



Budgetary Support and Performance of the Khadi and Village Industry in India: An Overview

Biman Dutta

Assistant Professor, Bir Raghab Moran Govt. Model College, Doomdoooma, Assam, India

* Corresponding Author: **Biman Dutta**

Article Info

ISSN (Online): 2582-7138

Impact Factor (RSIF): 7.98

Volume: 06

Issue: 06

November - December 2025

Received: 13-09-2025

Accepted: 12-10-2025

Published: 25-11-2025

Page No: 796-800

Abstract

The term "khadi" is associated with Indian culture and can be traced back to the times of the Indian freedom struggle led by Mahatma Gandhi, the father of the nation. Khadi and village industry productivity became a great symbol of nationalism. The importance of Khadi and village industry is linked to rural industrialization, which leads to rural population welfare and economic development, as well as regionally balanced economic growth. Khadi activity is viewed as a potential tool for creating employment opportunities for rural artisans with very little capital investment. KVIC is a statutory body that promotes Khadi production and sale. In India, over 2737 Khadi companies are implementing KVIC schemes. This activity involves more than 4.97 lakh people of which 80% are women artisans. The Khadi and Village Industries sector, as part of MSMEs, contributes significantly to productivity and job creation and the sector contributes to the country's economic growth. In this article, an attempt has been made to analyze the performance of Khadi and Village Industry in terms of performance indicators namely production, sales, employment, and earning. Data for studying the performance of the KVI sector was gathered from secondary sources such as journals, annual reports, and other websites.

Keywords: Khadi and Village Industry, Production, sales, employment, earning, budgetary support.

Introduction

Before independence, the development of The Khadi and Village Industries was entirely non-governmental, guided by Mahatma Gandhi. Following independence, the Government of India assumed responsibility for integrating The Khadi and Village Industries development into the overall framework of the Five-Year Plans. As a result, the Government of India established the khadi and Village Industries Commission (KVIC), a statutory organization established by an Act of Parliament. This organization was founded in 1956 and has played an important role in the development of the rural economy by promoting and developing The Khadi and Village Industries. The khadi and Village Industries program is primarily responsible for providing employment opportunities to rural artisans, particularly those from the poorer strata of society. Since the agriculture sector has lost its ability to generate additional employment opportunities for the rapidly growing rural workforce, the importance of the khadi and Village Industries Commission (KVIC) in providing alternative and appropriate employment for rural people has grown. The KVIC has been identified as a major organization in the decentralized sector for creating and sustaining rural non-farm employment opportunities with low per capita investment. KVIC also assists in preventing rural population migration to urban areas in search of employment and engages in activities such as skill development, technology transfer, research and development, marketing, and so on.

The Commission (KVIC) is a statutory body established by a Parliamentary Act (No.61 of 1956, as amended by Act No.12 of 1987). It was formed in April 1957 and took over the work of the formation of All India Khadi and Village Industries Board. The government is implementing various programs and schemes through KVIB, including a rebate scheme for The Khadi Industries, the issuance of Interest Subsidy Eligibility Certificates, and a scheme for providing bank loans to rural industries, which has increased to 102.35 lakhs of people (The Khadi 9.5 lakhs and village 92.85 lakhs) provisionally.

Because of the global recession, there is a need for research into the performance of the Khadi Village Industries sector in India. In the first year of the second five-year plan, the KVIC assumed responsibility for sector promotion. During 1955-1956, the program was limited to a small scale, with production totaling 16.47 crores and employment totaling 9.64 lakhs. Since then, the performance of this sector has been on an upward trend, and by the end of the tenth five-year plan, it had recorded production worth Rs.14028.71 crores, employing approximately 81.92 lakh people. This sector had undergone many changes during these times, leaving significant milestones in the annals of this program. During the 11th five-year plan (2007-2008 and 2011-2012), KVIC is expected to grow at a 15% rate, and by the end of the 12th five-year plan, it will have achieved a production achievement of around Rs.27000 crores, with a corresponding employment generation of nearly 1.45 crores. According to earlier indications of achievement in the first two years of the 11th five-year plan, KVIC sectors will exceed the target set for them during the 11th five-year plan in terms of production and employment. The present study aims to study the budgetary support provided by the government and the performance of the khadi and Village Industry and verify the various schemes available to support the khadi and Village Industry in India.

