

# GUIDELINES FOR SCHEME FOR ENHANCING PRODUCTIVITY AND COMPETITIVENESS OF KHADI INDUSTRY AND ARTISANS

1.1 Khadi, the fabric of freedom, has been a source of livelihood to a large number of spinners, weavers and other artisans spread across the country living in the rural as well as urban areas. Though handcrafted characteristic is the USP of Khadi, use of appropriate technological implements play a vital role in achieving better productivity and quality besides reducing drudgery. Sustainability of traditional khadi industry is largely dependent on provision of facilities so that the artisans' productivity is enhanced and competitiveness of the activity is maintained.

1.2 The instant scheme envisages a comprehensive support to around 200 Khadi Institutions in order to make khadi industry more productive as well as competitive and also strengthen its potential for creation of qualitative employment.

## II. Objective

2.1 The primary objectives of this scheme are to:

- make khadi industry more competitive with more market-driven, profitable, production and sustained employment for khadi artisans and related service providers by replacement of obsolete and old machinery and equipment and repairs to/renovation of existing/operational machinery and equipment;
- extend an evenly balanced and need-based support in all areas of Khadi activities viz. production, distribution, promotion and capacity building;
- provide appropriate incentives to shift to market driven approach.
- the scheme would cover activities upto cloth stage and may not venture into readymade garments.

## III. Target Beneficiaries

3.1 The targeted beneficiaries of the scheme would be spinners, weavers, pre-weaving artisans, washer men, dyers and printers, workers (karyakartas) of the khadi institutions, manufacturers of tools and equipment, common service providers engaged in khadi industry associated with selected khadi institutions from among the 200 Khadi institutions affiliated to KVIC / State or UT KVI Boards covering all categories of institutions as detailed below:

Category	A & A+	B	C	SC/STs	NER
No. of institutions to be covered	45	45	45	45	20

#### IV. Criteria for Selection

1. The implementing agency has to be a directly aided institution of KVIC or that of State Khadi & V.I. Board (KVIB).
2. The implementing agency has to be an 'A+', 'A', 'B', 'C' and SC/ST institution classified as such by the KVIC and also those registered in NER. Parameters for categorization of Khadi Institutions is at Annexure 'A'.
3. The implementing agency has to have a standing in the field of Khadi work for minimum period of last 20 years and be engaged in implementing Khadi programme in a composite manner, i.e., spinning, weaving and marketing of khadi;
4. The scale of the activities of the implementing agency or group of implementing agencies in the selected scheme should be as follows:-
  - a) A minimum of 300 full time artisans should be registered with the implementing agency up to 31.03.2006. For N.E. States – 150 full time artisans;
  - b) Production and/or average sales turn over should be at least of Rs.50.00 lakhs per annum in the last three years (up to 2005-06). In the case of North-East States – Rs.25.00 lakhs.
  - c) Adequate land or buildings should be available with the implementing agency so as to accommodate the infrastructure envisaged in the scheme.
5. The implementing agency should be able to contribute its share of financial contribution as indicated in the scheme.
6. The implementing agency should replace the spinning and weaving implements with improved spinning implements (8-spindle N.M.C./improved basins etc.) and weaving implements (improved looms/dobby/jacquard etc.).
7. The implementing agency should employ one trained supervisory spinning worker over every 50 N.M.C./basin and trained supervisory weaving worker so that the quality of yarn and Khadi is not compromised in the interest of marketability of the finished product.
8. The implementing agency shall draw its raw-material requirement from the nearest Central Sliver Plant of the KVIC or its local godown. In case of silk, it should be obtained from the raw material bank operated by Central Silk Board and other Government or quasi -Government agencies.
9. The institutions should have reported positive financial result for the last 5 years, availed bank finance at least for last three years continuously and capable to procure additional bank finance, except the newly registered SC/ST institutions and those in NER.
10. The artisans to be covered under the scheme should be brought under the umbrella of social security such as Janashree Bima Yojana and Artisans Welfare Fund Trust of the implementing agency.

11. The institutions should have taken initiatives in adopting science and technology development and research and development projects by engaging qualified and experienced personnel as prescribed by KVIC.
12. The institution has to submit an action plan clearly committing that during the scheme intervention it will double the production and ensure that the earning of artisans increases two fold of their present earning.
13. The institution will also submit an undertaking to switch over to MDA Scheme when implemented.
14. The institution will have to clearly indicate that they will conduct periodical testing of their product to ensure quality, in the manner prescribed separately by KVIC.

