

CHAPTER 10

SUMMARY AND CONCLUSIONS

In the recent Development Discourse creation of '*Sustainable Livelihood*' has gained a central stage as it assumes a high correlation in the instrumental process of overcoming poverty, reducing inequality and in creating a healthy society. Many theories of 'Development', whether they are Classical, Marxian, Keynesian, Schumpeterian, or Rostow's 'Stages of Economic Growth', Lewis 'Theory of Unlimited Supply of Labour' and other 'Dualistic theories' are in a way systematically talking about the development process of engaging all the factors of productions in an efficient way to quicken the process of achieving a high Economic Growth and Development within a country. Sustainable livelihood can be understood as, a livelihood which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable opportunities for the next generation (Chambers and Conway, 1992). Further, we concentrated on some of the concepts or theories which have been well articulated in the literature of Development studies to deal with the problem of surplus labour existing in Asian Less Developed Countries like; Evolution and significance of 'Technological Dualism' as propounded by Prof. Higgins; The 'Backwash and Spread Effects' highlighted by Prof. Myrdal; And the concept of using 'Intermediate or Appropriate technology' as propounded by Prof. Schumacher. Since India, being a part of South Asian region is the focus of our study, this understanding has narrowed down the comprehension of various issues which have been dealt in the subsequent chapters.

After briefly browsing through the theories related to development and employment generation we found that not only the peculiar characteristics of 'Dualism' in various sectors but also the predominance of 'Backwash Effects' over the 'Spread Effects' were some of the major causes of underdevelopment in the Asian Countries. However, another challenging task to any developing nation especially in the 21st century is to provide sustainable employment opportunities to the ever-growing workforce and at the same time withstand the onslaught of competition brought by *Globalisation*. In this kind of a prickly situation there seems to be very few options left to deal with. Among many suggestions made by Development Economists, the suggestion of policies to weaken the Backwash Effects and strengthen the Spread Effect in order strengthen the

continuous economic progress by Prof. Myrdal and using 'Intermediate or Appropriate technology' as pointed out by Prof. Schumacher to solve the problem of surplus labour, seems to be more convincing to deal with the drawbacks of Dualism. After these few observations next we moved onto exploring the Indian experience of creating employment opportunities to its teaming labour-force as which was the focus of our study.

Historically it has been observed that, over the entire period, 1901-1961, the occupational distribution of the workforce in India was characterised by a high share in agriculture, around (70-75 percent), and a low share in manufacturing about (9-10 percent), and a moderate share in services around (16-20 percent). The predominance of agricultural employment was attributed to two factors, firstly, the weak linkages between the agriculture and non-agriculture sector and secondly, the lack of resilience on the part of village industries to meet the demands of the more affluent sections of the peasantry. However, there has been a shift in recent years of workforce towards unorganised/informal non-farm sector from the early seventies onwards in rural and urban India, but is concentrated in the unorganised/informal non-farm sector therefore we next explored the broad structure of the unorganised sector in India and then looked at the technological dualism as a frame-work to understand the status of household based industries and within that the Khadi industry.

The size of the informal economy in India is large: according to the criterion of legislation for social protection, up to 92% of the total work force is engaged in the informal economy. In the urban areas this figure is close to 65-70%. Not all of these workers are poor or destitute, but crude estimates suggest that close to half this number is in dire need of occupational up scaling. The truly dynamic segments, it is believed, may not constitute more than a quarter of the total size of the informal economy. The topological scaling of unorganised sector in quadrants is as follows:

1. The dynamic sub-sectors ready to be linked to the international markets with a little effort,
2. Those that have the potential but seriously lack infrastructure, capital and other support
3. The dying out activities that have not much of demand.
4. Those, which are competitive only because they rely on cheap labour

Despite considerable efforts made through the five year plans, in India we still

find some of the most pertinent problems like Poverty, Open Unemployment etc. coexisting with high economic growth performance. When we look at the sectors where the employment opportunities are getting opened-up in the Post-Liberalisation era from early 1990's onwards. We find that the unorganised sector is the only sector which is able to absorb around 92 percent of the total employment in India. Further, the growth rate of this sector is also on a rise as the avenues for getting a formal/organised employment is on decline due to privatisation.

Exploring the household traditional enterprises, in India we found that millions of people possessing traditional skills and knowledge of traditional techniques still make a living by producing handicraft goods. However there is a lack of clarity on the definition of handicrafts therefore we used the definition (mentioned in Liebl and Tirthankar, 2003 p.5366-5367) adopted by Development Commissioner of Handicrafts, in 1989, the department provided a simple and workable definition of handicraft as '...items made by hand often with the use of simple tools, and ...generally artistic and/ or traditional in nature. They include objects of utility and objects of decoration',. Khadi is a part of Traditional Industry according to the above classification. with a similar separate definition prepared by Khadi and Village Industries Commission (KVIC) which we will be referring to when we are discussing the details of Khadi Industry.

