

KHADI AND VILLAGE INDUSTRIES COMMISSION

5.1 INTRODUCTION

5.1.1 Khadi & Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in the rural areas, thereby strengthening the rural economy of the country. It took over the activities from the erstwhile All India Khadi and Village Industries Board w.e.f. 01 April 1957. KVIC has been identified as one of the major organisations in the decentralised sector for generating non-farm employment opportunities in rural areas at low per capita investment. It undertakes activities like skill improvement, transfer of technology, research & development, marketing, etc., in the process of generating employment/self-employment opportunities in rural areas.

5.2 MAIN OBJECTIVES

- The social objective of providing employment in rural areas;
- The economic objective of producing saleable articles; and

- The wider objective of creating self-reliance amongst people and building up a strong rural community spirit.

5.3 FUNCTIONS

5.3.1 The functions of KVIC as prescribed under the KVIC Act, 1956 (61 of 1956) and Rules made thereunder, are as follows:

- to plan and organise training of persons employed or desirous of seeking employment in khadi and village industries;
- to build up reserves of raw materials and implements and supply them or arrange supply of raw materials and implements, to persons engaged or likely to be engaged in production of handspun yarn or khadi or village industries at such rates as the Commission may decide;
- to encourage and assist in the creation of common service facilities for the processing of raw materials or semi-finished goods and for otherwise facilitating production and marketing of khadi or products of village industries;

- to promote the sale and marketing of khadi or products of village industries or handicrafts and for this purpose to forge links with established marketing agencies wherever necessary and feasible;
- to encourage and promote research in the technology used in khadi and village industries, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and arranging dissemination of salient results obtained from such research;
- to undertake directly or through other agencies, studies of the problems of khadi or village industries;
- to provide financial assistance directly or through specified agencies to institutions or persons engaged in the development and operation of khadi or village industries and guide them through supply of designs, prototypes and other technical information for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission;
- to undertake directly or through specified agencies, experiments or pilot projects which in the opinion of the Commission are necessary for the development of khadi and village industries;
- to establish and maintain separate organisations for the purpose of carrying out any or all of the above matters;
- to promote and encourage cooperative efforts among the manufacturers of khadi or persons engaged in village industries;
- to ensure genuineness and to set up standards of quality and ensure that products of khadi and village industries do conform to the said standards, including issue of certificates or letters of recognition to the concerned persons; and
- to carry out any other activity incidental to the above.

5.4 AMENDMENT TO KVIC ACT, 1956

5.4.1 One of the declarations in the National Common Minimum Programme of the Government was to revamp Khadi and Village Industries Commission (KVIC) through organisational restructuring of KVIC and initiation of measures to introduce modern management practices, in order to make khadi and village industry products competitive in the globalised economy while continuing to generate non-farm employment opportunities in rural areas. With these objectives, the Commission was dissolved and a ten-member Expert Committee was constituted in December 2004 to recommend suitable measures for its revamping, after reviewing its





structure, functioning and performance under the existing Act.

5.4.2 Based on the recommendations of the Expert Committee, important amendments have been made in the Khadi and Village Industries Commission Act, 1956, which inter-alia include the enhancement of specified population limit for small towns, fixed capital investment per artisan, increasing the number of non-official expert members, constitution of zonal committees, conferring voting rights upon the ex-officio members, specific provisions for clear demarcation of functions and powers among the Commission, Chairperson, Chief Executive Officer and the Financial Adviser of the Commission, etc.

5.5 CONSTITUTION OF COMMISSION, NATIONAL KHADI AND VILLAGE INDUSTRIES BOARD AND ZONAL COMMITTEES

5.5.1 Based on the amended Khadi and Village Industries Commission (KVIC) Act, 1956, the Commission has been reconstituted by the Government vide Notification dated 19 July 2006. In the reconstituted Commission, there are 13 members including Chairman and nominated experts from the fields of

education, science & technology, marketing and banking.

5.5.2 National Khadi and Village Industries Board has been constituted in March 2007 as stipulated in Section 10 of the amended KVIC Act read with Rule 15 of KVIC Rules. Two meetings of the Board have been held so far in July 2007 and January 2008. Further, as per Section 12A(1) of the amended KVIC Act, six Zonal Committees have also been constituted on 01 March 2007, under the chairmanship of the non-official member of the Commission representing the concerned zone.