#### V. Intervention / Support Measures

1. Introduction of new technology and reduction in drudgery in pre as well as post weaving processes;
2. Introduction of need-based dyeing and printing facilities;
3. Production of market-oriented khadi products upto cloth stage, with higher productivity and cost competitiveness; and
4. Market promotion as well as capacity building at various levels and aspects in the functioning of Khadi institution and also engagement of expert manpower for proper implementation of the scheme.

#### VI. Scheme Coverage

- 6.1 The Scheme will cover a total of 200 Khadi institutions encompassing all categories of institutions, as mentioned under “para III - Target Beneficiaries” so as to maintain inclusive growth of khadi sector.
- 6.2 While selecting the institution for implementation of the scheme, it will be ensured that the scheme spreads all over the country reasonably evenly. However, Khadi institutions in the less developed States and backward States will get assistance on preference.
- 6.3 In the same manner, Khadi institutions while selecting artisan beneficiaries will target their coverage in such a manner that the socially backward and weaker sections of the society are adequately represented. The representations at least will be SC – 15%, ST – 8.2%, Minorities – 15% and Women – 30%. Detailed records in this regard will be maintained in each assisted institution and reports furnished regularly to KVIC.

VII Financial Assistance

7.1 The following Table illustrates the pattern of financial assistance under the Scheme:

Sr. No.	Component	Funding pattern under the scheme (of total cost)		
		Category of Khadi institutions	Govt. Grant (%)	Institution's contribution (%)
1	Replacement of charkhas and looms (Average cost – Rs. 12 lakh per institution).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		
2	Service Centre for warp units ready to use warps for weaving, Post loom facilities, product testing laboratory etc. (Average cost – Rs.9 lakh per SC).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		
3	Product Development Design Intervention and Packaging (Average cost – Rs. 2 lakh per institution).	A+, A	75	25
		B & C		
		SC, ST	90	10
		NER		
4	Market Promotion Assistance (Average cost – Rs. 8 lakh per institution).	All categories	90	10
5	Capacity Building Measures Average cost – Rs. 5 lakh per institution).	All categories	90	10
6	Techno-managerial support Average cost – Rs. 5 lakh per institution).	All categories	90	10
7	Reporting, documentation, studies etc. ( Lump sum Rs. 1 lakh).	All categories	100	-

It is reiterated that the scheme is restricted for activities upto cloth stage only.

VIII. Financial Outlay:

8.1 Based on the estimated cost mentioned above, the year-wise financial outlay is given below:

**Year-wise financial outlay**

Year	Funds required (Rs. crore)		
	GOI	Khadi Institutions	Total
2008-09	10.67	1.93	12.60
2009-10	14.23	2.57	16.80
2010-11	21.34	3.86	25.20
2011-12	24.90	4.50	29.40
<b>Total</b>	<b>71.14</b>	<b>12.86</b>	<b>84.00</b>

ix.

**Improvement IN Production, Sales and Employment**

9.1 The expected increases in production and sales of khadi and khadi products and in employment are projected as under:

**(a) Production**

Details	Base year 2007-08	2008-09	2009-10	2010-11	2011-12
<b>Khadi cloth (million sq. mtrs.)</b>					
Enhancement of Productivity and SFURTI etc.	32.35	37.20	43.68	53.37	64.70
<b>Khadi cloth (Rs. in crore)</b>					
Enhancement of Productivity and SFURTI etc.	226.48	260.48	305.75	373.69	452.96

An explanatory note on the projections made above is at **Annexure 'B'**.

**b) Sales**

(Rs.. in crores)

Base year 2007-08	2008-09	2009-10	2010-11	2011-12
248.10	285.32	334.94	409.36	496.29

An explanatory note on the projections made above is at **Annexure C**.

**c) Employment**

(lakh persons)

Base year 2007-08	2008-09	2009-10	2010-11	2011-12
3.99	4.01	4.04	4.09	4.14

The proposed intervention will thus create an additional employment for approximately **15,000** artisans in spinning, weaving, post loom activities like sizing, etc., as detailed in the explanatory note at Annexure 'B'. The scheme envisages new employment of **15,000** against an investment of Rs. 84 crore. **Therefore, for creation of one new employment the investment would be Rs. 56,000 which is well below the statutory ceiling of Rs. 1 lakh of fixed investment per (new/additional) artisan/worker engaged in village industry under section – 2(i) of KVIC Act 1956 as amended up to 22 March 2006.**