Further, Household industry by Census of India, 1991, is defined as 'an industry conducted by the head of the household himself/herself and or by the members of household at home or within the village in rural areas and only within the precincts of the house where the household lives in urban areas. The large proportion of the workers in a household industry should consist of members of the household including the head, his/her main activity as engaged in some production, processing, service or repair articles or goods such as handloom, weaving, dyeing, carpentry, bidi rolling, pottery, manufacture bicycle or repairing etc'.

Moreover, studies on work force in India have shown that a large part of the household based enterprises are on a decline from early 1960's onwards and gradually some of them have even disappeared or are just surviving. This has unleashed a great amount of casual labour in the already overcrowded agriculture labour market or into the unorganised non-farm sectors. From our understanding of the theory, apart from many other reasons, the decline in household based industries (see Quadrant II for status of household based industry) can be attributed to some extent to Technological Dualism.

As mentioned by Prof. Higgins 'Technological Dualism' arises due to different technological structures in the pre-capitalist agricultural sector and the capitalist industrial sector. It is a situation in which productive employment opportunities are limited not due to resource constraints but due to different technologies applied in different sectors. Thus it is believed that in the long run, technological progress does not help in removing disguised unemployment. Rather, it tends to augment it. Looking at this dimension of the Technological Dualism in India from the second five-year plan onwards (1956-1961), the excess labour from the agriculture sector should have been absorbed in the expanding organized industrial and service sectors, however this did not materialise. Because the Modern industrial sector had the constraint of maintaining fixed capital and labour coefficients in the production process, therefore creating any additional employment means a heavy investment in capital goods and many of the entrepreneurs in India lacked such heavy investment. Further, working in the technologically advanced industries requires high skill formation which is difficult to acquire in short-run.

This problem is further accentuated by the fact that there has been stagnation of employment generation capacity by the Modern Industry sector over the years. As a result only agriculture and unorganised non-farm and service sectors have expanded to accommodate the growing labour force. The study of Nagaraj (2000) revealed that trends in the employment generation measured through employment elasticity of output have shown a decline from 0.61 between 1972-73 and 1977-78 to 0.47 between 1987-88 and 1993-94 in the entire economy. The fall is more pronounced in the secondary and the tertiary sectors. Although there has been a modest decline in the proportion of population in agriculture since 1970s, and there has been some diversification of rural workforce into non-farm activities in the 1980s, there is no evidence of a sustained reduction in Unemployment levels, however measured. He further elaborates that the recent trends in decline of organised wage-employment, increasing casualisation of labour, compounded with rise in open unemployment and contrasted with higher growth rate in GDP (around 6%) has led to a consensus among many economists that there seems to be an increased polarisation taking place in the Indian economy.

Stretching a bit further in the **frame-work** of **Technological dualism**, we **hypothesised** that, i.e. co-existence of divergent technologies at same point of time leads to predominance of slightly technologically advanced industries over existing traditional industries. Eventually the technologically superior quality industrial goods might even

take over the 'Market Share' of the hitherto traditional household based goods leading to slow deceleration of the latter industries. Further the process of deceleration could have been accelerated especially after adopting the *Liberalisation* Policy in India (post 1990).

It is very difficult to study all the traditional industries in a very short span of time, but we can draw some broad consensus emerging from studying a selected industry in detail. Within the traditional Industries Khadi and Village Industries Commission (KVIC) has been employing around 5 million people across the country. But within the KVIC it is the Khadi industry that has been facing enormous problems to survive the competitive environment under freer markets after 1990. Therefore the study focused on *exploring the Khadi industry in its multi-dimensional facets to get a wholistic picture about what was envisaged of the industry visa-a-vie what is its current position today and what efforts are imperative to strengthen it to survive in the competitive market conditions*. Study of such industries is also essential as a large section of population is employed in those industries. However, as regarding the 'quality' of the employment generated in those industries and whether it confirms to the standards of *decent-labour* or not needs to be validated by further detailed studies. Further such studies would not only help in ameliorating the status of those industries but also would make them more adaptable to the changing market conditions. Next we looked at the structure and composition of Khadi industry and identified the broad objectives under which it can be studied.

Khadi is defined as: '*Any clothe woven in handloom in India from cotton silk or woolen yarn handspun in India or from a mixture of any two or all of such yarns*'. The basic objectives for setting up of the KVIC are:

- **Social Objective**-To create employment opportunities in the non-farm sector in the rural areas at wages/earnings which are, at least, comparable to the prevailing levels of wages in the farm sector during the non-peak season.
- **Economic Objective**-To produce saleable articles to provide services for which there is effective demand.
- **Wider Objective**-To support rural development in its widest sense and to improve the quality of life.