5.6 ORGANISATIONAL SET UP

5.6.1 KVIC is functioning under the administrative control of the Ministry of Micro, Small and Medium Enterprises (erstwhile Ministry of Agro and Rural Industries), Government of India. The Commission is having its Head Office at Mumbai and six Zonal Offices located in Delhi, Bhopal, Bangalore, Kolkata, Mumbai and Guwahati and 29 State Offices to facilitate speedy implementation of KVI programmes. At the Head Office, different Directorates have been established in order to coordinate the functions like training, marketing, funding, economic research and Rural Employment Generation Programme (REGP), etc.

5.6.2 The Commission also undertakes training activities through its 38 departmental and non-departmental training centres. Marketing is taken up through 12 departmentally run Khadi Gramodyog Bhawans located in urban areas and 7050 institutional/retail sales outlets spread over different parts of the country. KVIC also

makes available quality raw material to khadi institutions through its six Central Sliver Plants (CSP).

5.7 IMPLEMENTING AGENCIES

5.7.1 Khadi and Village Industries (KVI) programmes are implemented through 33 States/Union Territories (UTs) Khadi and Village Industries Boards (KVIBs), 5,000 registered institutions, 30,000 cooperative societies and banks/financial institutions. The Khadi programme is implemented through institutions registered either with KVIC or State/UT KVIBs. In the case of village industries, the Commission implements the Rural Employment Generation Programme (REGP).

5.8 GROUPING OF INDUSTRIES

5.8.1 While the khadi programme comprises hand spun and hand woven cotton, woollen, muslin and silk varieties, the village industry programmes have been classified into seven broad groups. These are:

- Mineral Based Industry;
- Forest Based Industry;
- Agro Based and Food Processing Industry;
- Polymer and Chemical Based Industry;
- Rural Engineering and Bio Technology Industry;
- Hand Made Paper & Fibre Industry; and
- Service Industry.

5.8.2 The industries connected with meat (slaughter) i.e. processing, canning and/ or serving items made therefrom; production/ manufacturing or sale of intoxicant items like beedi/pan/cigar/cigarette, etc.; any hotel or dhaba or sales outlet serving liquor; preparation/producing tobacco as raw materials; tapping of toddy for sale; manufacturing of polythene carry bags of less than 20 microns thickness and manufacturing of carry bags or containers made of recycled plastics for storing, carrying, dispensing or packaging of food-stuff, etc., are not assisted under KVI programme as these are either not eco-friendly or against the ideology and ethos of Mahatma Gandhi.

5.9 BUDGETARY SUPPORT TO KVIC

5.9.1 The Union Government through the Ministry of Micro, Small and Medium Enterprises, provides funds to KVIC for undertaking its various activities under Plan and Non-Plan heads. These funds are provided primarily by way of grants and loans, which the Commission in turn re-allocates them to its implementing agencies, namely the State KVIBs, institutions registered under the Societies Registration Act, 1860 and cooperative societies registered under the Cooperative Acts of the State Governments, implementing banks, etc. The Commission's administrative expenditure including that on pension is met out of Non-plan Government budgetary support. The details of the funds provided from budgetary sources (both Plan and Non-plan) during the Xth Plan, are given in **Table 5.1**.

TABLE - 5.1: Details of Budgetary Allocation and Funds Released During 10th Five Year Plan

Rs. In Crore

YEAR	BUDGET ALLOCATION (RE)		FUNDS RELEASED	
	Plan	Non- Plan	Plan	Non- Plan
2002-03	394.67	84.87	340.55	83.36
2003-04	444.75	83.75	423.60	63.70
2004-05	462.00	84.91	460.99	83.90
2005-06	560.82	84.82	558.56	84.76
2006-07	592.93	84.82	589.82	83.91
Total	2455.17	423.17	2373.52	399.63
2007-08*	650.40	84.82	479.59	62.10

*up to December 2007

5.10 PHYSICAL PERFORMANCE OF THE KVI SECTOR

5.10.1 The KVI sector recorded an improved performance during 2006-07 in comparison to the previous year. The total KVI production stood at Rs. 14018.71 crore (khadi - Rs. 491.52 crore and VI - Rs. 13527.19 crore) in 2006-07 as against Rs. 12383.84 crore (khadi - Rs. 468.30 crore and VI - Rs. 11915.54 crore) in 2005-06, registering an increase of 13.20 per cent. Similarly, sales of KVI products also increased to Rs. 17562.40 crore (khadi - Rs.663.19 crore and VI Rs. 16899.21 crore) as compared to Rs. 15276.02 crore (khadi - Rs.628.69 crore and VI Rs. 14647.33 crore), thus registering a growth of 14.97 per cent during 2006-07.



