



A STUDY ON SCHEMES AND GROWTH OF KHADI AND VILLAGE INDUSTRIES DURING COVID 19

Dr. P. Duraisamy, M.Com., M.Phil., SET., Ph.D.,

*Vice Principal, SMK Fomra College of Arts and Science, (Affiliated to University of Madras)
Kelambakkam, Chennai.*

Abstract

The Micro, Small, and Medium Enterprises (MSME) sector has evolved into a lively and active section of the Indian economy over the last five decades. It makes a substantial contribution to the country's economic and social growth by encouraging entrepreneurship and creating enormous employment prospects at a low capital cost, second only to agriculture. During Covid 19, our government has introduced many schemes to overcome the challenges. This paper is focus on Schemes and growth of Khadi and Village Industries Commission during Covid 19. It carries out operations such as skill development, technological transfers, research and development, and marketing, as well as assisting in the creation of job and self-employment opportunities in rural areas. Various schemes implemented by the KVIC during covid 19 is analysed. This study is based on secondary data from journals, newspapers and magazines. It is found that the overall production in KVI increased to Rs 78689.44 crore in 2020-21, as compared to Rs 67667.31 crore in 2019-20. The overall Sales in KVI increased to Rs 105163.36 crore in 2020-21, as compared to Rs 88875.54 crore in 2019-20. The overall Employment in KVI is also increased to 159.12 lakh in 2020-21, as compared to to 152.73 lakh in 2019-20.

Key words: *Khadi and Village Industries Commission (KVIC), Schemes and Growth.*

I. Introduction

The Khadi and Village Industries Commission (KVIC) is a Statutory Organization under the Ministry of MSME tasked with promoting and developing Khadi and Village Industries in order to strengthen the rural economy by providing employment opportunities. It was established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956). KVIC is one of the most important decentralised organisations for establishing long-term non-farm job opportunities in rural areas with low per capita investment. KVIC is a statutory organisation entrusted with promoting Khadi manufacturing and distribution. In India, KVIC's programmes are implemented by a broad network of 2737 Khadi Institutions. This activity involves over 4.97 million people. Women Artisans account for more than 80% of the total. Khadi is KVIC's one-of-a-kind initiative and a powerful tool for generating employment at the doorstep of artisans, which is executed by Khadi Institutions. Khadi Institutions are able to create employment possibilities thanks to the Modified Market Development Assistance (MMDA) and Interest Subsidy Eligibility Certificate (ISEC) Scheme. The basic aims of KVIC are: (i) giving work in rural areas; (ii) generating saleable items; and (iii) developing self-reliance among people and cultivating a strong rural community spirit.

II. Review of literature

The effect of the COVID-19 disease epidemic on Small and Medium Enterprises (SMEs) performance is significant, according to a study conducted by McKinsey in the United Kingdom. 80% of the questioned SMEs achieved stable or growing revenue for the year before the pandemic began but have experienced revenue reduction following the disease breakout, according to the study's findings. According to the study, other COVID-19-related concerns included "defaulting on loans (1%),"



"inability to retain employees (24%)," "doubt in their ability to sustain supply chains (28%)," "expectations of reducing headcount in the aftermath of the pandemic (28%)," and "postponing growth projects (36%).""Logistics, construction, and agricultural, which accounted for over 90% of questioned SMEs, are the most seriously hit sectors," according to the research, "while scientific, finance and insurance, as well as education, are the least significantly affected sectors." (2020, McKinsey & Company)

According to Fornaro and Martin (2020), the Coronavirus outbreak caused a long-term supply disruption that could endure well beyond the pandemic's end. According to the study, the virus's spread could result in a demand-driven slowdown in operations, as well as a supply–demand doom cycle and stagnation traps. Bold policies to boost investment in all parts of the economy, including operations, according to the paper, can break the supply–demand doom cycle and revitalise global economies. "According to Alcalde-Heras et al., "SMEs use more ambidextrous innovation strategies than larger firms during recession periods due to top management's ability to anticipate eventualities; and their potential to acquire necessary external resources through alliance co-operation" (2019). According to the WTO (2020), the most significant impediments to MSMEs' progress towards more equitable trade are demand shocks and supply chain disruptions exacerbated by the pandemic, as well as MSMEs' small size, which limits their growth potential.