These KVI programs are being implemented through various Institutions, which act as the nodal agencies. The institutions are certified by a Central Certification

Committee to maintain the quality of the product and to make the institutions adhere to the principles and guidelines prescribed for running the program. Govt. provides subsidies to these programs in the form of Interest subsidy on bank loans and rebate, apart from the grants and loans to create infrastructure and marketing outlets for the institutions. To Judge whether Khadi is economically viable or not, we have to look at various aspects of Khadi to get a fair understanding of the working of the entire industry, like adequate funds availability and utilization, infrastructure facilities, R & D, innovations, marketing strategies, linkages of the institutions with KVIC/KVIBs, issues of wages and working conditions of the artisans, their social-economic mobility etc. Understanding the above components would give us a much deeper insights and a stronger reasoning to analyse the viability of Khadi programme. Therefore the study's research questions focus on understanding the traditional sector like *Khadi* in its multi-faceted aspects to get a wholistic picture about what was envisaged of the industry and what is its current position today and what efforts are imperative to strengthen it. The methodology adopted is also largely an explorative one combining not only political philosophy but also socio-economic dimensions of the industry.

Based on the above premises we defined our **specific objectives** as looking into: A brief historical review of emergence of 'Khadi ideology' and how it acquired the central stage of 'all round development' strategy in Gandhian philosophy; Exploring the position of Khadi Industry within the overall traditional industries; Secondary data analysis to cover aspects of production (quantity and value), sales, stock, employment, working capital, interest subsidy and rebate; To understanding the organizational structure of KVIC and role of Support organisation; To analyse Efficiency of the Institutions through balance sheets analysis; To look at the state of technology in Khadi, in terms of allocation of funds, innovations and R & D activities of both KVIC and institutions; Current status of employment and working conditions of artisans; Marketing strategies adopted by KVIC and their relevance; And finally summary and conclusions.

The **secondary data** sources included Annual Reports and Statistical Abstracts available with the KVIC and KVIBs and reports of the various committees appointed by the banks, Govt. of India, by outside agents and KVIC. Other survey reports and studies available with the ECR (Economic Research) directorate of KVIC are also included. The details of data used are mentioned in the beginning of each chapter. The timeframe of the

analysis for secondary data analysis is right from the inception of the KVIC program in 1956. For primary data analysis data collected from the field work in year 1998-99 is utilised. We use extensively the data (primary and secondary) collected from an earlier report of 'Evaluation of Khadi' sponsored by Ministry of Industry, Department of SSI and ARI, Co-authored by Prof. Datta, Dr. Vikas Pandey, Mr.P.Gopinath, Ms.Kukadea and Mr. Aithal in 2000.

The **Primary Data** is collected through three questionnaires from Artisans, Institutions and Customers. The production centres, artisans and customers have been chosen on random sampling basis. The sample size included 52 institutions, around 360 artisans (both home based and shed based more or less evenly distributed), and around 75 Khadi customers. The data was generated from some of the major states like Uttar Pradesh, Tamil nadu, Gujarath, West Bengal, Rajasthan, Kerala, Himachal Pradesh, Punjab, Haryana, Chandigarh, Maharashtra and Delhi, where around 90 percent of the Khadi work is carried out. As regarding the **methodology of the study**, it is an explorative study combining political philosophy and socio-economic dimensions of the industry to get a wider understanding and wholositic picture of the issues involved in it. The study extensively uses growth rates, percentages, graphs, etc as a part of the data analysis. Analysis through correlation is also undertaken for analysis of secondary data. Moreover, Financial or structural ratio is used to judge the liquidity, turnover and profitability of the institutions implementing the programme.

We began with a premise in **Chapter 2** that, even before venturing into the contemporary evaluation of the entire Khadi industry there is a need to look at the foundation philosophy on which the entire edifice of the Khadi industry was built. What are its historical roots, role in shaping the Indian rural employment policy and its relevance today? To what extent did the ideology actually got implemented? Does it have any contemporary relevance? These are some of prominent questions that keep arising when one ventures to understand the Khadi industry; the very name of which connotes a novel aura with historical and ideological significance embedded in it. Though there are many views expressed by Gandhiji to tackle different problems in India, here in this chapter we looked at only his philosophy and views related to Rural Development (*Gram-Swaraj*), Principle of *Trusteeship* and Education (*Nai Talim*) that are relevant for our study.

For Gandhiji the central theme was the revival of ancient self-reliant system of Indian villages or in other words 'Gram-Swaraj'. He believed that real progress of India meant not simply the growth and expansion of Industrial urban centers, but the development of the rural areas.

