institutions.
Period Of Reference

The present study covers the working of the sample institutions during a period of 10 years from 1980-81 to 1989-90.

Limitations

The sample institutions do not maintain trading accounts, profit and loss account and balance sheet separately for khadi and village industries. Consequently it has not been possible to evaluate the progress of khadi and village industries separately.

Again non-availability of data on credit purchase and credit sales has greatly hampered computation of operating cycles of working capital.

Operational Definitions Of Concepts

Capital fund means ownfund of the organisation comprising initial capital and subsequent addition thereon from retained profit.

Capital output ratio is the ratio of the net value of fixed assets used by the sample institutions for producing one rupee of net output or net value added by manufacture.
**Fixed capital** is the net value of fixed assets comprising land, buildings, machineries, equipments, tools, vehicles and furniture.

**Fundflow statement** is the statement of sources and uses of funds.

**Khādi** means any cloth woven on handloom in India from cotton silk and woollen yarn or a mixture of these yarns, hand spun in India.

**Net value added by manufacture** is the surplus of the ex-factory value of output over the value of consumption of raw materials, stores, power, fuel and fixed assets - the last being as represented by depreciation, provided under straight line method.

**Net profit** is the net surplus earned by the sample institutions after total cost of production, depreciation, interest and earmarked reserves are provided for. (The sample institutions do not have to pay tax on their income.)

**Operating Cycle**

Operating cycle is the duration of time spent by working capital as raw materials, work-in-progress, finished goods and sundry debtors before it resumes the form cash.
Village Industries

Village industries are those activities which are listed in the schedule of the Khadi and Village Industries Commission Act of 1956, along with subsequent amendments.

Working Capital

Working capital is the sum of current assets as listed in the balance sheets of the sample institutions consisting of stocks, sundry debtors, receivables, advances, loans, deposits, cash and other current assets.

Organisation Of The Study

The study contains 7 chapters. Chapter-1 introduces the subject of khadi and village industries, fluctuations in its destiny, evolution of the policy for the development of khadi and village industries and its organisational structure. Also chapter-1 highlights the need for and objectives of the study and its methodology.

In chapter-2 progress in production, sales, employment and wages is evaluated.
In chapter-3 variations in capital intensity of khadi and village industries are sought to be measured.

Chapter-4 seeks to gauge the profitability of khadi and village industrial activities.

A study of the performance in the management of working capital is covered in chapter-5.

Fundflow statement dealing with sources and uses of funds occupies chapter-6.

Findings of the study are listed in chapter-7.