COVID-19 has spill over effects, according to Ozili and Arun (2020), and the social distancing measure of virus containment resulted in the closure of financial markets, corporate offices, businesses, and events, which might have a considerable impact on economic growth. According to the International Labour Organization (ILO), China's total value added of industrial companies fell by 13.5% in the first two months of 2020. (National Bureau of Statistics of China, 2020). Many organisations and scholars have made calculations and estimates about the economic consequences of the COVID-19 pandemic. Though the degree and size of the consequences vary, there is already a good level of consensus that the economic impact on the global economy, as well as on Indian economic growth, would be far greater than the global financial crisis (GFC) of 2008. According to the IMF's most recent forecast, the world economy would shrink by 4.9 percent in 2020, nearly three times as much as it did during the Great Recession, and the Indian economy will expand at a negative rate of 4.5 percent.

III. Statement of the problem

Last year, we received a large number of government orders. While there was no sale during the pandemic, we had established an online sale to help with the expansion. Furthermore, with the approval of khadi outlets last year, extensive marketing was performed, and people began to accept local items. Khadi has never changed its path in life. Because these khadi producing clusters are geographically dispersed and not organised as urban centres, they work in tandem with social distance during pandemics. This paper analysis the schemes implemented by KVIC and growth of KVIC during Covid 19.

IV. Objectives of the study

- To study the schemes implemented by KVIC during Covid 19.
- To analysis the Growth of KVIC during Covid 19.

V. Research Design of the Study

Data for this present study have been collected from secondary source. The present study mainly considers the secondary data for the analysis of the schemes implemented by KVIC and Growth of



KVIC during covid 19. The secondary data were collected from various publications of economic reviews, journals of management and Indian management studies.

VI. Major schemes being implemented by KVIC

1. Prime Minister's Employment Generation Programme (PMEGP):

PMEGP is a bank-accredited and funded "credit-linked subsidy programme" that aims to create jobs by establishing non-farm based micro enterprises for self-employment in both rural and urban areas of the country. The KVIC is the sole Nodal Agency for executing the plan across the country at the national level, while the KVIC and State Khadi and Village Industries Boards (State KVIBs) in rural regions are the implementing agencies at the state/district level.

2. Interest Subsidy Eligibility Certificate (ISEC) Scheme:

In May 1977, the Government of India introduced the "Interest Subsidy Eligibility Certificate" (ISEC) Scheme for Khadi Institutions to raise additional funds from Financial Institutions / Banks. The ISEC Scheme is the primary source of funding for the Khadi Program, as well as the Village Industries Program to a lesser extent. From 2012 to 2013, the ISEC for Village Industries was no longer active. All registered Khadi Institutions under the KVIC / KVIB Khadi and Polyvastra programme are eligible for the ISEC Scheme. Credit is provided for Capital Expenditure (CE) and Working Capital (WC) as required by KVI Institutions under the scheme at a concessional rate of interest of 4% per annum. The difference between the actual lending rate and 4% is reimbursed to the lending banks by the Central Government through the Khadi & Village Industries Commission (KVIC), with monies allocated to KVIC under the Khadi Vikas Yojana Grant head.

During the fiscal year 2019-20, Rs. 38.02 crore was distributed to 1289 Khadi Institutions, with ISEC funds going to Khadi and Polyvastra. Rs. 24.96 crore has been disbursed to 1,002 Khadi Institutions under ISEC to Khadi & Polyvastra in the fiscal year 2020-21 (till December 31, 2020). The estimated payout under ISEC to Khadi and Polyvastra during 2020-21 (up to 31 - 03 - 2021) is Rs. 40.00 Crore to 1370 Khadi Institutions.

3. Modified Market Development Assistance (MMDA):

With effect from the 3rd quarter of 2016-17, the Government of India has implemented the "Modified Market Development Assistance" (MMDA) plan, which provides a 30% grant on the prime cost of Khadi and Polyvastra. The Modified MDA Scheme intends to decouple the sales price from the cost chart, allowing institutions to add value to Khadi and sell the products at market-driven rates. The MMDA is computed at 30% of the Prime Khadi & Polyvastra Cost, which includes the cost of raw material, conversion charges up to grey cloth, and processing charges without margins, as defined in the Cost Chart. Khadi Institutions that engage in both production and sales will be entitled to 60% of the MMDA (40 percent for production and 20% for sales); the remaining 30% will be paid to Spinners and Weavers, and 10% to Karyakartas And other artists.