5.10.2 The total cumulative employment in the KVI sector is estimated to have increased to 88.92 lakh (8.84 lakh in khadi and 80.08 lakh in VI) during 2006-07 as against the previous year's level of 82.77 lakh (8.68 lakh in khadi and 74.09 lakh in VI), registering a growth of 7.43 per cent during the period.

5.10.3 The total KVI production during 2007-08 (up to December 2007) is estimated at Rs. 10547.25 crore (Rs. 362.25 crore in khadi and Rs.10185 in VI) as compared to Rs. 10,325 crore (Rs. 339.50 crore in khadi and Rs.9985.50 in VI) in 2006-07 (up to December 2006), registering an overall growth of 2.15 per cent during the corresponding period. Sales also increased to Rs. 12967.90 crore (Rs. 447.00 crore in khadi and Rs.12520.90 crore in VI) in 2007-08 (up to December 2007) as compared to Rs. 12347.70 crore (Rs. 438.60 crore in khadi and Rs.11909.10 crore in VI) during the corresponding period of 2006-07, reflecting a growth of 5.02 per cent.

5.10.4 The total cumulative employment in KVI sector is estimated to have increased to 94.85 lakh (9.00 lakh in khadi and 85.85 lakh in VI) during 2007-08 (up to

December 2007) as compared to 85.22 lakh (8.77 lakh in khadi and 76.45 lakh in VI) persons during the corresponding period of 2006-07, thus registering a growth of 11.30 per cent.

5.11 MAJOR SCHEMES BEING IMPLEMENTED BY KVIC

5.11.1 Rural Employment Generation Programme (REGP): The Rural Employment Generation Programme (REGP), is being implemented by KVIC to generate additional employment opportunities in rural areas through setting up micro enterprises, thereby helping in reduction of migration of people from rural to urban areas. Under REGP, capital subsidy in the form of margin money is provided for setting up labour-intensive projects in rural areas as well as in small towns with population up to 20000. The main objectives of REGP are:

- To generate employment in rural areas.
- To develop entrepreneurial skills and aptitude among rural unemployed youth.

- To achieve the goal of rural industrialization.
- To facilitate participation of banks in the village industries sector so as to ensure higher credit flow to these industries.

5.11.1.1 *Salient Features of REGP are as under:*

- The programme is applicable to all village industry projects set up in rural areas.
- The eligible beneficiaries under the programme are (i) individuals (rural artisans/entrepreneurs), and ii) institutions, cooperative societies, trusts & Self Help Groups (SHGs) for projects costing upto Rs. 25 lakh.
- Partnership firms, private/public limited companies, joint ventures, joint borrowers, co-obligators of HUF are not eligible.
- The permissible margin money assistance under the Programme is as detailed in the **Table 5.2**

TABLE - 5.2: Margin Money Assistance Under REGP

Sl. No.	Category of Beneficiary	Project Cost	Margin Money Assistance
1.	General	Up to Rs. 10 lakh	25 per cent of project cost
		Above Rs. 10 lakh and up to Rs. 25 lakh	Rs. 2.5 lakh plus 10 per cent of project cost over Rs. 10 lakh.
2.	SC/ST/OBC/Women/PH/ Ex-servicemen/NE Region /Hill Areas	Up to Rs. 10 lakh	30 per cent of project cost
		Above Rs. 10 lakh and up to Rs. 25 lakh	Rs. 3 lakh plus 10 per cent of project cost over Rs. 10 lakh.