- a) In addition to the creation of 15,000 additional employment opportunities, by the end of the project, about 60,000 spinners and weavers will also get benefited in view of increase in their income levels by 20-25 per cent. The projections for the number of existing spinners and weavers getting benefit of the scheme are given in **Annexure C**. Improved operational efficiency of the khadi institutions will be evident from the performance indicators like gross output, upgradation of technology and processes, quality assurance and human resource development. This, in turn, will help in augmentation of the trade capacities of the institutions to access not only the domestic market but also international markets effectively. The targeted khadi institutions will become more competitive in terms of growth and will also serve as a replicable model for other institutions in the country. Details of improvement in level of earnings as a result of implementation of Scheme are given at **Annexure – 'C'**.

#### X. Distribution of Charkhas

- 10.1 The equipment – charkhas, looms procured and supplied to spinners/weavers shall be installed in their homes or in a common work shed, as relevant or applicable in each case. The ownership of Charkhas and Looms would be given to artisans and institutions would continue to extend all support to the artisans. The institution shall not pass the cost of charkhas/looms on to the artisans nor shall it build in any cost element on this account in its cost chart of khadi production. The distribution of charkhas would be made through a tripartite Agreement (MOU) to be entered amongst the KVIC, the khadi institution and the Artisans so as to ensure proper the utilization of the implements in the implementation of Khadi programme. While the artisans will not misuse the charkhas, at the same time, the institutions have to offer all backward forward-linkages such as supply of raw material, production of finished goods against payment of proper wages and arrangements for maintenance, overhauling, etc. Since the implements are to be given to the artisans free of cost, in case they cease to associate with Khadi activity, they should return implements to the institution for their re-distribution to some other artisan. The institution would be free to forfeit the implements from such artisans as have either stopped production or failed to ensure proper upkeep of the implements and re-allocate these charkhas to other willing artisans/weavers. The above requirements will be incorporated in the proposed MOU.

#### XI. Implementation sequence

1. KVIC Central Office will arrange to issue an indicative target of institutions State/Divisional Office-wise to be covered under the Scheme.
2. State/Divisional Offices of KVIC will identify as many number of institutions based on the prescribed criteria and submit the same to KVIC Central Office.

3. A Steering Committee to be chaired by CEO, KVIC will examine the proposals submitted by the field offices and extend its administrative approval to go ahead.
  4. The institutions will arrange to develop detailed action plan along-with financial implication and submit to State/Divisional Office of KVIC.
  5. State/Divisional Offices will examine the proposal through a State Level Standing Committee and forward the proposal to KVIC Central Office for seeking financial approval.
  6. Financial approval will be extended with concurrence of Financial Advisor and Chief Executive Officer, KVIC. The release of fund will be made with usual condition for release of programme fund to implementing agencies / institution.
  7. The institution will maintain a separate account and utilize the fund with the prior concurrence of State Level Standing Committee. The institution will prepare detailed expenditure budget of each item / aspect and utilize fund with the concurrence of Standing Committee to be headed by Zonal Dy. CEO, KVIC.
  8. State/Divisional Office, KVIC will assist the institution in the engagement of suitable personnel as envisaged in the scheme in a transparent manner in accordance with the specific qualification and experience prescribed by KVIC.
  9. Implementing institutions will submit monthly progress report to State/ Divisional Office in the prescribed format and submit the same to the State Level Standing Committee.
  10. State/Divisional Office will assign one official as Nodal Officer to extend all support and guidance to the institution.
  11. KVIC will arrange to study/ evaluate the programme, implemented by the institutions, every six month.
  12. KVIC will also arrange to conduct an impact study through a professional agency and submit its report to the Ministry of MSME, after (2) two years of its commencement.
- XII. Scheme Management : Physical as well as Financial
1. Implementation of the scheme would be directly monitored / supervised by a Nodal Officer assigned by KVIC. He will submit monthly reports in respect of production, sales and employment in prescribed formats.
  2. There shall be a “State Level Standing Committee” consisting of the State Director of KVIC; CEO, State KVIB; representative of the Lead Bank of the State; Chairman, State Level Khadi Federation and a local expert in textile and allied profession.
  3. The Scheme will be administered at the Central Office level of KVIC by a Steering Committee headed by CEO, KVIC. Joint Secretary, MoMSME and Financial Advisor, KVIC will be the Members of the Committee. Dy. CEO (Khadi), KVIC will act as its Convener.