MMDA to Khadi&Polyvastra disbursed Rs. 255.38 crore to 1239 Khadi Institutions and 1,66,876 artisans during 2019-20. Under the MMDA to Khadi & Polyvastra, Rs. 155.00 Crore was given to 1,058 Khadi Institutions and 1,22,539 craftsmen from 2020 to 21 (up to 31-12-2020). The estimated payment under the MMDA to Khadi and Polyvastra for 2020-21 (up to 31 - 03 - 2021) is Rs. 291.00 Crore to 1239 Khadi Institutions and 1,66,876 artisans.



4. Strengthening of Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure

The project is made up of two sub-schemes: "Strengthening of Existing Weak Khadi Institutions' Infrastructure" and "Assistance for Marketing Infrastructure." Weak / Problematic Khadi Institutions receive support up to Rs. 9.90 lakh under the scheme, Strengthening of Infrastructure of Existing Weak Khadi Institutions, to bring their activities back to normalcy. Khadi Institutions, KVIB sales outlets, and Departmental Sales Outlets received up to Rs. 25.00 lakh in assistance for developing marketing infrastructure, such as a common logo, signage, visual merchandising, computerization, including billing and barcoding, training of sales staff, furniture and fixture, including civil works incidental to renovation, and so on.

Under the Strengthening of Infrastructure of Existing Weak Khadi Institutions, Rs. 6.19 crore has been disbursed to 50 Khadi Institutions for 2020-21 (till December 31, 2020). In addition, under the Assistance for Marketing Infrastructure programme, Rs. 2.88 crore was disbursed for the renovation of 20 Khadi Institutions sales outlets. 50 Khadi Institutions are expected to benefit from the Strengthening of Infrastructure of Existing Weak Khadi Institutions programme between 2020 and 2021 (up to 31 March 2021). In addition, under the Assistance for Marketing Infrastructure programme, 50 Khadi Institutions sales locations are expected to be renovated.

5. Work-shed Scheme for Khadi Artisans

The "Work-shed Scheme for Khadi Artisans" was implemented in 2008-09 with the goal of providing enough space and a pleasant working environment for Khadi artisans, resulting in greater production and earnings. This Work-shed Scheme benefited 1477 Khadi Artisans from 2019 to 2020. This Work-shed Scheme is estimated to help 833 Khadi Artisans between 2020 and 2021 (until 31 March 2021).

6. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) was developed by the Indian government with the goal of organising traditional craftspeople into clusters and making traditional industries more productive, profitable, and capable of creating long-term employment. Clusters are given support in setting up Common Facility Centers, Raw Material Banks, machine acquisition, training, exposure trips, branding, and other things under the scheme. The scheme allows the government of India to provide up to Rs. 5 crore in support for a cluster of more than 500 artisans and up to Rs. 2.5 crore for groups of up to 500 artisans. This SFURTI Scheme has aided a total of 88 Clusters (Khadi: 10 and Village Industries: 78) since its commencement through December 31, 2020.

This SFURTI Scheme aided 27 clusters (Khadi: 2 and Village Industries: 25) from 2019 to 2020. This SFURTI Scheme is anticipated to help 50 clusters (Khadi: 10 and Village Industries: 40) between 2020 and 2021 (up to 31-03-2021).

7. Convergence of Khadi Artisans Insurance Scheme:

Aam Admi Bima Yojana (AABY) to PMJJBY / PMSBY: As a social security policy for Khadi craftsmen, the KVIC developed a Group Insurance Scheme called "Aam Admi Bima Yojana (Khadi Karigar Jana shre eBima Yojana)" on August 15, 2003. This is a one-of-a-kind scheme created by the Life Insurance Corporation of India (LIC) for Khadi Artisans. Artisans from all around the country are covered by the scheme, which is managed centrally. The premium is split between KVIC, Khadi Institutions, Artisans, and the Government of India under the Scheme. Replacing this scheme, the Government of India has introduced two schemes, one with the convergence of Aam Admi Bima



Yojana with Pradhan Mantri Jeevan Jyothi Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) for the artisans belonging to the age group from 18 to 50 years; and The other is the Modified Aam Admi Bima Yojana (Modified AABY), which is for artisans between the ages of 51 and 60.

8. Mission Solar Charkha

The plan calls for the creation of "Solar Charkha Clusters," which would consist of a core hamlet and surrounding villages within an 8 to 10-kilometer radius. Spinners, Weavers, Stitchers, and other Skilled Artisans will be among the 200 to 2042 beneficiaries of such a Cluster. In 2016, a Solar Charkha pilot project was launched in Khanwa village, Nawada District, Bihar. Based on the success of the pilot project, the Indian government has approved the construction of 50 Solar Charkha Clusters in 2018-19 and 2019-20. Nearly one lakh people are expected to be directly employed as a result of the scheme.