Note: SC/ST – Scheduled Caste/Scheduled Tribe; PH – Physically Handicapped; NE – North Eastern Region

- The beneficiary is required to invest own contribution of 10 per cent of the project cost. In case of SC/ST and beneficiaries from other weaker sections, the beneficiary's contribution is 5 per cent of the project cost.
- Banks will sanction loan of 90 per cent of the project cost in the case of general category beneficiaries and 95 per cent of the project cost in case of the weaker section beneficiaries. After the sanction of the credit facility, eligible amount of margin money will be kept in term deposit of two years in the account of the beneficiary at the lending bank branch, which will be credited to the beneficiary's loan account after a period of two years from the date of first disbursement of loan.
- "*Rural Area*" means the area comprised in any village, and includes the area comprised in any town, the population of which does not exceed twenty thousand or such other figure as the Central Government may specify from time to time.
- The term "*Village Industries*" has been redefined in the amended KVIC Act, as "any industry located in a rural area which produces any good or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or worker does not exceed Rs. one lakh (Rs. one lakh and fifty thousand in case of village industry located in a hilly area) or such other sum as may, by notification in the Official Gazette, be specified from time to time, by the Central Government".
- All activities which do not appear in the negative list circulated by KVIC, are eligible for financing under the scheme.
- KVIC is implementing REGP through all Public Sector Banks, Regional Rural Banks, Co-operative Banks approved by State/U.T Governments, KVIBs, Private Commercial Banks approved by the State KVIBs, and other Financing Institutions of State & Central Government as approved by KVIC.
- KVIC provides financial assistance to its State Offices as well as the State Khadi and Village Industries Boards for establishing backward and forward linkages for the entrepreneurs/institutions which consist of awareness camps, workshops, exhibitions, meetings with bankers, entrepreneurship development programme (EDP) training, etc.

5.11.1.2 Since the commencement of REGP, 2.62 lakh units have been assisted generating an estimated 39.68 lakh additional job opportunities up to 31.03.2007. State-wise performance in respect of projects sanctioned, margin money utilised and employment



generated during Xth Plan and in the current year (up to December 2007) are given in *Annexures – 5.1, 5.2 and 5.3* respectively. Keeping in view, REGP's potential, the Government is considering to continue this Scheme during 11th Plan beyond April 2008 also, after rationalising its design, introducing more focused targeting of beneficiaries and improved implementation practices by merging Prime Minister's Rozgar Yojana (PMRY) and enhancing the targets that would be allocated to KVIC. During 2006-07, against the target of generating 5.90 lakh additional job opportunities under REGP, an estimated 5.95 lakh additional job opportunities had been generated, thus recording a 4.75 per cent growth in employment generation as compared to that during 2005-06 (5.68 lakh against the target of generating 5.50 lakh job opportunities).

5.11.1.3 During 2007-08 (up to December 2007), 13432 projects have already been set up, thus generating 3.37 lakh additional employment opportunities as against the target of creation of 7.04 lakh job opportunities. A large number of projects are at 'sanction' stage and it is expected that the target set under the programme would be achieved going by the trends of previous years as well as the assessment made by KVIC in this regard.

5.11.2 Interest Subsidy Eligibility Certification (ISEC) Scheme

5.11.2.1 The Interest Subsidy Eligibility Certificate (ISEC) Scheme is the major source of funding for the khadi programme. It was introduced in May 1977 to mobilise funds from banking institutions to fill the gap in the actual fund requirement and its availability from budgetary sources.

5.11.2.2 Under the ISEC Scheme, credit at the concessional rate of interest of 4 per cent per annum for capital expenditure as well as working capital is given as per the requirements of the institutions. The difference between the actual lending rate and 4 per cent is paid by the Central Government through KVIC to the lending bank and funds for this purpose are provided to KVIC under the khadi grant head.

5.11.2.3 The institutions registered with the KVIC/State Khadi and Village Industries Boards (KVIBs) can avail of financing under the ISEC scheme. Initially, the entire KVI sector was covered, but with the introduction of REGP for village industries (VI), the ISEC scheme now supports only the khadi and the polyvastra sector. However, all VI units existing as on 31 March 1995, have been allowed to avail of this facility for the amount of bank finance availed as on that date or actuals, whichever is less and funds for this purpose are provided under the VI grant head. The extent of credit flow to the institutions under the Scheme during X Plan and in the current year 2007-08 (up to December 2007) are given in **Table 5.3**

TABLE - 5.3: Credit Flow and Subsidy under ISEC
(Rs. crore)

Year	Credit flow to khadi and polyvastra institutions	Subsidy provided by KVIC
2002-03	329.73	21.99
2003-04	362.70	18.77
2004-05	278.74	26.09
2005-06	233.23	22.38
2006-07	233.62	23.66
Total	1438.02	112.89
2007-08*	232.62	13.94

*up to December 2007

5.11.3 Rebate Scheme

5.11.3.1 The rebate on sales of khadi and khadi products is made available by the Government so as to make the price of khadi and khadi products competitive with other textiles. Normal rebate (10 per cent) all through the year and an additional special rebate (10 per cent) for 108 days in a year, is given to the customers from funds made available through budgetary support of the Ministry.

