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ROLE OF KHADI AND VILLAGE INDUSTRY SECTOR IN PROMOTING MICRO ENTERPRISES: A STUDY IN DIBRUGARH DISTRICT

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Abstract: KVI has been playing an important role as an instrument to generate large scale employment in the rural areas with low per capita investment. The sector takes a vital role in every aspect of rural industrial development through its implemented scheme PMEGP/REGP from 1994. The main purpose of this paper is to study the performance of KVI sector in the district in terms of production, employment and sales. The paper also attempts to study the production behavior of KVI units. It has been found that KVI unit's exhibits increasing return to scale. The paper presents a comprehensive picture of the performance of the sector.

Keywords: KVI, Sales, Production, Employment Generation

1.0 Introduction:

Khadi and Village Industry (KVI) play a pivotal role in overall industrial economy of the country. It has been playing an important role as an instrument to generate large scale employment in the rural areas with low per capita investment. It is an important instrument in absorbing the ever increasing additional labor force in the rural non-farm sector. In India, the growth and development of KVI has been started during the British period. But during the pre-independence period, KVI occupied almost an insignificant role in the national economy and it was mainly linked with freedom movement only. It was only after the post-independence period where KVI turn out to be an effective instrument for promoting rural enterprises and tackling unemployment problem. This is mainly due to the active interest of the government in the development of rural industries in the post-independence era. KVI serves the basic needs of processed goods of the vast rural sector of the country and also provides sustainable employment to rural artisans.

The KVI is functioning under the administrative control of Ministry of MSME. The main aim of KVI is to plan promote organize and assist in implementation of the programmes for generation of employment opportunities. The sector itself undertakes various programmes for promoting micro enterprises and generates employment in both rural and urban areas. These programmes are being implemented through 33 State or Union Territories Khadi and Village Industries Board, 5000 registered institutions, 30000 co-operative societies and banks or financial institutions. The Khadi programme is implemented through institutions recognized either KVIC or State or Union Territories KVIB. Among the various programmes implemented under KVI, Prime minister Employment Generation Programme (PMEGP) is a highly attractive programme for perspective entrepreneurs with higher subsidy. KVI sector has assisted the entrepreneurs in getting loans through PMEGP scheme. KVI also undertakes various activities like skill improvement, transfer of technology, research and development marketing etc. KVI sector co-ordinates its activities through KVIC, KVIB and registered societies and co-operatives.

KVI plays a commendable role in Indian economy in providing employment opportunities to the needy entrepreneurs and removing poverty in both rural as well as in urban areas. In India total KVI production during 2015-16 is estimated at Rs. 27868.05 crore as against Rs. 27569.37 crore in corresponding period of 2014-15. Similarly, the estimated sales of KVI products is Rs. 37642.24 crore in 2015-16 as against Rs. 33135.90 crore in 2014-15. Again, the total cumulative employment in KVI sector in 2015-16 is 154.84 lakh persons as against 134.25 lakh persons in 2014-15.

2.0 Objectives of the Study:

The objectives of the study are:
1. To highlight the growth and development of KVI in Assam and the district.

2. To study the production behavior of the KVI units.

3.0 Hypothesis of the study:

1. The KVI units exhibit constant return to scale.

4.0 Methodology:

The study is based on both primary and secondary sources of data. The primary data has been collected from the interviews of the entrepreneurs concerned with the Khadi and Village Industry in the district. The study is done in Dibrugarh district as the district having highest number of KVIC registered micro enterprises under PMEGP in upper Assam during 2015-16. The secondary data were collected from various secondary sources such as KVIC annual report, DIC, Economy Survey of Assam etc.

The period of study is from 2013-14 to 2015-16. In order to evaluate the performance of KVI units in the district 113 units were selected by adopting stratified random sampling. Firstly, the units were classified into two sector i.e. manufacturing and service. Out of 564 KVI units registered during 2013-14 to 2015-16, 20 per cent i.e. 113 were selected randomly for primary data collection. Among these 113 KVI units 62 units are manufacturing units and 51 units are service units. However to know the production behavior of sample units financial information of only 2015-16 is taken in to consideration.

Although Khadi and Village industries are two separate sectors of development of KVI, but only rural micro enterprises working under PMEGP is chosen for our study.