Gandhiji has evolved three ideologies to propagate his philosophy of rural development. First, to root out the evils of centralised machine based mass production; he proposed the decentralized small-scale industrial production, which provides large-scale employment as an alternative to suit the Indian economic conditions. Second, after the First World War the biggest challenge posed before the Mahatma was the threat of Socialism based on Revolution or '*violence*' and the evils of the '*Profit seeking*' Capitalism, which were gaining strong hold throughout the world. To counter such revolutionary philosophies he proposed the principle of '*Trusteeship*' as an alternative to fulfill the socio-economic equity and justice questions in a '*non-violent*' way. Finally, Gandhiji realised that '*education*' is the '*foundation*' on which the nature of the society can be molded and it can be used to bring out the desired changes. For making his ideology of rural development and humanism a successful one, he developed the philosophy of education based on experience and practical applicability known as '*Nai Talim*'. Nai-talim was expected to be the forerunner for establishing the village swaraj by increasing the skill capacities of the rural folk, by developing students as role models to promote the concept of trusteeship and thus improve the overall economy of the village.

Among the three main philosophies mentioned above, Gandhiji's view on the relevance of the concept of '*village development*', as being the '*prime mover*' of overall development of the nation, cannot be ruled out even today, as the conditions in the rural areas have not improved much despite our recurring efforts through planned economy after Independence. But, can promoting the tradition-based enterprises the only way of creating a vibrant village economy is a moot question that needs to be looked at very critically. The vocational based education system as visualised by Gandhiji was on decline because it was unable to get synthesised with the main-stream education system and various other logistic problems. The philosophy of '*Trusteeship*' is still in vogue among the Khadi institutions that carry out the production process. But the ideology did not penetrate much into the minds of people and therefore it could not make substantial progress beyond a point.

Review of significance of Khadi among other traditional sectors in **Chapter 3** revealed that that the traditional sector is being pushed to a corner as its share in output is concerned; in 1996-97, it had contend with mere 8.36 percent share in out put against as high as 60.36 percent share in employment. Over time, the traditional rural industries have steadily lost their ground to modern small-scale industries, whether located in the rural or urban areas. It is interesting to see that while the Khadi's share in output, in total textile production or in sector-wise production, has been declining steadily its share in employment has been improving steadily over time. The Khadi sector almost looks like a residual sector. However, a preponderant majority of Khadi workers are engaged on part-time basis only, and accordingly, to their share, a very small proportion of the industry-wise earnings would accrue. Poverty and low-level of living are thus the endemic characteristics of their existence.

Chapter 4 on secondary data dealt with the analysis of data on the production (quantity and value), sales, stock, employment, working capital, interest subsidy and rebate. The growth rates of the production in quantity terms (i.e deflated by the price variable) shows stagnation in after 1985. After 1964-65 there was a continuous dwindling of the employment generated till 1976-77 upto eight lakh persons. And only after 1979-80 it started to rise and was stable at 14 lakhs over the rest of the period. However, the growth rates of the employment also showed stagnation in 1990's. The sales in real terms have also shown some negative growth rates over the period. Data reveals a continuous rise in the stocks the highest being in the year 1999, Rs.219.28 crores.

The employment opportunity cost, lost due to the piling up of stock was calculated. It came to around 38 lakhs employment blocked in stocks accumulated over the years. For the variables like production, sales and stock in value as well as quantity, the changes are largely due to increase in price. Though there has been an increase in working capital as well as interest subsidy, it does not get converted into production reflecting the uneconomic/inefficient utilisation of the resources. The positive correlation between production and stock is statistically significant in all the periods, indicating the production of non- marketable goods, which defeats the major objective of Khadi of producing 'saleable goods'. Further statistics reveal that increase in subsidies and rebate by the govt did not help employment to expand much. There is not only a weak and insignificant association of employment with many variables but also a negative relationship with the production or in other words expansion of subsidies by govt. did not

result in proportionate expansion in the employment. This gives a clear picture that the crucial objective of providing 'sustainable employment' opportunities was not realised to a large extent.

Looking at the Administrative and support structures of KVIC in **chapter 5**, it is observed that the principal administrative officer of the Commission is the Chief Executive Officer (CEO) who is appointed by the Commission. There are eleven standing committees, which assist the Commission in the formulation of policies and problems relating to different aspects of implementation. It includes certification committee, standing finance committee, cotton purchase advisory committee, training committee, standardization of Khadi and saranjam committee, Khadi experiments grants committee, government supplies committee, cooperative advisory committee etc. The Certification Committee plays dual role of protecting the interest of artisans by ensuring minimum wages for them as well as safeguarding the interest of the consumer by strictly enforcing the 'cost-charts' for various types of Khadi. The Standing Finance Committee is in charge of the scrutiny of applications of institutions, Boards and Societies for financial assistance. The Cotton Purchase Advisory Committee consists of the Director (Cotton), the members in charge, Khadi and cotton experts associated with well known cotton associations to advise the Commission regarding the markets at which different varieties of cotton are to be purchased and also regarding the transport, stocking and distribution of cotton seeds.