Methodology

The study is based on secondary data. The data is collected from Annual Reports of the Khadi and Village Industry, Evaluation Studies on The Khadi and Village Industries Programme, various published research papers and journals, etc. To fulfill the objectives appropriate statistical tools such as tabulation, mean, percentage, etc. are used.

Budgetary support and physical performance of KVIC

The budget support provided by the Government of India each year is the primary source of funding for KVIC to carry out its promotional and developmental programs. Every year, to facilitate plan formulation, KVIC meets with its implementing agencies to determine financial and physical targets for each of them, taking into account various factors such as infrastructure availability, past performance, and the potentiality of various KVI programs. Aside from budgetary support, KVIC generates resources every year in the form of Consortium Bank credit (since 1995-96), refund of unutilized grants and loans from its subsidiary state units and institutions. The KVIC then redistributes these funds to its implementing agencies, which include state KVIBs, institutions registered under the Societies Registration Act of 1860, and cooperative societies registered under state government cooperative acts; implementing banks, District Industries Centers, and so on.

Table 1: Budgetary Support to KVIC during the years 2010-11 to 2019-20 (Rs.in Crores)

| YEAR | ALLOCATION (RE) | | FUNDS RELEASED | |
|-----------|-----------------|----------|----------------|----------|
| | Plan | Non-Plan | Plan | Non-Plan |
| 2010-2011 | 1543.96 | 172.64 | 1452.46 | 171.64 |
| 2011-2012 | 1494.22 | 185.22 | 1258.46 | 184.72 |
| 2012-2013 | 1543.79 | 162.85 | 1466.20 | 160.85 |
| 2013-2014 | 1395.67 | 219.28 | 1204.88 | 218.23 |
| 2014-2015 | 1452.00 | 229.09 | 1384.40 | 227.31 |
| 2015-2016 | 1579.65 | 244.71 | 1520.49 | 244.18 |
| 2016-2017 | 1647.40 | 258.74 | 1591.08 | 258.74 |
| 2017-2018 | 2395.08 | | 2130.57 | |
| 2018-2019 | 3085.78 | | 3200.65 | |
| 2019-2020 | 3461.70 | | 3453.78 | |
| TOTAL | 19599.00 | 1472.50 | 18663.00 | 1456.70 |

Source: Ministry of MSMEs, GOI.

The above table-1, shows the budgetary support provided to The Khadi and Village industries from the plan and non-plan heads of Budgetary sources. The government of India has been providing remarkable financial support to the Khadi and Village Industry sector. Out of the allotted fund of Rs. 1543.96 crores (Revised Budget allocation), Rs. 1452.46 crores have been released under plan head in the financial year 2010-11. Simultaneously, Rs. 171.64 crores have been released from allotted Rs. 172.64 crores under non-plan head in the same financial year. The budgetary allocation and released funds under the plan head have been continuously increasing since 2010-11 and the allocation of funds was Rs. 3461.70 crores and released Rs. 3453.78 crores in the financial year 2019-20. But a conclusion can be drawn in case of non-plan allocation and release of funds whether it is increased or decreased. On the other hand, no fund has been allotted and released under the non-plan head from the financial year 2017-18.

Performance of The Khadi and Village Industry

The Khadi and Village Industry has been playing a significant role in production, sales, employment and earning. In the present study attempt has been trying to see the performance of The Khadi and Village Industry separately since 2011-12 to 2021-22 which are discuss as below:

Performance of Village Industry

The Khadi movement is viewed as a potential tool for creating business opportunities at the doorsteps of provincial artisans on a low-cost basis. Following independence, The Khadi and Village profitability became a shining example of patriotism. In that capacity, The Khadi came to be known not as a piece of material, but as a symbol of opportunity and independence. The performance of The Khadi industry shown as below:

Table 2: Performance of The Khadi Industry (Rs. In Crores, Employment in Lakh)

| Year | Production | Sales | Employment | Earning |
|---------|------------|---------|------------|---------|
| 2011-12 | 716.98 | 967.87 | 10.45 | 449.02 |
| 2012-13 | 761.93 | 1021.56 | 10.71 | 459.18 |
| 2013-14 | 811.08 | 1081.04 | 10.98 | 469.56 |
| 2014-15 | 879.88 | 1170.38 | 11.06 | 483.37 |
| 2015-16 | 1065.60 | 1510.00 | 11.07 | 604.29 |
| 2016-17 | 1401.84 | 2007.61 | 4.28 | 730.08 |
| 2017-18 | 1465.21 | 2249.18 | 4.34 | 761.83 |
| 2018-19 | 1765.51 | 2854.19 | 4.60 | 916.31 |
| 2019-20 | 2058.53 | 3634.41 | 4.61 | 1066.04 |
| 2020-21 | 1668.61 | 3085.53 | 4.61 | 865.13 |
| 2021-22 | 2275.74 | 4366.06 | 4.61 | 1179.96 |