9. Khadi Reform and Development Programme (KRDP):

The Government of India launched the Khadi Reform and Development Programme (KRDP) and backed it up with a US\$105 million loan from the Asian Development Bank (ADB). The Government provides financial support in the form of a grant to the Khadi and Village Industries Commission for the implementation of the Khadi and Village Industries programmes. The Khadi and V.I. Institutions / Implementing Agencies receive help.

32 Clusters (Khadi: 30 and Village Industries: 2) are expected to receive Direct Reform Assistance (DRA) under the KRDP from 2020 to 21 (up to 31 - 03 - 2021).

10. Village Industries

"Village Industry" refers to any rural industry that produces goods or provides services with or without the use of electricity, and in which the fixed capital investment per head of an artisan or worker does not exceed Rs.1.00 lakh in plain areas and Rs.1.50 lakhs in hilly areas, or such other sum as the Central Government may specify from time to time by notification in the official gazette. In the fiscal year 2019-20, Village Industries produced Rs. 65343.07 crore and sold Rs. 84664.28 crore. In addition, the Village Industries programme provided 147.76 lakh jobs.

Village Industries produced Rs. 53705.04 crore and sold Rs. 70459.28 crore in 2020-21 (up to December 31, 2020). In addition, the Village Industries programme provided 150.31 million jobs.

11. Honey Mission

The Khadi & Village Industries Commission (KVIC) is working to expand the beekeeping industry with the goal of improving the lives of people living in remote rural areas by introducing and popularising modern beekeeping and providing long-term jobs and income. Honey Mission received permission from the Ministry of MSME. During the 2018-19 fiscal year, 95,726 Bee Hives (Boxes) with Bee Colonies were provided to 9,636 beneficiaries. Since its start, the Honey Mission programme has distributed a total of 1,40,959 Bee Hives (Boxes) with Bee Colonies to 14,215 Beekeepers. Under the Honey Mission programme, 26,148 Bee Hives (Boxes) with Bee Colonies were supplied to 2,637 Beekeepers between January and June 2019.

Under the Honey Mission programme, 2,750 Bee Hives (Boxes) with Bee Colonies were supplied to 275 Beekeepers between 2020 and 21 (through December 31, 2020). 8,000 Bee Hives (Boxes) with



Bee Colonies were expected to be supplied to 800 Beekeepers under the Honey Mission initiative between 2020 and 2021 (up to 31 March 2021).

12. Kumbhar Shashaktikaran Programme

Electric Pottery Wheels, as well as other tools and equipment, were supplied to Pottery craftsmen by the Khadi & Village Industries Commission (KVIC) under the Mineral Based Industry programme, in order to boost Pottery households. Since its start, the Kumbhar Shashaktikaran programme has supplied 15,735 Electric Pottery Wheels, 1048 Clay Blungers, 360 Pum-mills, and 54 Up-draught Pottery Kilns to 15,735 Pottery craftsmen. A total of 62,940 ceramic artists benefited as a result of this. Under the Kumbhar Shashaktikaran initiative, 6,880 Electric Pottery Wheels and 688 Clay Blungers were supplied to 6,880 Pottery craftsmen from 2019 to 20. A total of 27,520 ceramic artists benefited as a result of this.

Under the Kumbhar Shashaktikaran initiative, 2,300 Electric Pottery Wheels were provided to 2,300 Pottery craftsmen between 2020 and 21 (till December 31, 2020). A total of 9,200 ceramic artists benefited as a result of this. Under the Kumbhar Shashaktikaran scheme, 6,495 Electric Pottery Wheels were anticipated to be supplied to 6,495 Pottery craftsmen between 2020 and 21 (up to 31-03-2021). This was expected to assist 25,980 ceramic artisans.

VII. Growth of The Khadi and Village Industries

Rural and urban populations, primarily Spinners, Weavers, and other Artisans distributed across the country, rely on Khadi and Village Industries for their living. The following tables compare the performance of Khadi and Village Industries in 2019 - 20 and 2020 - 21 (actual up to 31 - 12 - 2020 and estimated up to 31 - 03 - 2021).

1. Growth in Production of Khadi and Village Industries

Table 1 shows the Comparative analysis of Growth in Production of Khadi and Village Industries during Covid 19.