Registered institutions have their own decentralized units of production and each institution has a chairman, secretary and other staff. Most of the Institutions have a feeling that the support organisations such as the KVIC, KVIBs and DLCs, over the years, have developed, more as a bureaucratic organisation than a facilitating agency of the Khadi programme. It must be realised that working in tandem is the only alternative for the survival of both the institutions and other supporting organisations. There seems to be no linkages between supporting organisations and Institutions regarding marketing, research and development (R &D), training and exports. The blame cannot be entirely put on the support organisations only, because even the institutions have misutilised the supporting organisations as only a *disbursement instrument* of loans, grants and rebate.

It is quite saddening to know that the Khadi ideology, as a mission, is slowly losing its ground both from support organisations as well as the institutions implementing the programme. Institutions are finding it difficult to get personnel, working in their offices and bhandars, who are ideologically influenced by the Khadi mission as a social service for the upliftment of the poor. There seems to be no democratic representation of the institutional secretaries as most of them hold on to the same post for years together without any retirement age limit and sometimes it is even hereditary. Even though new institutions have been set up by younger generations, they do not necessarily run on the Gandhian philosophy. Thus, there is a need to inspire and bring in a new line of leadership run by the younger generation, keeping in mind the ideological frame-work of Khadi. It is observed in the field that the development officers in the field have enough technological understanding of various processes involved in the Khadi industry. Unfortunately, the same is not utilised by institutions, as they do not encourage any development officer to enter their premises, except during the budget discussions of institutions and rebate claims. Thus, there seems to be no coordination at all between the institutions and the development officers. As regarding the role of the Commission and its members, it has been observed that not much of expertise from other fields has been made use of for the upgradation of Khadi. It is clear that experts from the textile industry, marketing and finance be regularly consulted to keep pace with the changing times. Overall, in short we can say that *Information* network flow within KVIC and its agencies is quite poor.

Chapter 6 on adequacy of funds available to institutions and financial analysis of Balance sheet revealed that financial assistance from the KVIC to institutions is quite substantial and is in the form of loans for purchase of raw material, dyes, chemicals etc., working capital loans for production and sale of Khadi, management grants to Khadi cooperatives, new bhandars etc. Prior to 1996-97, most of the institutions would get the capital expenditure loan and working capital loan through the budgetary sources at 0% interest rate. Currently, institutions are asked to avail the bank finance through the Interest Subsidy Eligibility Scheme (ISEC), at a subsidised rate of 4% with an interest subsidy grant of 8.5%. Further, in 1995-96, Consortium Bank Credit (CBC) was released to various Khadi institutions. The CBC was formed on the suggestions of the High Power Committee (1994), to double the production with the objective of increasing employment

by 2 million. However, it is observed that, in the last few years institutions which have utilized CBC loan have increased the production substantially but it has lead only to the building of unsold stocks. Institutions keep up with the production level in order to avoid returning back the working capital money to KVIC.

Khadi and Village Industries Commission (KVIC) has prescribed detailed procedures for maintaining and presentation of financial accounts in the form of Trading Account, Profit and Loss Account, Balance Sheet etc. However, KVIC does not provide much information about the detailed steps followed in setting ideal and transparent accounting proforma's. Analysis of annual reports clearly pin point that most of annual reports appeared to be hastily prepared report just for meeting official and legal obligations, many of the annual reports did not contain figures for the previous year in the balance sheet and other statements. Such an unprofessional approach of preparing Annual Reports by KVI Units clearly shows lack of interest in presenting financial figures and information properly. None of the Annual Reports of sampled KVI Units contained Directors' /Chairman's Report or any such report. In the absence to such a report it was almost impossible to assess the problems respective KVI unit had to face during the financial year, its major achievements or impending problems or their future plans in the coming year.

Balance sheet Analysis revealed many facets of the industry. There is a clear case of Poor Utilisation of Capital. Institutions received funds amounting to crores of rupees from 1996-97 onwards and the entire amount was either invested in fixed assets or resulted in stock in trade. A look at audited annual figures suggests that the gross profit of major institutions has remained more or less stagnant over the years despite substantial increase in the flow of capital funds. Loans taken from KVIC or through CBC have been used up by just one item of asset which happens to be none other than stock in trade, especially for textile products. A large chunk of the expenditures are concentrated in establishment costs that need to be curbed extensively and concentrate more on regaining the viability of the business. Further, if the sundry debtors are added into stock in trade, just these two components of current assets constitute around three fourth of the investment in the total assets for many institutions. Further, large chunk of dues remains blocked with rebates receivable from Khadi Commission as well as from Local KVIB or State Governments.

