

GOVERNMENT OF INDIA  
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

**LOK SABHA**  
**UNSTARRED QUESTION NO. 5756**  
**TO BE ANSWERED ON 10.04.2017**

**STUDY ON KHADI INDUSTRIES**

5756. SHRIMATI PRATYUSHA RAJESHWARI SINGH:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether the Government has undertaken any study on the Khadi industries in the country particularly in Odisha;
- (b) if so, the details thereof and the outcome thereof;
- (c) whether the Government proposes to wind up any unit or industry in Khadi sector in Odisha; and
- (d) if so, the details thereof and the reasons therefor?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF  
MICRO, SMALL AND MEDIUM ENTERPRISES  
(SHRI GIRIRAJ SINGH)

(a)&(b): Yes, Madam. The Central Government had constituted Committees to review the existing structure, functioning and performance of Khadi Village and Industries Commission(KVIC) to study the regulatory framework and to recommend any other measures considered necessary to revamp the KVIC. Based on the recommendations of the Committees, the organisation structure and programmes of KVIC have been revamped. These studies were conducted for the entire country including the State of Odisha.

The details of the various Committees and their recommendations and the changes made are at **Annexure**.

(c): There is no proposal for winding up any unit of industry in Khadi Sector in Odisha.

(d): Doesn't arise.

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**High Power Committee (HPC)** was constituted under the Chairmanship of late Prime Minister Mr. P. V. Narasimha Rao to review the performance, examine the issues and identify the problems faced by the KVI sector.

**The Committee in its report submitted in 1994 made various recommendations. The key recommendations of the Committee were:**

- All apex financing Institutions and commercial banks to be advised to increase the flow of institutional credit to the KVI sector.
- Rebate for Khadi may be replaced by 'Market Development Assistance' (MDA), calculated at 20% of production;
- Necessary legislative measures to protect "Khadi" and its use by KVIC certified Institutions;
- Separate wing in KVIC to supervise the working of Sliver Plants; smaller economical sliver plants to be set up at the Institutional level;
- Village industries under the purview of KVIC to be considered on par with Government level village and small industries category for planning and development purposes.
- Government to constitute a separate fund (Rs. 2000 crore) for rural industries to be administered by NABARD or a separate financial institution.
- Focus on select industries for development where KVIC has expertise and experience;
- Development of the export capability of KVI Institutions; strengthening quality control, augmenting training (participatory funding scheme for KVIB and NGO run new training centres) and research facilities;
- Creation of a special cell at the KVIC headquarters to oversee and monitor the KVI programmes;
- Transition to Project Approach for financing (from Pattern Approach);
- Commission to delegate day to day functions to the CEO and Financial Advisor and focus on developmental rather than regulatory activity;
- Measures for strengthening of KVIBs

**Based on the recommendations of the High Power Committee the following changes were brought in the KVI Sector:**

- The REGP scheme was commissioned in 1995-96 with the objective of providing a formal channel for flow of funds from banking institutions to the KVI sector.
- The Government of India framed a new scheme for KVIC to take online credit facility (Consortium of Bank Credit or "CBC") of Rs. 1000 crore.

**I. Arthur Andersen** study was commissioned in the year 2000 with the objective of reorganizing the KVIC organization structure with respect to the changing business needs and overall objectives of the KVIC.

**The Committee in its report made various recommendations. The key recommendations of the Committee were:**

- Redefinition of "Commission" under the KVIC act, 1956 in line with change from an operational body to policy formulation body.
- At the Commission level, the KVIC to not only comprise representatives of the KVI sector but the officers of the KVIC to also participate in its policy making and, therefore, the CEO, FA and the heads of Khadi and VI departments to be appointed as voting members of the Commission.

- At the operational level, KVIC to structure itself into separate business units to meet the distinct requirements of Khadi and Village Industries.
- The roles and responsibilities of internal functions, such as Capacity Building, Marketing & Sales, Research & Development, Human Resources, Finance, etc, which are integral to the organization's performance, to be defined and communicated clearly.
- KVIC should set up industrial clusters catering to a groups of skilled artisans at the district/block level

**Based on the recommendations of the Arthur Andersen study the CEO and FA were made ex-officio members of the Commission and voting rights were also conferred.**

**II. Ministry constituted Expert Committee under the Chairmanship of Mr. D.M. Sukthankar, former Chief Secretary Govt. of Maharashtra, in 2005 to review the existing structure, functioning and performance of KVIC to study the regulatory framework and to recommend any other measures considered necessary to revamp the KVIC.**

**The Committee in its report submitted in March, 2005 made various recommendations. The key recommendations of the Committee were:**

- Need for identification of select traditional and sunrise industries as focus areas; a cluster-based approach to revival of traditional industries;
- Recognize technological up-gradation and modernization as a priority area for transforming the sector; suggested mobilization of existing technical and scientific Institutions, such as, ITIs, Engineering Colleges, IITs, CSIR as resource/contact Institutions for rural industrialization and creation of venture capital fund within KVI;
- Recommended brand building, standardization and quality control for products of KVI Sector;
- Address the organizational and training issues preventing the growth of the KVI sector and suggested setting up of Zonal Committees and Zonal offices under a Deputy CEO, and restructuring of training programme aimed towards entrepreneurial development;
- Commented on issues related to Khadi Institutions, namely, dues on account of Rebate, stock pile-up and state of implements; Suggested alternatives to Rebate
  - direct subsidization of spinners
  - encouraging entrepreneurship among spinners/weavers through formation of Self Help Groups
- Governance related recommendations

**Based on the recommendations of the Expert Committee the following changes were brought in the KVI Sector:**

- Introduced Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to organize the traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability and economy of scale.
- KVIC took up several projects under an interface with reputed Technological institutions viz. IITs and NITs for developing new technologies and their subsequent dissemination among institutions and entrepreneurs of KVI Sector.

- KVIC have introduced 'Khadi Mark' to ensure genuineness of Khadi to the customers.
- Zonal Committees have been constituted for each of six geographical zones to monitor timely implementation of KVI programmes/schemes for the development of Khadi and Village Industries in the zone.
- The Ministry of MSME has revised the negative list and brought in a large number of new industries/projects like spinning and weaving, solar charkhas hand loom/power looms under the ambit of Prime Minister's Employment Generation Programme (PMEGP).
- Government of India introduced the scheme of Market Development Assistance (MDA) on Production in place of rebate after experimenting with several pilot schemes. The scheme has been given effect from 1<sup>st</sup> April 2010, to help Khadi institutions to reorient their activities extending adequate emphasis towards increasing artisans' earnings as well as ensuring quality of Khadi to customers. Under MDA scheme 25% of assistance is earmarked for payment among spinners and weavers as additional incentive through their bank/post office account.
- An online application system has been made operational for disbursement of Market Development Assistance (MDA) and Interest Subsidy under ISEC scheme to KIs and artisans as applicable.
- Under PMEGP, online disbursement of MM subsidy through single National level nodal bank has been developed.

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