4. Scheme will be sanctioned by the Steering Committee and release of funds will be made with the concurrence of Financial Advisor, KVIC and Chief Executive Officer, KVIC.
5. The first installment of 50% of the project cost will be released after compliance of necessary conditions. The balance 50% will be released only after submission of utilization certificate rendered by a professional Chartered Accountant along with a physical verification report of work by an official of KVIC not below the rank of Assistant Director, KVIC.

### XIII. Linkages with Existing Schemes

Since the Scheme for Enhancing Productivity and competitiveness of Khadi industries and artisans is an extension of the concept of SFURTI scheme, the institutions which are already implementing or identified for implementation of SFURTI scheme shall **not** be selected for providing assistance under this scheme.

Further, the institution implementing this scheme will not be considered eligible for assistance under the other schemes of KVIC like PRODIP etc.

### XIV. Scheme Evaluation

The performance of the Scheme will be got evaluated through an independent agency after (2) two years of its commencement so as to bring in further improvement in its implementation and assess the progress.



**PARAMETERS FOR CATEGORISATION OF KHADI INSTITUTIONS**

1. The khadi institutions have been classified into following categories:

<b>Category</b>	<b>Recognitions</b>
A+ & A	Good Track Record
B	Satisfactory Track Record
C	Unsatisfactory but some of which still have potential to improve.
D	Performance dismal in the areas of financial management, marketing and all other aspects of productive functions.

2. The broad objectives of categorization are as under:

- To facilitate automatic renewal of khadi/ polyvastra Certificate
- To reimburse rebate claims without prior inspection
- To approve annual budget
- To sponsor/recommend financial proposals to other financing agencies
- To allow working fund for retention from year to year.
- To assess credibility for taking up new schemes.
- To weed out non-performing institutions.

3. Parameters for categorization of khadi institutions engaged in both production and sales activities are as under:

- Percentage of working capital spent on procurement of raw material
- Percentage of working capital spent on production
- Production
- Sales
- Number of spinners
- Number of weavers
- Equitable mortgage of immovable properties standing in the name of the institution
- Net worth of the institution
- Profit /loss
- Bank finance availed in relation to Interest Subsidy Eligibility Certificate issued
- Closing stock
- Increase in retail sales over previous year
- Compliance with provisions of quality marketing
- Compliance with quality improvement programme (QIP)
- Contribution to State Level Artisans Welfare Trust Fund
- Contribution to Khadi Artisan Janshree Bima Yojana
- Cotton/blended slivers purchased from the central sliver plant of the KVIC or its local godowns (applicable to cotton khadi & poly producing institutions only)
- Payment of wages to spinners

- Payment of wages to weavers
  - Stamping of products
4. Parameters for categorization of khadi institutions engaged in trading only (sales institutions) are as under:
- Target vis-à-vis performance
  - Equitable mortgage of immovable properties standing in the name of the institution
  - Net worth of the institution
  - Profit /loss
  - Bank finance availed in relation to Interest Subsidy Eligibility Certificate issued
  - Closing stock
  - Increase in retail sales over previous year
  - Compliance with provision of quality marketing
  - Compliance with quality improvement programme (QIP)
  - Stamping of products

**EXPLANATORY NOTES ON THE PROJECTIONS MADE FOR PRODUCTION, SALES OF KHADI PRODUCTS AND ADDITIONAL EMPLOYMENT GENERATION AFTER IMPLEMENTATION OF THE SCHEME**

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1.1 Increase in production in quantitative terms would be driven by the fact that about 150 of the 200 capable institutions coming up for replacement of the spinning implements and weaving implements would register higher productivity. Since the scheme proposed is a multi component scheme, the gains in terms of productivity of the spinners as well as the weavers would go up. In an experimental project implemented at Dausa (Rajasthan). .

1.2 The share of production of 200 khadi institutions (175 institutions of enhancement of productivity and 25 SFURTI) in the overall production of khadi is estimated to be around 45% in the base year 2007-08. Hence, the contribution of 200 institutions stand at Rs.226.48 crores of the total production of Rs.505 crore.

While efforts will be made to double the production in the institution covered under the intervention of new schemes, the production of remaining institutions not covered under any of these two schemes will keep on continuing production under normal Khadi schemes.

1.3.1 The present scheme is also developed on the model of SFURTI. This has been done keeping in mind the present trend in the market.