Return on the Total assets is quite low (around 4-6 percent) when we compare the same with respect to return on investment in bank for years 1995-99. The Deposit rate of Scheduled commercial Banks was in the range of 9.0 to 12.0 percent per annum for 1 year and above deposits from 1991-1998. Though most of the institutions have very low returns but investment in these institutions still continues. Furthermore, establishment costs continue to rise unabashed even though the returns from investments continue to dwindle. This surely is a case where public funds are being misutilised in the name of social welfare. It is also observed that, institutions with infrastructure of pre-spinning and dyeing and processing had a better chance of reducing the overhead charges than the others. It is, therefore argued that more decentralised production process may considerably bring down the overhead charges and make Khadi a bit cheaper if infrastructure of pre-spinning and dyeing and processing exist in a much decentralized fashion. Furthermore, institutions which have partly diversified their production to village industries like leather, metal and wooden furniture were successful in offsetting the losses from Khadi. It is imperative that such diversification can be duplicated by other institutions. Also, in spite of falling production and subsequent employment, the administrative costs of running the institutions continues to rise and it eats into the depleting money stocks which needs to be curbed. It is quite clear that enough funds have been made available to the institutions. Any more monetary input runs the risk of being converted to stocks. The solution is to dispose off the stocks so that liquidity returns to the Khadi industry.

Chapter 7 on technology in Khadi industry revealed that technology of production available with Khadi cannot even be compared to the existing modern high speed spinning and weaving machinery. Khadi Industry possesses quite a rudimentary technology from the time of its inception in both spinning and weaving. Later there was introduction of NMC (New Model Charka) in 1970 with a range of spindles in spinning technology. Frame-looms and design based jack looms for weaving of silk and special designed cotton sarees were introduced as part of improvement of weaving technology. It is really a Herculean task to disaggregate and look at improvements in production capacity, labour productivity and wage improvement given the range of technological innovations which occurred in weaving and spinning across different states of the country from past five to six decades. However, here an attempt is made to analyse how

introduction of a new technique of production in spinning New Model Charkha (NMC), can have an impact on Production, sales, employment, wages and on the livelihood of the artisans to get an idea about Khadi industry after 1970.

Theoretically it is expected or hypothesised that a change to or an introduction of new technology would bring about a phenomenal rise in, employment generation, production, sales etc. to cater to the employment demand of rural labour force in India, at least by giving them employment opportunities during off-season as envisaged by Gandhiji. 1970 is taken as a bench-mark year for our further analysis as it happens to be the year when NMC as a new technology was introduced.

Initially introduction of new technology of NMC improved the productivity to a large extent. But the increase in Production and Sales could not be sustained for a long time as the marketing aspect has been largely neglected. Employment though increased initially but that too sustained a set back due to fall in demand. Even the earnings of artisans are found to be Un-sustainable to support their families. Moreover, field observations revealed that a lack of dynamism in terms of information dissemination regarding R&D by KVIC, lack of in-house R&D by institutions, adaptation and further improvement in the technology are some other key elements for the descent of Khadi industry. Not many institutions have taken up R & D activities. They feel that there is no *incentive* (or rather no *pressure*) for them to conduct R & D activity as there is no provision for the same in the cost-chart. At the same time, they are not even aware of the R & D activities taking place in the Khadi industry (case of *information flow asymmetry*).

There are no improvements to reduce the drudgery of the artisans from a long period of time. There is definitely a need for powerisation in pre-weaving stage - which has already been successfully experimented with. This will simultaneously contribute towards the development of the artisans family by freeing the additional family members involved in pre-weaving, particularly children for adequate schooling. Further sustained attempts should be made to use power in the charaka to reduce drudgery, enhance productivity and wages. In short we can say that *Information* network flow within KVIC and its agencies is quite poor. Technological Diffusion is incomplete and though there exists physical *capacity* and *opportunity* to invent by sizeable institutions and KVIC research agencies, but lack of sufficient financial assistance and *pressure* to innovate scuttle the progress of R & D. Moreover there is a need for comprehensive, coordinated

research and documentation of innovations and its dissemination.

The emphasis of Khadi sector, both by the govt. and the institutions, is that the major objective of the Khadi industry is to provide 'employment' among the weaker sections of the society. It appears to be more welfare oriented than efficiency oriented. In fact this kind of policy bias had been one of the major reasons for not emphasizing the '*economic-viability*' and the '*high value addition*' role of Khadi over decades. This exclusive emphasis on employment generation *per se* has made institutions become stagnant in terms of technology, product innovation etc. as is evident from other chapters of Khadi. In fact **chapter 8** on Labour in Khadi industry explored this question of how far Khadi program had made an impact on the livelihoods of the artisans. Therefore a separate questionnaire was prepared to look into the socio-economic dimensions combined with our field observations.