5.0 Literature Review:

Darkhsahn (2011) carried out a study on "An analysis of Khadi and Village Industry sector in J&K." The aim of the study was to review the performance of Khadi and Village Industries under PMEGP/REGP in J&K. The study found that Khadi and Village Industries play a vital role in generating employment for rural poor, unemployed youth and down-trodden artisans. The study suggested for government support for continuous progress of KVI in J & K.

Barman and Das (2014) made an empirical study on KVI in India during the period 1994-2014 with respect to production, sales and employment. The study found a strong positive correlation among the performance variables. The projected growth of employment, production and sales was also found satisfactory. It reflects positive expectation and scope for further growth of the variables in the country.

Das (2014) in his study entitled "Role of Khadi and Village Industries Commission in Promoting Micro Enterprises in Assam:A Study of Kamrup(Rural) District" found that the overall production, sales and employment of KVIC units in the district is impressive. The value added profit and employment status of KVIC units are found to be sufficient and highly impressive as compared to non KVIC units. The study recommended for effective institutional support to the enterprises for their continuous progress.

Daizova and Sharma (2014) conducted a study on the performance of Mizoram Khadi and Village Industries Board (MKVIB). The study found that MKVIB plays a vital role on the economic development of Mizoram. During the study periods of 2009 to 2014 the board assisted 1137 enterprise units. Through the units assisted the board has gained Rs 13597.69 lakh. The study revealed that good performance was the result of subsidies provided to the micro enterprises by the government.

6.0 KVI in NER vis-a-vis Assam:

The North Eastern Region is well known for its artistic traditions which find expression in their exquisitely woven Eri, Muga and Pat silk fabrics. The handicrafts for which this region is equally famous are mostly made in village homes from Jute, wood, cane, bamboo etc. KVI occupies a unique position in the rural economy of this region by not only contributing substantially towards strengthening the economic base of the village but also by effecting utilization of the vast natural resources and significant manpower. KVIC has established a zonal office for NE zone at Guwahati to oversee and supervise the working of KVI programme in the zone. The KVIC of NE zone provide employment to the rural poor, unemployed youth and down trodden artisans of the state by providing financial and technical assistance for setting up micro and small industrial production units under various schemes which come under purview of all India Khadi and Village Industries Commission Govt. of India. These schemes are expected to

increase the value of production, sales and employment of entrepreneurs. Over the years there has been considerable increase in production and employment in KVI sector in NER. The achievement made in terms of production, sales and employment is presented in Table 1:

Table 1: KVI's Production, Sales and Employment in NER and in Assam (2010-2016)

Year	KVI Production(Value in lakh)		KVI Sales (Value in lakh)		KVI Employment(in lakh person)	
	Assam	NER	Assam	NER	Assam	NER
2010-11	53146.74	123315.04	75321.57	176469.49	3.94	7.68
2011-12	58500.34	135738.22	78224.43	183252.86	4.13	7.87
2012-13	64350.74	149277.49	81234.51	190289.07	2.89	8.45
2013-14	69940.57	162373.93	91033.33	213303.79	4.54	8.84
2014-15	73780.33	171299.03	97274.35	227225.5	4.67	9.1
2015-16* (Provisional)	59024.26	137039.19	77819.48	181780.37	4.69	9.1
Total	378742.98(-43.08)	879042.9(-100)	500907.67(-42.72)	1172321.23(-100)	24.86(-48.7)	51.04(-100)

Source: Various Annual Reports of MSME, Govt. of India.
Note: Figures in the bracket showing the percentage share of Assam to entire NER

From the Table 1, it is observed that the performance of KVI in Assam shows a greater improvement as compared to entire North East Region. The production, sales and employment in the region is also encouraging. It is reveals that the share of production and sales of Assam in entire NER is 43.08 per cent and 42.72 per cent respectively. The employment scenario is also remarkable as the state Assam alone provide approximately 48.70 per cent of total employment of KVI sector in NER. Thus, KVI is a dominating sector in Assam in terms of production, sales and employment amongst entire NER.