Table-1, Growth in Production of Khadi and Village Industries (Rs. in Crores)

S.No	Industry	2019-2020	2020-2021 (Up to 31.12.2020)	2020-2021 (Up to 31.3.2021)
1.	Production			
a.	Khadi	2058.53	1186.46	1850.76
b.	Polyvastra	258.94	156.73	250.25
c.	Solarvastra	6.77	1.50	3.00
d.	Village industries	65343.07	53705.04	76582.43
	Total KVI Productions	67667.31	55049.73	78686.44

Source: Annual report of MSMEs

From table 1 we have identified that the production of all the industries like khadi, Polyvastra and village industries have randomly increased and Solarvastra decreased in their growth as compared to the previous year.

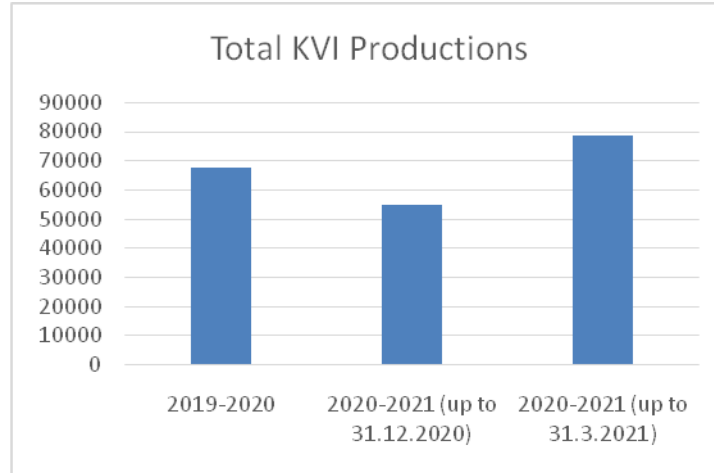


Figure-1, Growth in Production of Khadi and Village Industries

2. Growth in Sales of Khadi and Village Industries

Table 2 shows the Comparative analysis of Growth in sales of Khadi and Village Industries during Covid 19.

Table-2, Growth in Sales of Khadi and Village Industries (Rs. in Crores)

S.No	Industry	2019-2020	2020-2021 (Up to 31.12.2020)	2020-2021 (Up to 31.3.2021)
II	Sales			
a.	Khadi	3634.41	1649.13	3441.51
b.	Polyvastra	570.92	226.65	410.43
c.	Solarvastra	5.93	1.41	4.55
d.	Village industries	84664.28	70459.28	101306.87
	Total KVI Sales	88875.54	72336.47	105163.36

Source: Annual report of MSMEs

From table 2 we have identified that there is a increase in Sale of village industries as compared to the previous year and growth of other industries like Khadi, Polyvastra and Solarvastra are decreased.

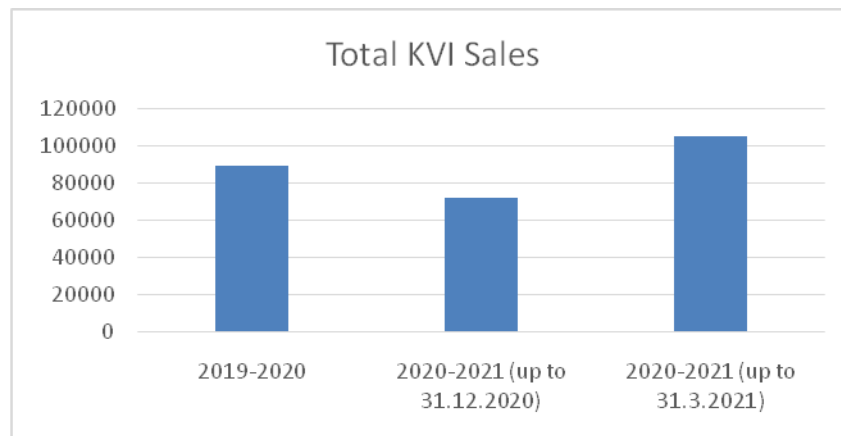


Figure-2, Growth in Sales of Khadi and Village Industries



3. Growth in Employment of Khadi and Village Industries

Table 3 shows the Comparative analysis of Growth in employment of Khadi and Village Industries during Covid 19.