The fact that Khadi had remained '*coarse*' has led to preempting any new product innovation, This has also in a way halted the growth of traditional Indian clothe manufacturing based on Fineness and sophistication. In fact this predefining of product creation might have been relevant during the pre-independence time to fight the Mill based clothe. But once after gaining Independence Khadi should have refined itself into promoting highly skill-based, value added clothe which could have enhanced both the livelihoods and overall marketability of Khadi. When we look at these aspect quit critically we can easily presume that there could have been deskilling of weavers who were forced to produce the coarse material in the name of '*struggle towards independence*' and later perpetuated by the institutions in the name of '*employment generation*', without introducing any change in skill formation for decades. This weakness or lacuna in Khadi has now created a situation where it has to face uneven and stringent market competition and it is finding it difficult to face the situation.

Globalisation has raised apprehensions and expectations, more often the former than the latter, in respect of its impact on labour. Dislocation, unemployment and reduced social protection are feared to be the short-term fallouts, while widening and diversification of employment opportunities, rising real earnings are improvement in conditions of work are expected to be the benefit labour can realize from globalisation in the medium and long run. The global and the Indian experience so far have produced the negative impact more often than the positive impact on labour. Employment has

increased mostly in the informal sector and it is more 'flexible'. Such as casual, contract and temporary forms.

Liberalisation involves an assumption on part of the employer that India's comparative advantage lies in the indisputable low cost of labour. But India's large reserves of cheap labour cannot constitute the foundations of a modern, globally competitive economy. Such a workforce will not provide the necessary mass demand for the goods and services produced by a modern economy integrated into a global system. One cannot escape this argument of low level of skill formation when we look at the current situation of Khadi in the context of Globalised economy.

Our analysis raised many questions like, can we call employment in Khadi sector as 'decent-work' with such low levels of wages and without any social security? What kind of social security are we talking about when many artisans are forced to buy products produced by them in the name of circulation of resources within the village economy from the small money saved through artisan's welfare fund and incentives?

It is found that contrary to Gandhiji's assumption of achieving social well-being through promoting Khadi it is leading to '*occupational interlocking*', where freedom to move from one occupation to other is highly restricted in the name of *employment* generation. In fact the study of Andhra Pradesh handloom weaving, highlights the fact that, quite contrary to occupational interlocking in Khadi sector, there was occupational mobility in the handloom sector in terms of emergence of entrepreneurs who were organizing business contracts and acted as master weavers employing other weavers to work for them providing yarn and design. Some of them migrated to Bhiwandi, Surat, Ahmadabad and other power-loom centers in western India for better opportunities when the local opportunities were declining. Theoretical Study by Akerlof on Caste based occupations system in India and its consequence of creation of low level equilibrium trap in the economic output resulting from caste based segregation of labour cannot be ruled out for the Khadi Industry. Where people from Marginalised sections (here Scheduled Castes (SCs) in weaving and Women in spinning) are deprived of any progress in occupational mobility and thereby economic empowerment for their well-being. Presence of child-labour in weaving really questions the altruistic spirit in which Khadi programme is being implemented.

After looking at various dimensions of employment generation in Khadi we find that Khadi programme has failed to really improve the livelihoods of the people. The

only areas where hope seems to be lying is innovation of higher spindle charkas, which involve lesser drudgery and fetch more wages. Training of Weavers and innovation in improvement of looms and designs of products, to encourage production of highly value-added products in order to improve the socio-economic conditions of the artisans. To promote shed based spinning and weaving in order to consolidate the wages and encourage them to unionise/organise to improve working conditions and facilitate better social protection. Introduction of power in pre-weaving is essential to reduce child-labour and drudgery of the artisans. Further, the mind set of the institutions needs to be changed in order to adapt to the changing environment of competition. The link between KVIC and Institutions, Institutions and artisans needs to be strengthened in order to understand the current market trends and plan for future course of action.

Marketing is one of the very crucial elements when it comes to products like Khadi. Further it is observed that Khadi has a limited market catering to few consumers who either believes in Khadi ideology or in the good qualities of wearing cotton clothes. Therefore we looked at the marketing strategies adopted by the KVIC (marketing wing) and Institutions in promoting Khadi in **chapter 9**. The data source for most of the tables in this chapter is derived from the questionnaire of customers surveyed in the Khadi Bhandars. Marketing strategies adopted by Institutions are quite *naïve*. The amount allocated to market the product in cost-chart is also meager compared to other handloom textiles. Cost-chart needs to be made more flexible for the institutions to have the freedom to go beyond the existing limitations to improve the quality and the salability of Khadi. The only component that requires to be retained is the wage component to provide decent wages to the artisans. Therefore there is a greater need for taking up marketing strategies quite seriously and collaboration among institutions, KVIC Marketing department and state KVIBs is a must for surviving the onslaught of competition.

Customer survey data revealed that rebate was least important for a regular buyer of Khadi. What is required is the improving quality and design pattern to suit the changing customer needs. The sales persons in Marketing Bhandars need to be trained more professionally to boost the sale of Khadi. Further, regular in depth surveys of customers to upgrade the sale of Khadi is the need of the hour.

