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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1	**Influential Factors Effect to the Trends of Online News Business.** Teetima Piyasirisilp and Chanchai Bunchapattanasukdav	1-19
2	**Small and Medium Scale Enterprises and Economic Growth in Nigeria.** Obasan Kehinde A. and Adediran, Olanrewaju Adewole	20-46
3	**Need and Importance of Professional Growth.** Dr. M. Sugunatha Reddy and Dr. B. Rama Bhupal Reddy	47-56
4	**Non-formal Education in Punjab: Approaches for Lifelong Learning.** Zarabi Dazy and Nair Balakrishan	57-78
5	**Effective Approach of Web Based Human Resource Management System for Optimistic Development of Institutions.** Akmal Rehan, Nayyar Iqbal and Muhammad Milhan Afzal Khan	79-96
6	Food Security- Need for a Commitment to Universal Distribution System. Dr. G. V. Kokkalki	97-105
7	**Meaning and Determinants of Values: Research Insights.** Dr. S.L. Kaushal and Dr. Yasmin Janjhua	106-124
8	**Consumer's Expectation from Pharmaceutical Companies in Pune City.** Richa Arora and Nitin R. Mahankale	125-146
9	**Rural Industrialization through Khadi and Village Industries: a Study.** M. Rama Satyanarayana and Ch. V. Krishna Reddy	147-160
10	**The Socio-economic Characteristics of the Poor in Rural Kerala.** K. Rajan	161-189
11	**Various Techniques in Intrusion Detection: A Survey.** Jay Kant Pratap Singh and Abhishek Kumar Sahu	190-204
12	**Growth of Services Sector Under the WTO: An Analysis.** Dr. Jamil Ahmad	205-225
13	**Dominance of Innovative Leadership in Construction Project Management.** S. Binil Sundar	226-254

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Title

RURAL INDUSTRIALIZATION THROUGH KHADI AND VILLAGE INDUSTRIES: A STUDY

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Abstract:

Economic development of country largely depends upon the rural areas because India lives in villages. About 70 per cent of the population living in rural areas depends upon agriculture and its allied activities. But agriculture alone can't provide employment to the vast millions of the population. So it causes migration of rural people to urban areas in search of employment. Therefore, there is a need to provide employment opportunities through the rural industrialization. The present study is based on data, available from the annual reports of Khadi and Villages Industry from 2000-01 to 2008-09. In this study an attempt is made to identify the problems of rural industrialization and to suggest the promotional measures for strengthen the rural economy.

INTRODUCTION:

Economic development of country largely depends upon the development of rural areas because India lives in villages. About three-fourth of the India's population lives in rural India and 70 percent of them depends on agriculture and its allied activities. The rural people are poor and economically unsound as compared to urban, because rural sector relives on agricultural employment; where as urban sector is centered with industrialization. The rural people of India are working hard throughout the year but not able to cross the line of poverty. Increasing population in rural areas creates unemployment, as the agricultural lands are limited and insufficient to absorb labour to large extent. It causes migration of rural people to the urban areas in search of employment. The development of rural industrialization, through Khadi and Village Industry (KVI) will lead towards the real economic development of the country.

KHADI AND VILLAGES INDUSTRIES:

Khadi and Village Industry Commission (KVIC) was established by an Act of parliament and is a statutory organization, engaged in the production and development of Khadi and Village Industry for promoting employment and self-employment opportunity in the rural areas and there by to strengthen the rural economy.

According to Khadi and Village Industry Commission (KVIC), village or rural industry means, "any industry located in rural areas, population of which does not exceed 10,000 or such other figures which produces any goods or renders any services with or without, use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees". Recently the Central Government of India modifies the definition in order to enlarge the scope of rural industrialization. "Any industry located in rural areas, village or town with a population of 20,000 and below and an investment of Rupees three crores in plant and machinery is classified as a village industry".