6.1 KVI in Dibrugarh District:

The KVI sector in Dibrugarh district plays an important role in providing better facility for development and regulation of Khadi and Village Industries in the district. The sector takes a vital role in every aspect of rural industrial development through its implemented scheme PMEGP/REGP from 1994. The enterprises established under KVI are both manufacturing and service. The manufacturing enterprises includes forest based, agro based, engineering based, textile based enterprises etc. and on the other hand service enterprises includes restaurant, DTP Xerox, servicing of electrical wiring, electronic domestic appliances etc. Sales turnover of the sample KVI units in the district are given in the following Table 2:

Table 2: Sales Turnover of KVI units in the District (In Rs.)

Sl No	Category	Manufacturing	Service	Average
1	Total Sales	26108090	20461240	23284665
2	**Less: Cost of Production**	19853142	15296054	17574598
3	**Gross profit**	5754948	5165186	5460067
4	Operating Cost	153628.2	159842.7	156735.45
5	**Net Profit**	5601319.8	5005343.3	5303331.5

Source: Field survey

It is clear from the Table 2 that annual turnover of KVI units during the study period is Rs. 26108090 for manufacturing sector and Rs. 20461240 for the service sector. The gross profit for the manufacturing sector is Rs.5754948 and the service sector is Rs.5165186. The net profit earn by the manufacturing sector is Rs.5601319.8

which is higher than that of the service sector i.e. Rs.5005343.3. It is inferred from the Table 2 that the overall profitability and performance of the KVI unit is good.

The main objective of KVI is to generate a large scale of self-employment opportunities to the unemployed youth. In this process it creates wage employment to the others. KVI could generate employment directly and indirectly. To study the nature of labour engaged in the sample units the laborers are categorized in to full time (FT) and Part Time (PT) labor, hired or family labor and male or female labor. The following Table 3 represents the pattern of labor employment in the sample KVI units:

Table 3: Employment Pattern of KVI units (In No.)

Nature of Employment	Manufacturing	Service	Total
1. FT hired male	110 (63.58)	82(53.94)	192(59.07)
2. FT hired female	40(23.12)	35(23.02)	75((23.07)
3. FT Total (1+2)	**150((86.70)**	**117(76.97)**	**267(82.15)**
4. PT hired male	15(8.67)	20(13.15)	35(10.76)
5. PT hired female	8(4.62)	15(9.86)	23(7.07)
6.PT Total (4+5)	**23(13.29)**	**35(23.02)**	**58(17.84)**
7. Grand Total (3+6)	**173(100)**	**152(100)**	**325(100)**
8. Average Employment	**2.79**	**2.98**	**2.64**

Source: Field survey
(Figures in the brackets represent percentage to the total)

The Table 3 reveals that the full time engagement of the worker in the KVI units higher than the part time engagement of worker. Out of full time workers, there nearly 23.07 per cent are female and the rest 59.07 per cent are male workers. Similarly, the percentage of part time male worker is also higher than the part time male workers in both manufacturing and service sector. It is also found that the average number of worker per enterprises is 2.64. Thus KVI in the district not only generate self employment but also provides wage employment opportunities to the unemployed.

7.0 Production Function Analysis:

A production function refers to a function which relates physical output of a production process to physical inputs or factors of production. Production behavior can be studied with the help of production function. In order to study the production behavior of both manufacturing and service KVI enterprises a Cobb-Douglas production function is used in following way:

The C-D production function is given as-

$$Y_i=\beta_0 X_{2i}^{\beta 2} X_{3i}^{\beta 3} e^{Ui} \text{----------(1)}$$

Where, Y_i, X_{2i} and X_{3i} are measures of gross value added output, capital and labour inputs respectively. B_2 and $\beta_3$are the parameters to be estimated and u's represents the error term.

The model (1) can be expressed as-

$$\ln Y_i = \ln \beta_1 + \beta_2 \ln X_{2i} + \beta_3 \ln X_{3i} + u_i$$
$$= \beta_0 + \beta_2 \ln X_{2i} + \beta_3 \ln X_{3i} + u_i \text{----------(2)}$$

Where $\beta_0 = \ln \beta_1$

Thus, model (2) is linear in parameters β_0, β_2 and β_3 and is therefore a linear regression model. The estimated results for C-D production function for both the sectors are reported as

8.0 C-D Production Function for manufacturing sector:

The estimated C-D Production Function for manufacturing sector is presented in following Table 4:

Table 4: Estimated C-D Production Function for manufacturing sector

Variables	Coefficient	t ratio	VIF
Constant(β_0)	5.092	7.062	-
Total capital(β_2)	0.541	8.176*	1.320
Man-days(β_3)	0.462	6.128**	1.320

**= 5% level of significance, *= 1% level of significance

Depended variable: Gross value added output

R^2= 0.669 $\overline{R}^2$=0.658 F=58.654

In the estimated model,β_2 =0.541 signifies that in a holding of other input fixed, one per cent increase in capital input lead to an average about 54 per cent increase in output. B_3=0.462 signifies that holding other inputs fixed, one per cent increase in input of mandays led to an average about 46 per cent increase in output. Thus, the high regression co-efficient of capital inputs and mandays implies that output could be increased by increasing these inputs. The sum of parameters in the C-D production function implies that production function exhibits increasing return to scale because 0.541+0.462=1.003. In the estimated model R^2=0.669 implies that 66.9 per cent variation in output is explained by two regressors. Again, VIF= 1.320 indicates that multicolinearity is not a problem since VIF is less than 5.

8.1 C-D Production Function for Service Sector

The estimated C-D production function for service sector is presented in the following Table 5:

Table 5: Estimated Cd Production Function for Service Sector

Variables	Coefficient	t ratio	VIF
Constant(β_0)	1.990	1.976	-
Total Capital(β_2)	0.684	6.332*	1.474
Mandays(β_3)	0.421	3.066*	1.474

*= 1% level of significance

Depended variable: Gross value added output

R^2= 0.686 $\overline{R}^2$=0.674 F=52.725

In the estimated model, β_2 =0.685 signifies that in a holding of other input fixed, one per cent increase in capital input lead to an average about 68 per cent increase in output. B_3=0.421 signifies that holding other inputs fixed, one per cent increase in input of mandays led to an average about 42 per cent increase in output. The sum of the parameters in the analysis is worked out to be 1.106 which indicates production function is increasing return to scale. In the estimated model R^2=0.686 implies that 68.6 per cent variation in output is explained by two regressors. Again, VIF= 1.474 indicates that multicolinearity is not a problem since VIF is less than 5. Thus the result shows that output of KVI units in service sector could be increased by increasing labour and capital in the district.

9.0 Analysis of Profitability Using Ratios:

Profit is the engine that drives the business enterprise (Keynes, 1930). The primary objective of a business is to earn profits. A business needs profits not only for its existence but also for expansion and diversification. Profitability ratios are crucial ratios in financial analysis to a business. Generally, profitability ratios are calculated either in relation to sales or in relation to investment. There are various profitability ratio used to assess the profitability position of a business unit. In the study profitability ratio is also calculated to see the overall efficiency of the KVI units. The following Table 6 shows the summery of profitability ratios of the sample KVI units:

Table 6: Profitability Ratios of the Sample Unit

Sector	Gross profit ratio	Net profit ratio	Return on investment ratio (ROI)	Net profit to fixed asset ratio
Manufacturing	23.83%	23.20%	33.30%	77.21%
Service	26.55%	25.82%	34.95%	85.18%

Source: Field Surve

In the above Table 6, the ratio shows the profitability position of sample KVI unit of the both the sector is in a satisfactory position. The gross profit ratio of manufacturing sector is 23.83 per cent and the service sector is 26.55 per cent. This shows good performance of sample KVI units. The net profit margin of the manufacturing sector is 23.20 per cent and the service sector is 25.82 per cent. The return on the investment ratio in manufacturing sector is 33.30 per cent and 34.95 per cent for the service sector. Thus, the KVI units must take all the necessary steps to

increase ROI ratio. The net profit to fixed asset ratio in both the sector shows that the fixed assets have been effectively utilized in both the sectors.

10.0 Conclusion:

The KVI sector plays a vital role in generating employment opportunities to the unemployed youth in the district by providing financial and technical assistance under its various implemented scheme for setting up small and micro enterprises. The growth rate of KVI sector in the district in terms of employment, production and profitability is significant during the study period. The development of KVI is necessary for generating employment because limitation of organized sector in absorbing growing labour force. It is for this reason government support is *necessary for continuous progress of KVI sector. KVI is the important way for unemployed masses to realize their* dreams and to give their best for development of their own and the nation.

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