Marketing linkages are found to be poor among the artisans, institutions and KVIC as the information flow regarding changing consumer tastes, designs and competition is almost absent. This aspect needs further strengthening. It is imperative for Khadi to rationalise its product range from 5000 to a manageable number so that the objective of Khadi i.e. production of 'saleable products' is achieved.

The cloth quality checking and standardization norms followed by the KVIC units are quite rudimentary and poor. If KVIC is to shift focus to the urban and *niche* markets in India and abroad, then quality is going to be very important to them. Following the quality standard or norms set by ATIRA or any other agency would be a good step forward in this regard. Introduction of power can solve the problems of evenness of cloth in the spinning stage. Further, innovation and improvement in the implements of weaving like putting a jack-up-motion on the frame-loom, which increases the evenness and quality of cloth etc., would also be very helpful in improving quality.

It was found that most of the institutions were not aware of any R & D activity undertaken by the KVIC indicating that there exists information dissemination bottleneck between KVIC and the institutions. KVIC also needs to tie up with external agencies involved in this area like NID etc., so that there is an exchange of ideas and flow of information about changing market scenario.

With growing importance of '*green products*', '*fashion designing*' and rise in importance for cotton ('*eco-friendly*'), Khadi needs to look at these positive signals and take necessary steps to boost its quality and *salability* of the product. In this regard steps towards *Brand* building and creating *niche* markets for specialised products of Khadi are components, which cannot be left out. Another step is to promote Khadi through '*retail chains*'. It has two advantages first it saves the burden and cost of institutions in marketing Khadi. Secondly institutions can now focus on the production of '*marketable products*'.

Finally, what lessons can be drawn for similar traditional based industries from the current study? In the frame-work of Technological dualism, we hypothesised that co-existence of divergent technologies where technologically advanced industries (especially after liberalisation) might become detrimental to the existence of traditional industries. It is quite clearly evident from our study that the slightly technologically advanced industries like powerlooms and mills sector (from within the country and outside) had

even taken over the '*Market Share*' of the hitherto traditional goods like *Khadi* resulting in the slow deceleration of those industries. However, this is true only in the case of handloom industries and many of the other crafts have gained significantly under the rule of free-market as pointed out by the study of Liebl and Tirthankar Roy (2003) on handmade crafts in India. Therefore one has to interpret the impact of *technological dualism* quite cautiously when it comes to handicrafts. Where ever the traditional products are in direct competition with other technologies like clothe produced by Khadi is competing directly with clothe produced by a technologically advanced mill sector then it may have a negative impact. But if the markets for handicrafts are not directly competing with the technologically advanced products but catering only to *niche* markets they may not face a great deal of problems.

Coming to the other aspects it is evident that there is a greater need to '*bridge the information gaps*' existing between the consumers and producers to facilitate producers to adjust to the changing patterns of preferences. There is also a necessity to '*evolve institutions*' (marketing and design professionals) or to '*mutate*' and '*strengthen*' the existing support institutions (of marketing and design professionals) to achieve the same. '*Brand building*' and promotion of products through '*retail chains*' on the basis of '*eco-friendliness*' and other such concerns of the products is also crucial. The study quite amply illustrates that in the Globalised era one cannot but '*upgrade*' and '*liberalise*' '*administrative mechanisms*' which govern the functioning of the institutions/individuals that are involved in production process of handicrafts to speed up with the changing environment and minimise the inefficiencies involved in the existing processes. If it is feasible, there should be efforts made to evolve small-scale and medium-scale production of crafts through factory systems to take advantage of economies-of-scale and standardised quality control. Of late, China and other east-Asian countries are seizing the competitive edge in some of India's Traditional exportable as they offer buyers lower shipping costs, streamlined administrative procedures and an ability to create by machines exact reproductions of handcrafted samples from India.

There is also an obligation to standardise and improve the working conditions of labour in unorganised sector through formation of labour unions or provision of social security to meet the social clauses concerns of both national and international institutions which are unavoidable in the Globalised era. It is quite clear that what ever may be the nature of employment, even if aimed at providing '*social-welfare based employment*', it

needs to adhere to some of the basic tenets of providing '*sustainable livelihood*' to people. It should not only provide decent working conditions and wages but also promote the socio-economic mobility of the communities that are engaged in Traditional industries. In fact the notion of '*occupational interlocking*' discussed in our study can be found true for people belonging to SC/STs, women and other backward communities engaged in unorganised traditional industries like leather, fishing, making of traditional artefacts etc. Therefore any programme offered to '*protect and promote*' traditional industries either in the name of promoting '*employment generation*' or in the name of '*preserving the cultural capital*' of Traditional industries needs also to be judged with the yardstick of whether it is creating conditions of '*occupational interlocking*' and '*consequent deprivation*' for the '*marginalised groups*' in their '*socio-economic mobility*' or '*not*'?