KVIC has divided village industries into seven groups:

- **Mineral based Industry**: It includes cottage pottery; slate pencil making, manufacture of plaster Paris item, utensil, washing powder, bangles, rongli, etc.
- **Forest based Industry:** It includes hand made paper, kaths, match factory, fire works, agarbati etc.
- **Agro based Industry**: It includes bee keeping, cashew processing, cane gura and khandasari etc.
- **Polymer and Chemical based Industry**: It includes cottage, soap industry, candle & wax making, manufacture of bindi, mehendi, shampoos, detergents & hair oils etc.
- **Engineering and non-conventional energy:** It includes carpentry, manufacture of aluminum utensils, manure gobar gas, paper, pinclip, safety pins etc.
- **Textile Industry:** It includes poly vastra, hosiery, batik work, toys and doll making etc.
- **Service Industry:** It includes laundry, barber, cycle repair shop, masonry, repair of diesel engine pump sets, etc.

OBJECTIVES AND METHODOLOGY:

The study is based upon progress of Khadi and Village Industries, which promotes rural industrialization in non-farm activities. It improves the economic development of the nation**.** The specific objectives of the study are:

- To identify the employment provided by Khadi and Village Industry products.
- To study the production and sales performance of Khadi and Village Industry products.
- To identify the problems and to suggest suitable measures for the development of Rural Entrepreneurship.

The study is based upon various secondary data, basically the annual report of KVIC from 2000-2001 to 2008-2009. The Compound Annual Growth Rates and Averages are used for the analysis of data.

GROWTH OF THE PRODUCTION IN KHADI & VILLAGE INDUSTRY:

Table-1 It can be said that there has been steadily increasing in relating to khadi production from 2001-02 to 2008-09. Similarly in village industry also thee has been steadily increasing from 2000-01 to 2008-09. Thus, it can be said that KVI has made very good progress in the production of Khadi and Village Industries.

TABLE 1: PRODUCTION OF KHADI AND VILLAGE INDUSTRIES

(Rs. In Crores)

Year	Khadi	Village Industries	Total	CAGR (%)
2000-2001	431.57	6491.69	6923.26	-
2001-2002	411.00	7140.52	7551.52	9.07
2002-2003	443.07	8126.30	8569.37	13.48
2003-2004	453.50	9228.27	9681.77	12.98
2004-2005	461.54	10458.89	10920.43	12.79
2005-2006	468.30	11915.54	12383.84	13.40
2006-2007	491.52	13537.19	14028.71	13.28
2007-2008	543.39	16134.32	16677.71	18.88
2008-2009	585.25	16753.62	17338.87	3.96
	Average			**12.23**

Note: Compound Annual Growth Rates are calculated to the Total Figures.

The **CAGR** is calculated using the formula = [(ending value/beginning value) ^number of years]-1]*100

Source: KVIC Annual Reports.

PERFORMANCE OF SALES IN KVI:

Table-2 explain the sales performance of KVI products in terms of Khadi, the highest sales has recorded (Rs. 799.60 crore) in 2008-09, and the lowest was recorded (Rs. 570.55 crore) in 2000-01. In the case of village industries, it has maintained increasing trend from Rs. 7,384.55 crore in 2000-01 to Rs. 21,948.59 crore in 2008-09. The analysis of the table shows the gradual increasing sales of KVI products from 2000-01 to 2008-09.

TABLE 2: SALES OF KVI PRODUCTS

(Rs. In Crores)

Year	Khadi	Village Industries	Total	CAGR (%)
2000-2001	570.55	7384.55	7955.10	-
2001-2002	518.25	8383.49	8901.74	11.90
2002-2003	577.63	9615.71	10193.34	14.51
2003-2004	587.04	10988.17	11575.21	13.56
2004-2005	617.84	12487.35	13105.19	13.22
2005-2006	628.69	14647.33	15276.02	16.56
2006-2007	663.19	16899.21	17562.40	14.97
2007-2008	724.39	20819.09	21543.48	22.67
2008-2009	799.60	21948.59	22748.19	5.59
	Average			**14.12**

Note: Compound Annual Growth Rates are calculated to the Total Figures.

The **CAGR** is calculated using the formula = [(ending value/beginning value) ^number of years]-1]*100

Source: KVIC Annual Reports.

PERFORMANCE OF EMPLOYMENT GENERATION IN KVI:

Table-3 indicates that the employment provided by Khadi and Village Industries, it can be said that there has been steadily increasing in relating to khadi employment from 2001-02 to 2008-09. Similarly in village industry also thee has been steadily increasing from 2000-01 to 2008-09. Thus it can be said that KVI has made very good progress in the employment of Khadi and Village Industies.

