

“Performance of Khadi and Village Industries during Pre and Post- reforms period in India: Some Evidence”

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Introduction

In India, unemployment has grown substantially during the last four decades its may be due to increasing capital intensification in agriculture (Mehra 1976) which reduces labour absorption Capacity. Moreover the pressure of population on land is already high and increasing and has resulted in a large surplus of labour in rural areas (Papola 1982) Similarly the labour absorbing capacity of large industry is limited and has been declining over a period of time due to the fact that it become move capital intensive (Hirway (1991), Vidyanatham,(1986.)). In this context Khadi and Village industries are very effective in creating productive employment as they are labour intensive and they can be started in rural areas with less investment and technology. They produce goods and services needed by rural masses and hence they can survive in the competitive market.

In line with this, Govt of India has been implementing various programmes for the promotion of village industries since Independence. As a part of its promotional activities of village industries, the Govt has established Khadi and Village Industries Commission (KVIC) in 1957. The prime objective of KVIC is to provide employment in rural areas through production of saleable articles. In the process, it creates self-reliance among people and builds a strong rural community spirit.

Such analysis help us in understanding whether the wide ranging reforms initiated with the aim of accelerating economic growth in the country helped the village industries to grow further or not in the post reforms period compared to that of the pre reforms period.

Keeping this as a back drop, the present paper has been carried out to study the performance of Khadi and Village Industries functioning with the financial and technical support of KVIC by using the data collected from the various Annual Reports of KVIC and Khadi Gram Udyog Journal for the pre- reforms (1980-90) and post- reforms period (1991-2014) in India.

Methodology:

- Growth performance of Khadi and Village Industries in terms of capital, employment, output, exports and earnings has been studied by estimating **annual average rate of growth** of each variable under consideration for the pre and post- reforms period.
- Productivity has been studied by estimating partial productivity indices viz Labour productivity (O/L) & Capital productivity (O/K) and Capital intensity (K/L) of Khadi and Village Industries.
- Export performance of KV Industries has been examined by estimating the share of Exports in output and the contribution of output to the growth of exports by estimating the equation of the form

$$\text{Log } E = \alpha + \beta \text{ Log } Q$$

Where E = Exports

Q = Output

- The responsiveness between output and factor inputs i.e.; labour and capital in KV Industries has been studied by estimating a simple regression equation of the form $\log Q = \alpha + \beta \log E$ and $\log Q = \alpha + \beta \log K$ where Q refers to output, E refers to employment and K refers to Capital.

1. ANALYSIS

In order to examine the growth performance of Khadi and Village Industries, annual growth rates of employment, capital, output, earnings and exports of KVI have been estimated and presented in table.

Table -1
Growth of Employment, Capital, Output, Earnings and Exports of KVI 1980-81 - 1990-91 and 1991-1992 -2013-14

AVERAGE ANNUAL GROWTH RATE					
Period	Employment	Capital	Output	Exports	Earnings
1980-81 to 1990- 91 (Pre- reforms)	5.27	10.93	15.14	17.73	1.79
1991-92 to 2013-14 (Post- reforms)	4.46	0.93	11.26	12.50	- 0.47
1980-81 to 2013-14	4.75	4.17	12.43	14.08	0.13

Source: KVIC Reports 1980-81 - 2013-14

a)Employment :

It is evident from the same table -1 that employment has grown in khadi and village industries at the rate of 4.75 percent per annum over the study period 1980-81 to 2013-14 in India. The sub- period analysis shows that employment has grown at a higher rate to an extent of 5.27 percent per annum during the pre- reforms period than that of the post- reforms period (4.46 %).

b) Capital :

Capital of khadi and village industries in India has grown at the rate of 4.17 percent per annum for the study period 1980-81 -2013-14. The sub-period analysis shows that as is the case with employment, capital has also grown at a higher rate of 10.93 percent during the pre- reforms period than that of the post- reforms period (0.93 %).

c)Output :

Output of Khadi and Village Industries has grown at the rate of 12.43 percent per annum over the study period 1980-81-2013-14. While similar to growth of factor inputs, output has also grown at a higher rate (15.14%) during the pre-reforms period compared to that of the post-reforms period (11.26%) per annum.

d) Exports :

Exports of khadi and village industries have grown at a negative rate of 0.47 percent per annum during the post- reforms period while its growth was positive to an extent of 1.79 percent per annum during the pre- reforms period. On the whole, exports have grown at a substantially low growth rate of 0.03 percent per annum for the entire study period.

e) Earnings :

It is clear from the same table that earnings of khadi and village industries also have grown at a higher rate of 17.73 percent per annum during the pre- reforms period compared to that of the

that post- reforms period (12.50%). While they have exhibited an overall rate of growth of 14.08 percent per annum for the study period 1980-81 to 2013-14.