5.11.3.2 The rebate is allowed only on the sales made by the institutions/centres run by the KVIC/State KVIBs and also at the sales centres run by the registered institutions which are engaged in the production of khadi and polyvastra. The funds released to khadi institutions towards rebate during X Plan period and current financial year (upto December 2007) are given in **Table 5.4**.

TABLE - 5.4: Amount of Rebate Allowed During X Plan

Year	Amount (Rs. crore)
2002-03	111.84
2003-04	81.99
2004-05	81.18
2005-06	80.08
2006-07	101.47
Total	456.56
2007-08*	62.38
<i>(upto December 2007)</i>	

5.11.3.3 On the basis of the recommendations of the Expert Committee, an Inter-Ministerial Group (IMG) was constituted to consider the continuity of the rebate scheme or suggest a suitable alternative to this scheme. The IMG submitted its report in March 2006. Based on this Report, four pilot projects have been implemented in a few selected khadi

institutions. The final decision on the continuation or otherwise of the scheme shall be taken based on the outcome of these pilot projects. A proposal received from KVIC for introducing Market Development Assistance based on 'Production of Khadi' as a possible alternative to 'Rebate on Sale' is also under examination of the Government.

5.11.4 Product Development, Design Intervention and Packaging (PRODIP) Scheme

5.11.4.1 The Product Development, Design Intervention and Packaging (PRODIP) scheme was launched in November 2002 as a small intervention with a view to selectively improving the quality of khadi products and also to diversify into new products. The scheme envisages improvement in product quality, introduction of new designs and better packaging of products. It also seeks to improve the marketability of khadi by enlisting the support of professional designers approved by the National Institute of Design (NID). Under this scheme, financial assistance is provided to the institutions or entrepreneurs affiliated to the KVIC or State KVIBs upto Rs. 2 lakh per project per year or 75 per cent of the project cost whichever is less. In the case of individual entrepreneurs, assistance is upto Rs. 1 lakh or 75 per cent of the project cost whichever is less. The internal studies conducted by KVIC have indicated that production and sales have increased approximately by 13 per cent and 21 per cent, respectively, in the case of projects taken up under PRODIP. KVIC is getting the impact of this intervention evaluated separately. The progress made under this scheme during X Plan (2003-04 to 2006-07) and in 2007-08 is given in **Table 5.5**.

TABLA - 5.5: Projects Assisted Under PRODIP Scheme

Year	Total No. of KVI Projects Assisted
2003-04	121
2004-05	69
2005-06	116
2006-07	162
Total	468
2007-08	124
(up to December 2007)	

5.11.5 Rural Industries Service Centres (RISC) Scheme

5.11.5.1 KVIC has also taken up another small intervention called "Rural Industries Service Centers (RISC)" Scheme from 2004-05 onwards to provide infrastructural support and services to selected units to upgrade their production capacity, skills and market promotion. RISC, inter alia, provides testing facilities by establishing laboratory to ensure quality of products, improved

machinery/equipment to be utilised as common utility facilities by nearby units / artisans to enhance production capacity or value addition of the products, attractive and appropriate packaging facilities and machinery to the local units/artisans for better marketing of their products, training facilities to upgrade artisans' skills in order to increase their earnings and new design or new product and diversified product in consultation with experts /agencies for value addition of rural manufacturing units. The scheme is implemented through KVIC/KVIBs, National level/ State level Khadi and VI Federations, Khadi and VI Institutions affiliated with KVIC and KVIBs and NGOs which have already worked in the implementation of programmes relating to rural industries. Under this scheme, financial assistance for establishing projects upto Rs. 5 lakh is provided to KVI units. Each RISC programme up to Rs. 5 lakh should provide benefit to 25 individuals.



Khadi Paridhan Utsav organised by KVIC at IITF 2007

5.11.5.2 Under this scheme, 72 and 24 projects were sanctioned during 2006-07 and 2007-08 (up to December 2007), respectively.