TABLE 3: EMPLOYMENT OF KHADI AND VILLAGE INDUSTRIES

(Rs. In lakhs)

Year	Khadi	Village Industries	Total	CAGR (%)
2000-2001	9.56	50.51	60.07	-
2001-2002	8.48	54.16	62.64	4.28
2002-2003	8.58	57.87	66.45	6.08
2003-2004	8.61	62.58	71.19	7.13
2004-2005	8.64	68.14	76.78	7.85
2005-2006	8.68	74.09	82.77	7.80
2006-2007	8.84	80.08	88.92	7.43
2007-2008	9.16	90.11	99.27	11.64
2008-2009	9.50	94.41	103.91	4.67
	Average			**7.11**

Note: Compound Annual Growth Rates are calculated to the Total Figures.

The **CAGR** is calculated using the formula = [(ending value/beginning value) ^number of years]-1]*100

Source: KVIC Annual Reports.

PROBLEMS OF Khadi and Village Industries:

Khadi and Village Industries play a vital role in the rural economy. In terms of employment and poverty reduction, KVI has recorded a high rate of growth since 2001 in spite of stiff competition from the large – scale sector. KVI are faced by number of problems, those are:

M. Sundarpandian (1999) analysed in detail about the problems of rural entrepreneurship and according to him, the problems are financial constraints, lack of technical know how, high cost of input, lack of communication and marketing information, lack of storage and warehousing facilities and lack of promotional strategy.

Arora Renu and Sood S.K. (2003) are of the give opinion that, the non-supportive attitude of financial institutions and rigid rules of Government to avail certain incentitives despair the rural people to build their career as an entrepreneur.

Khanka.S.S. (2006) presented a descriptive approach to the problems of the rural entrepreneurship like problems of raw materials, problems of finance, problems of the rural entrepreneurship like problems of raw materials, problems of finance, problems of marketing and problems of under utilization of capacity. Besides the above, rural entrepreneurship suffers from certain other problems and obstacles like, competition from urban and large entrepreneurs, exploitations of middlemen and improper training and education.

PROMOTIONAL MEASURES:

Keeping in view of the problems being faced by the KVI to promote rural entrepreneurship in order to establish rural industries, the following measures are suggested.

Reservation of Products: Govt. should provide the protection to the small units by the reservation of items for exclusive production in the KVI.

Financial Assistance: Finance is not only for the capital expenditure but also for the fulfillment of working capital requirement, the finance is needed. Rural entrepreneurs should get soft loans and advances, free from rigid terms and conditions to lubricate all their mechanism. Sometimes concessional and subsidized loans under government schemes and policies are not available to rural entrepreneurs due to disinterest of financial institutions, saying that, the recovery is doubtful.

Supply of Raw-Materials: Every rural industry should have a local base of raw materials. Non-availability of adequate raw material interrupts the production and the enterprise fails to meet the requirements of customers at the market. Policy should be framed at the government level to regulate the flow of low raw materials by which rural industries will be entitled to get the raw material on priority basis.

Training: A majority of rural entrepreneurs are created by chance and they are not influenced by any training programmers EDP, TRYSEM and similar others conducted by the government. The Govt. authorities should take care of it and to bring changes on its various programmers so that it will reach the rural people at large.

Marketing assistance: Success of an enterprise depends on a fruitful market. Market opportunities are sometimes ruined, due to the competition among themselves. Therefore, the rural entrepreneurs in the same line of business should join their hands to form marketing co-operative societies in order to avoid competition and to sell their products at a common reasonable price. Secondly, the production and market centres should be developed with adequate infrastructure so as to create the good market base for the industry.

CONCLUSION:

Thus, on the whole, we find the KVI provide employment to 103 lakhs persons directly, another 10 lakhs may come under indirect employment. During 2008-09 the KVIs has produced goods worth of Rs. 17,338 crores and it has sales of KVIs products worth of Rs. 22,748 crores. By seeing these facts we can simple stated that KVI performance is satisfactory level. However, KVI faced by no. of problems. To over come these problems, the government to do the needful for the promotion of rural industrialization by providing facilities like financial assistance from

banks, marketing assistance through cooperative societies and institutions, concessional and subsidized loans under government schemes. Thus strengthen the rural economy.

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