These analysis indicate that khadi and village industries have received serious setback as far as their growth performance is concerned during the post- reforms period compared to that of the pre- reforms period in India.

2. PRODUCTIVITY AND CAPITAL INTENSITY:

Productivity of Khadi and Village Industries has been estimated in terms of labour and capital productivity indices along with capital intensity and results are presented in Table – 2

Table -2
Growth of KVI Labour Productivity, Capital Productivity, and Capital Intensity
1980-81 - 1990-91 and 1991-1992 -2013-14

AVERAGE ANNUAL GROWTH RATE			
Period	O/K	O/L	K/L
1980-81 to 1990- 91 (Pre- reforms)	9.81	5.25	6.76
1991-92 to 2013- 14 (Post –reforms)	6.58	10.45	-3.25
1980-81 to 2013-14 (The study Period)	8.21	7.85	1.76

Source: KVIC Reports 1980-81 - 2013-14

a) Labour Productivity

It is evident from the same table (Table -2) that labour productivity has grown at the rate of 8.21 percent per annum for the study period 1980-81 to 2013-14. The sub period analysis shows that labour productivity has grown at a higher rate of 9.81 percent per annum during the pre- reforms period compared to that of the post- reforms period (6.85%).

b) Capital Productivity

Capital productivity has grown at the rate of 7.85 percent per annum for the study period. The sub-period analysis show that capital productivity has grown at a higher rate of 10.45 percent per annum during the post- reforms period than that of the pre- reforms period (5.25%).

c) Capital Intensity

It appears from the same table that capital intensity has grown at the rate of 1.76 percent per annum for the study period 1980-81 to 2013-14. The sub period analysis shows that capital intensity has grown at a higher rate of 6.76 percent per annum during the pre- reforms period while its growth was negative to the extent of 3.25 during the post- reforms period.

On the basis of these observations, one may tend to believe that capital input has been efficiently utilised in khadi and village industries during the post- reforms period compared to that of the pre- reforms period in spite of its lower growth in the same period and may be because of this, its productivity has gone up.

3. SHARE OF EXPORTS IN OUTPUT

Table- 3
The Growth Exports of Khadi and Village Industries in India :

AVERAGE ANNUAL GROWTH RATE		
Period	Share of Exports	Growth of Export
1980-81 to 1990- 91 (Pre- reforms)	15.14	1.79
1991-92 to 2013- 14 (Post –reforms)	11.26	- 0.47
1980-81 to 2013-14 (The study Period)	12.43	0.13

Source: KVIC Reports 1980-81 - 2013-14

It is evident from the **Table–3** that the share of exports in output of KV Industries has increased from 0.46 percent to 0.55 percent during the pre- reforms period by indicating the rate of growth of 1.79 percent per annum for the same period. On the other hand the share of exports in output has declined from 0.49 percent to 0.44 percent by registering a negative rate of growth of 0.47 percent during the post- reforms period. On the whole the share of exports in output has grown at the rate of 1.13 percent over the period. These analysis indicate that KVI have received a setback in term of exports during the post- reforms period compared to that of the pre- reforms period.

5. RESPONSIVENESS BETWEEN EXPORTS AND OUTPUT IN KV INDUSTRIES;

Table-4

Equation			
Sl no	Period	Log E = $\alpha + \beta \log Q^{**}$	R ²
1	1980-81 to 1990-91 (Pre- reforms)	Log KVI E = - 1.972 + 3.31 log Q ^{**} (0.535) (0.001)	0.73
2	1991-92 to 2013-14 (Post- reforms)	Log KVI E = - 4.082 + 1.988 log Q ^{**} (0.015) (0.013)	0.92

** Equation form $\log E = \alpha + \beta \log Q$ where E refers to Exports and Q refers Output.

** Significant at one per cent level of confidence

** Note; - Value in parameters are standard errors

It may be noted from the **table–4** that exports and output in khadi and village industries are positively and significantly related in both the sub periods but one percent change in output led to 3.31 percent change in exports during the pre- reforms period which is higher than that of the post- reforms period where one unit change in output led to only 0.013 percent change in exports indicating that KV industries have suffered during the post- reforms period as far as their exports performance is concerned in India.