5.11.6 Khadi Karigar Janashree Bima Yojana

5.11.6.1 In order to provide insurance cover to khadi artisans, a scheme of group insurance in the name of Khadi Karigar Janashree Bima Yojana (JBY) was launched on 15 August 2003. This scheme was formulated by KVIC in association with the Life Insurance Corporation of India (LIC) with annual premium of Rs. 200/- per beneficiary. KVIC has been able to persuade the LIC to reduce the premium to Rs. 100/- with effect from the policy year 2005-06. The premium is shared as - Rs. 50/- by the Central Government Social Security Fund, Rs. 25/- by Khadi Institution and Rs. 12.50/- each by khadi artisan and KVIC. The compensation payable under this scheme, has also been increased by 50 per cent, i.e. Rs. 30,000/- in case of natural death, Rs. 75,000/- in case of accidental death, Rs. 75,000/- in case of full permanent disability due to accident, and Rs.37,500/- in case of part permanent disability due to accident.

5.11.6.2 As an 'add-on' benefit without any extra premium, upto two school going children of insured artisans studying in class nine to twelve are also eligible to get a scholarship of Rs. 100/- each per month, under the scheme.

5.11.7 Exhibitions

5.11.7.1 Apart from promoting sales of khadi and village industries products through



Display of pottery products produced in MGIRI, Wardha seen by Union Minister (MSME) Shri Mahabir Prasad and Kum. Kumud Joshi, Chairperson, KVIC

its network of Khadi Gramodyog Bhavans (KGB) and retail sales outlets, efforts have been made to organise a number of exhibitions, in different parts of the country as a cost effective publicity and market promotion instrument. During 2006-07, special efforts were made in this regard and 106 exhibitions were organised in various parts of the country. During 2007-08, KVIC has already organised 76 exhibitions (up to December 2007) at different locations.

5.11.7.2 Further, in order to promote khadi and village industries products in the international markets, KVIC participated in 5 international exhibitions in 2006-07 along with khadi and village industries institutions/entrepreneurs at AF-L Artigiano in Feira 11th International Craft Selling Exhibition, Milan, Italy (ii) Paper World, Frankfurt, Germany (iii) MUBA-2007, Basel, Switzerland, (iv) Lyon International Fair, Eurexpo, Lyon, France and (v) Cairo International Trade Fair, Cairo, Egypt. In 2007-08 (upto December 2007), KVIC has participated in 03 such international exhibitions held at Johannesburg, Brazil and China.

5.11.7.3 Besides, KVIC has been granted 'deemed' Export Promotion Council (EPC) status by the Departments of Commerce for availing assistance on the pattern of an umbrella EPC, like Federation of Indian Export Organisations (FIEO). Proposals for participation in international exhibitions/fairs, organization of buyers-sellers meets, etc. are approved by the Department of Commerce as per admissibility under Market Development Assistance (MDA)/Market Access Initiative (MAI) guidelines. Under the KVIC-EPC, KVIC has proposed to participate in 15 international exhibitions/events, buyer-seller meets – 2 abroad and 2 in India, to send 2 trade delegations to Sri Lanka and Pakistan, and to organise seminars and workshops for proper interaction between KVIC and producing units.

5.11.8 Quality Control and Brand Promotion

5.11.8.1 In order to improve the quality of handcrafted khadi, KVIC has made arrangements with the National Institute of Design (NID), Ahmedabad; 'Dastakar', Andhra Pradesh; IIT, Delhi; and Textiles Committee, Mumbai. The Memorandum of Understanding (MoU) signed between KVIC and the Textiles Committee, a statutory body under the Ministry of Textiles has been continued during 2006-07. Under the MoU, facilities of 13 laboratories of the Committee situated throughout the country are being used for testing of khadi and polyvastra. Under the arrangement, the quality of khadi is expected to receive a fillip, thereby improving its marketability. A number of khadi institutions have availed of benefits of this arrangement.