1.4 It is expected that the institutions which are implementing normal khadi schemes will also grow annually at the normal rate of 5%. This will mainly be achieved through better management of their installed capacity as KVIC has geared up its work to help the institutions in the implementation of programme without any impediments. As observed, in case of Dausa, Rajasthan such intervention i.e. introduction of new implements along with design intervention etc. has resulted in increase in production to the level of 40%. This is just an illustration of the increase in production achieved with one intervention in Dausa i.e. post loom facilities, product testing laboratory etc.,

will also be introduced. As a result of these new interventions in the Scheme ( details in para 7.1 of this Scheme), the increase, therefore, in khadi production from the base level of Rs.226.48 crores will reach at Rs. 452.96 crore at the terminal year i.e. 2011-

12. The scheme suggests distribution of funding over a period of 4 years in the normative pattern of 15:20:30:35. The increase in production has also been indicated in the manner on a cumulative basis.

1.5 Considering above, the overall increase in the production of various khadi products in five years period over the base year 2007-08 could be expected to be as under:

Details	Base year 2007-08	2008-09	2009-10	2010-11	2011-12
<b>Khadi cloth (million sq. mtrs.)</b>					
Enhancement of Productivity and SFURTI etc.	32.35	37.20	43.68	53.37	64.70
<b>Khadi cloth (Rs. in crore)</b>					
Enhancement of Productivity and SFURTI etc.	226.48	260.48	305.75	373.69	452.96

2.1 In case of sales, it is assumed that the total production will be sold during the period of intervention and the sales value has been calculated based on the production value (value of cloth). Hence, the position of sales in case of institution participating in Enhancement of Productivity and SFURTI scheme could be expected as under:

(Rs.. in crores)

Base year 2007-08	2008-09	2009-10	2010-11	2011-12
248.10	285.32	334.94	409.36	496.29

3.1 The proposed scheme will create an additional employment for approximately 15,000 artisans in spinning, weaving, post loom activities like sizing, working, etc., as per the details given below:

- Introduction of NMC into traditional spinning pocket - 25 persons  
(considered as new employment)
  - Creation of new employment at Service Centre - 12 persons  
((Ready –warp: 1 shift 12 persons)
  - Production Supervisor & Support Staff - 10 persons
  - Expert for Production Management, Design Development, Management Accounting, etc. - 3 persons
- Total - 50 persons**

- Employment through production activities  
(50 persons X 200 institutions) - 10000 persons
  - Employment envisaged at raw material/preprocessing - 5000 persons  
Stages and post production activities including sales and  
distribution (1 person for every 2 employment creation at  
production stages)
- Total new employment - 15000 persons**

### Employment

(lakh persons)

Base year 2007-08	2008-09	2009-10	2010-11	2011-12
3.99	4.01	4.04	4.09	4.14

3.2 Further the proposed scheme will benefit approximately 60,000 existing spinners and weavers by way of improved productivity and additional income generation as per the details given below:

- Spinning
    - a) Charkha replacement-50 spinners per institution (50 X 200)- 10,000
    - b) Repair and renewal of NMC – 200 spinners per institution - 40,000  
(200 X 200)
  - Weaving
    - a) Looms replacement – 10 weavers per institution (10 X 200)- 2,000
    - b) Repair and renewal of Looms – 40 weavers per institution - 8,000  
(40 X 200)
- Total (Spinning + Weaving) - 60,000

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**IMPROVEMENT IN LEVEL OF EARNING**

**I) Spinning**

- a) Charkha replacement - 50 spinners per institution (50 X 200) - 10,000  
b) Repair and renewal of NMC–200 spinners per institution(200 X 200)- 40,000

**II) Weaving**

- a) Looms replacement -10 weavers per institution (10 X 200) - 2,000  
b) Repair and renewal of Looms – 40 weavers per institution(40 X 200)- 8,000

**Total (I + II) - 60,000**

**It could be seen, from above, that the scheme envisages improvement in level of earning of 60,000 artisans. For further elaboration, the following table may please be perused.**

<b>Sr. No.</b>	<b>Component</b>	<b>Level of Earning</b>
<b>I)</b>	<b>SPINNING</b>	
1	Replacement of New Model Charkhas for increasing the productivity of khadi spinners. – 50 Nos.	Sustaining/opportunity for 50 fulltime jobs
2	Repair and renewal of New Model Charkhas by the process of overhauling. – 200 Nos.	Increase in earning by 20-25% for 200 Spinners
<b>II)</b>	<b>WEAVING</b>	
1	Replacement of traditional looms with improved looms – 10 Looms.	Quality production and Increase in earning by 20-25% for 50 weavers
2	Repair and renewal of looms for design weaving – 40 Looms	