4. THE CONTRIBUTION OF FACTOR INPUTS TO OUTPUT IN KV INDUSTRIES.

In order to examine the contribution of factor inputs to output, simple regression equations of the form $\log Q = \alpha + \beta \log E$ and $\log Q = \alpha + \beta \log K$ where Q refers to Output, E refers to Employment and K refers to capital for the pre and post re-form period have been estimated and presented in table 5 and 6

RESPONSIVENESS BETWEEN OUTPUT AND EMPLOYMENT IN KV INDUSTRIES;

Table -5

Equation			
SI No	Period	$\log Q = \alpha + \beta \log E^{**}$	R ²
1	1980-81 to 1990-91 (Pre- reforms)	$\log KVI Q = 0.285 + 0.0336 \log L^{**}$ (1.42) (0.036)	0.98
2	1991-92 to 2013-14 (Post- reforms)	$\log KVI Q = - 0.928 + 0.0073 \log L^{**}$ (1.99) (0.14)	0.79

**Equations of the form $\log Q = \alpha + \beta \log E$ where E refers to Employment and Q refers Output.

** Significant at one per cent level of confidence

** Note :- Value in parameters are standard errors

It is evident from the **Table-5** that output and employment are positively and significantly related to each other. The value of co-efficient explains that one unit change in employment leads to 0.33 percent change in output in KV Industries during the pre- reforms period while one unit change in employment leads to 0.007 percent change in output during the post- reforms period by implying that the contribution of employment to output is slightly higher during the pre- reforms period than that of the post- reforms. In both the cases the co-efficients are statistically significant at one percent level of confidence and supported by the high value of co-efficient of determination (R²).

6. RESPONSIVENESS BETWEEN OUTPUT AND CAPITAL IN KV INDUSTRIES

Table - 6

Equation			
SI No	Period	$\log Q = \alpha + \beta \log C$	R ²
1	1980-81 to 1990-91 (Pre- reforms)	$\log KVI Q = - 1.115 + 0.43 \log K^{**}$ (1.471) (0.152)	0.79
2	1991-92 to 2013-14 (Post- reforms)	$\log KVI Q = - 15.650 + 5.03 \log K^{**}$ (6.184) (1.59)	0.61

** Equation form $\log Q = \alpha + \beta \log C$ where C refers to Capital and Q refers to Output

** Significant at one per cent level of confidence

** Note; Value in parameters are standard errors

It may be noted from the **table -6** that capital input is positively and significantly related to output in both the sub-periods but the contribution of capital to output is much higher during the post- reforms period than that of the pre- reforms period as one unit change in capital leads to 5.03 percent change in output during the post- reforms period while one unit change in capital leads to 0.43 percent change in output during the pre-reforms period. In both the cases the estimated co-efficient are supported by the high value of co-efficient of determination.

CONCLUDING REMARKS:

The following conclusions have been emerged from the study.

- Employment has grown at a higher rate in khadi and village industries during the pre- reforms period than that of the post- reforms period.
- Similarity capital, output, earnings and exports of KV Industries have also grown at a higher rate during the pre- reforms period than that of the post reforms period.
- Exports have accounted for higher share in output in KV Industries during the pre- reforms period compared to the post- reforms period. Further the share of exports in output has grown at a higher rate during the pre- reforms period than that of the post- reforms period. These analysis indicate that khadi and village industries have received a serious setback as far as their growth performance is concerned during the post- reforms period compared to that of the pre- reforms period in India.
- With regard to productivity performance, the study observes that labour productivity has grown at a higher rate during the pre- reforms period. On the other hand, capital productivity has grown on higher rate during the post reforms period than that of the pre- reforms period. While capital intensity has grown at a higher rate during the pre- reforms period than that of the post-reforms period giving evidence to the fact that capital input has been effectively utilised during the post- reforms period in these industries compared to that of the pre reforms inspite of its lower growth in the same period. It may be one of the reasons for the observed higher growth in capital productivity. This view is also supported by the regression estimates where one percent change in capital led to higher percentage change in output during the post- reforms era than that of the pre- reforms period. However, the contribution of labour input to output is higher during the per -reforms period, than that of the post- reforms period.

One may conclude on the basis of these observations that Khadi and Village Industries have suffered in terms of growth and productivity during the post-reforms period compared to that of the pre-reforms period indicating that the reforms did not help the sector to grow further in the country. In view of this, the Government should redesign its policies to revive khadi and village industries as they play a pivotal role in the context of development of the country.

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