5.11.9 Research and Development

5.11.9.1 KVIC undertakes research and development activities through in-house research and also by sponsoring projects to other R&D organisations. The main objectives of the R&D programme are achieving increase in productivity and wages of the workers, improvement in quality, efficient use of local skills and local raw materials, and reduction of human drudgery. In addition to Jamnalal Bajaj Central Research Institute (JBCRI) now renamed as Mahatma Gandhi Institute for Rural Industrialization (MGIRI), Wardha, KVIC undertakes R&D activities through Central Bee Research and Training Institute (CBRTI), Pune; Dr. Ambedkar Institute of Rural Technology and Management (AIRTM), Nashik; Kumarappa National Handmade Paper Institute (KNHPI), Sanganer, Jaipur; Central Village Pottery Institute (CVPI), Khanapur, Karnataka; and Khadi Gramodyog Prayog Samiti (KGPS), Ahmedabad.

5.12 OTHER INITIATIVES TO DEVELOP KHADI AND VILLAGE INDUSTRIES SECTORS

5.12.1 Revamping JBCRI, Wardha

5.12.1.1 The erstwhile Jamnalal Bajaj Central Research Institute (JBCRI), Wardha has been revamped with the help of IIT, Delhi, as a National level institution and renamed as Mahatma Gandhi Institute for Rural Industrialization (MGIRI). Its vision is to upgrade and accelerate the process of rural industrialization in the Country so that we can move towards the Gandhian vision of sustainable village economy, and the

products of the KVI sector can have place of pride amongst the large industrial sector and become popular in the country and abroad. The main functions of MGIRI are to improve the R&D activities under rural industrial sector by encouraging research, extension of R&D, quality control, training and dissemination of technology related information. MGIRI is operating in project mode till 31 March 2008. Government has approved the creation and filling up one post of Director and 35 other supporting posts, which are in the process of being filled up.

5.12.2 MOU with Technical Interface Institutes

5.12.2.1 KVIC has built up a large network of rural cottage industrial units producing a wide range of goods and articles catering to the rural and partly urban markets. KVIC has also undertaken certain activities under various outsourcing arrangements at Engineering and Technological institutes of repute to meet the perceived demands of making the products more marketable, either through design interventions or through quality assurance system.

5.12.3 Categorisation of Institutions

5.12.3.1 In order to streamline the payment of rebate, release of interest subsidy, supply of raw materials, etc., khadi institutions are categorized as A+, A, B, C and D on the basis of their performance in production,

sales, marketing, etc. As on 31 December 2007, the details of 1919 categorised khadi institutions are given in **Table 5.6**

5.12.4 Rural Industries Consultancy Service (RICS)

5.12.4.1 KVIC has launched a Rural Industries Consultancy Service (RICS) for providing guidance, technical and managerial support to the prospective entrepreneurs which includes preparation of projects, liaison with banks/other agencies/organisations/ local authorities in respect of the project, assistance and support to implement the project, procurement of raw materials, machinery, installation, quality control for acceptability and reliability, packaging and design for better marketing, marketing support for sustainability of the unit, etc. As on 31 March 2007, 49 such RICS have been opened in various parts of the country.

5.12.5 Government Supply

5.12.5.1 KVIC has been executing supply of its products under the 'Rate Contract' of Director General of Supplies and Disposal (DGS&D) to various Government Departments/Agencies. Based on DGS&D rate contract, items like dasuti khadi, dungari cloth, dusters, long cloth, bunting cloth and sheeting cloth, etc., are being supplied to Government Agencies and bed rolls, curtains, pillow covers, "kulhars", etc.,

TABLE - 5.6: Details of Categorised Khadi Institutions

S. No.	Type	A+	A	B	C	D	Total
1.	Affiliated to KVIC	107	289	323	308	217	1244
2.	Affiliated to State Boards	28	162	186	246	53	675
	Total	135	451	509	554	270	1919

to Indian Railways. In 2006-07, supplies worth Rs. 29.09 crore were made through DGS&D to the Government offices. During 2007-08 (up to December 2007), products amounting to Rs. 15.77 crore have already been supplied under this arrangement.

5.12.6 Registration of new Khadi Institutions belonging to SC/ST Beneficiaries

5.12.6.1 There was an internal ban (imposed by the Commission) on registration and establishment of new khadi institutions. With a view to uplifting weaker sections of the society, this ban has been removed in case of institutions managed by persons belonging to SC/ST categories. During the year 2007-08 (up to December 2007), 50 new khadi institutions have been registered under this category.