Table-3, Growth in Employment of Khadi and Village Industries (Employment in lakh persons)

S.No	Industry	2019-2020	2020-2021 (Up to 31.12.2020)	2020-2021 (Up to 31.3.2021)
3.	Employment			
a.	Khadi	4.61	4.61	4.63
b.	Polyvastra	0.30	0.30	0.31
c.	Solarvastra	0.06	0.06	0.06
d.	Village industries	147.76	150.31	154.12
	Total KVI Employment	152.73	155.28	159.12

Source: Annual report of MSMEs

From table 3 we have identified that there is a random increase in Employment of all the industries like khadi, Polyvastra, and Village industries whereas Solarvastra is stable in their growth.

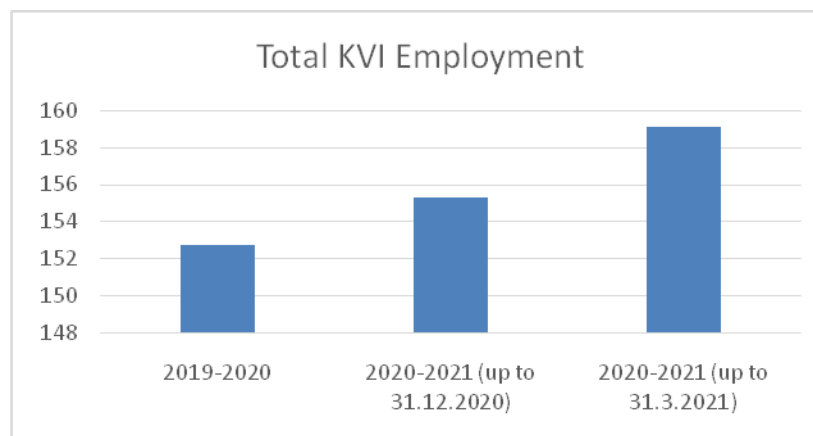


Figure-2, Growth in Employment of Khadi and Village Industries

VIII. Conclusion

The study was concluded that the Covid-19 pandemic has created a little growth in the Khadi and Village Industries. The Ministry of MSME is working to make these businesses more global and improve the entire business climate for all stakeholders by making it more hospitable and transparent. Small businesses' potential contribution is becoming increasingly recognised in both developed and developing countries. The backbone of any industrialised economy is, without a doubt, a healthy small business sector. Entrepreneurship training is increasingly being explored in most nations throughout the world to stimulate local entrepreneurship and speed up the development of small businesses. Raw material procurement, finance demands, market linkages, quality, standardisation, pricing, company turnaround time, lobbying, and other issues affect businesses of all sizes in India. New government actions are likely to function as a spur for the sector, not just in terms of recovering from pandemic-related shocks, but also in terms of preparing for a brighter future.



References

1. Mamta Chaudhary and Anjali Saini, (2015) “Globalization and Its Impact on the Performance of Small-Scale Industries in India”, International journal of Trade & Commerce-IIARTC, Vol. 4, No. 1, April, pp.160-171.
2. Tandon B.C, (1975) Environment and Entrepreneur, Chugh Publication, Allahabad, p.2, 38, 53. The Economic Times, 8th November, 2005.
3. Vasant D., (2004) “Dynamics of Entrepreneurial Development and Management”, Himalaya Publishing House, New Delhi, p.17.
4. McKinsey & Company. (2020). How the Covid-19 crisis is affecting UK small and medium size enterprises. <https://www.mckinsey.com/industries/public-sector/our-insights/how-the-covid-19-crisis-is-affecting-uk-small-and-medium-size-enterprises>
5. Fornaro, L., & Wolf, M. (2020). Covid-19 corona virus and macroeconomic policy (CEPR Discussion Paper No. DP14529). <https://ssrn.com/abstract=3560337>
6. Schumpeter J. A., (1939) Business Cycle, Mc Graw Hill Book Company, New York, p.103.
7. Alcalde-Heras, H., Iturrioz-Landart, C., & Aragon-Amonarriz, C. (2019). SME ambidexterity during economic recessions: The role of managerial external capabilities. Management Decision, 57(1), 21–40.
8. Subramanian, S., Trischler, A., Bengio, Y., & Pal, C. J. (2018). Learning General Purpose Distributed Sentence Representations via Large Scale Multi-task Learning. Accessed from <https://arxiv.org/abs/1804.00079>
9. Mbau, M. W. (2016). Competitive positioning through strategic inter-firm alliances: A case of Safaricom Limited [Unpublished masters’ thesis]. Chandaria School of Business.