5.12.7 Khadi Artisans Welfare Trust Fund (KAWTF)

5.12.7.1 Conceptually, KAWTF is run on the pattern of Employees Provident Fund. Membership of the Fund is mandatory for all khadi and polyvastra producing institutions affiliated to KVIC and State KVIBs. The institutions categorised as A+, A, B and C are eligible to join the Fund. 21 States have been covered under this Fund, mobilising contributions of artisans and the institutions to the tune of Rs. 609.30 lakh. Cumulative balance under the Fund, as on 31.3.2007, was Rs. 3179.27 lakh.

5.12.8 National Flag Production Centre

5.12.8.1 As per the Bureau of Indian Standards (BIS), khadi is the only fabric that can be used for production of India's National Flag. One National Flag Production project

has been started in consultation with South Indian Textile Research Association (SITRA) at Karnataka Khadi Gramodyog Samyukta Sangh, an NGO of KVIC at Bengeri, Hubli (Karnataka) at an estimated cost of Rs. 51.10 lakh. The first phase of the project was commissioned during 2004-05. The National Flag Production unit has been awarded BIS certification on 17 February 2006. The unit has also installed the dyeing, processing and finishing equipment envisaged in the second phase of programme of National Flag Production Centre. The unit has the capacity to produce around 5000 National Flags of different sizes per day .

5.12.9 Khadi 'Ready-to-Use' Mission

5.12.9.1 KVIC has initiated a "Ready-to-Use" Mission during 2005-06 for khadi products. Under this mission, a major khadi institution works as a lead institution, where facilities for production of garments including covering, designing, finishing, packaging, etc., are installed. Other institutions (at least 9) working in the nearby areas are associated in a concentric manner with the activities of the lead institution. As a result, all of them are able to upgrade their product quality by sharing their experiences and common facilities installed at the lead institution(s). The National Institute of Fashion Technology is the technical consultant for the projects being set up under the mission. KVIC has identified 5 mission projects for production of "Ready to Use Khadi" in the country.

5.12.10 Central Sliver Plants (CSPs)

5.12.10.1 In order to improve the quality of raw material in khadi sector, KVIC has been operating its 6 CSPs at Kuttur, Chitradurga,



Hon'ble Prime Minister giving away the award to a woman Khadi entrepreneur

Sehore, Raibareilly, Etah and Hajipur. During 2006-07, the khadi institutions purchased slivers/rovings from these plants to the extent of 25.94 lakh kgs valued at Rs. 22.36 crore. During the year 2007-08 (up to 31 December 2007), 20.39 lakh kgs of sliver amounting to Rs. 1729.64 lakh was produced in these Plants and 23.48 lakh kgs of sliver worth Rs. 1983.85 lakh supplied to khadi institutions.

5.12.11 People Education Programme (PEP)

5.12.11.1 As a part of its publicity programme aimed at informing the people through direct interaction, KVIC during 2007-08 (upto December 2007), held 23 PEP events. Besides dissemination of information about policies/programmes/schemes of KVIC regarding rural industrialisation, essay competitions, debates and seminars are also

being organised through these events, on issues of topical interest concerning Khadi and Village Industries.

5.12.12 Credit Guarantee Trust Fund for MSME(CGT-MSME)

5.12.12.1 The Credit Guarantee Trust Fund for Micro, Small and Medium Enterprises (CGTMSME) approved the extension of the credit guarantee to loans advanced by banks under the KVIC/REGP schemes. KVIC has taken steps to publicise this scheme, in association with the Trust and the participating banks.

5.13 NEW INITIATIVES

5.13.1 Some need based interventions have been conceived by the KVIC for implementation during the XI Five Year Plan, which inter-alia include the following :

- providing workshed(s) to khadi spinners, on a pilot basis,
 - enhancing productivity of khadi industry and artisans through comprehensive backward-forward linkages, exposure visits, capacity building, common facilities, etc., in 200 selected khadi institutions (of which 50 will be those managed by SC/ST) and
 - providing nursing fund for around 200 weak institutions, renovation of sales outlets in 30 selected cases.
- These initiatives are under consideration and in the process of approval at various stages.



Kum. Kumud Joshi, Chairperson, KVIC welcoming Union Minister (MSME), Shri Mahabir Prasad at KVIC Pavillion, IITF 2007



The Union Minister (MSME), Shri Mahabir Prasad lighting a lamp at KVIC Pavillion, IITF 2007