Source: Annual Report, Khadi and Village Industry (From 2011-22 to 2021-22)

The above table 2 shows the performance of the Khadi industry in terms of production, sales employment, and earnings. Production of Khadi in industry had been increasing continuously from 716.98 crores in 2011-12 to 2275.74 crores in 2021-22. Along with production, sale is also continuously increasing from 967.87 crores to 4366.06 crores in the sale periods. But employment of The Khadi industry has increased from 10.45 lakh in 2011-12 to 11.07 lakhs in 2015-16 and it has decreased continuously to 4.61 lakh in 2021-22. In case of earnings conclusion cannot be drawn, because there is a fluctuating trend in earnings.

Performance of Village Industry

The performance of the Village industry is shown below:

Table 3: Performance of The Village Industry (Rs. In Crores, Employment in Lakh)

| Year | Production | Sales | Employment | Earning |
|---------|------------|-----------|------------|----------|
| 2011-12 | 21135.06 | 25829.26 | 108.65 | 10034.11 |
| 2012-13 | 23262.31 | 26818.13 | 114.05 | 10438.28 |
| 2013-14 | 25298.00 | 30073.16 | 119.40 | 10767.09 |
| 2014-15 | 26689.39 | 31965.52 | 123.19 | 11171.15 |
| 2015-16 | 33424.62 | 40384.56 | 126.76 | 14875.53 |
| 2016-17 | 41110.26 | 49991.61 | 131.84 | 18662.51 |
| 2017-18 | 46454.75 | 56672.22 | 135.71 | 21549.79 |
| 2018-19 | 56167.04 | 71076.96 | 142.03 | 26103.82 |
| 2019-20 | 65343.07 | 84664.28 | 147.76 | 29412.15 |
| 2020-21 | 70330.66 | 92213.65 | 154.06 | 31819.98 |
| 2021-22 | 81731.62 | 110363.51 | 162.64 | 37715.24 |

Source: Annual Report, Khadi and Village Industry (From 2011-22 to 2021-22)

The production of the Village industry is increasing continuously from 2011-12 to 2021-22. It increased from 21135.06 crore in 2011-12 to 81731.62 crore in 2021-22 which is shown in the above table 3. A Similar trend has also been seen in sales, employment and earnings. Sales of the Village industry increased from 25829.26 crore in 2011-12 to 110363.51 crore in 2021-22. Employment of the Village industry increased from 108.65 in 2011-12 to 162.64 lakhs in 2021-22 and earnings also increased from 10034.11 crore to 37715.24 in the same period. It can be concluded that in the study period, the village industry performed well. The performance indicators such as production, sales, employment, and earnings in case of the village industry are increasing.

Major Schemes being Implemented by KVIC

The Khadi and village industries are always regarded as important tools for creating employment at the artisans'

doorsteps with minimal capital investment. KVIC assistance through various schemes enables The Khadi and village industries to provide employment opportunities to traditional artisans living in rural areas. Approximately 80% of The Khadi artisans are women, and one-third are from socially disadvantaged communities. Thus, KVIC programs have played a critical role in rural India's socioeconomic empowerment. The following are the major schemes that KVIC is launching:

Market Promotion and Development Assistance (MPDA) Scheme

In place of the previous Rebate system, the government implemented a flexible growth-stimulating and artisan-oriented Market Development Assistance (MDA) Scheme on April 1, 2010. MDA provides financial assistance to institutions at a rate of 20% of the value of The Khadi and polyvastra production, which is divided among artisans, producing institutions, and selling institutions in the ratio of 25:30:45. The KVIC MDA scheme has been renamed Market Promotion Development Assistance scheme (MPDA). The MPDA scheme is formulated as a unified scheme by combining various schemes/sub-schemes/components of different Heads implemented in the 11th Plan, namely Market Development Assistance, Publicity, Marketing, and Market Promotion, and adding a new component of Infrastructure (inclusive of a new component of Marketing Complexes/ The Khadi Plaza). The scheme's components are as follows: The existing MDA scheme provided a 20% subsidy on The Khadi production value, which was divided among producing institutions (30%), selling institutions (45%), and artisans (25%). The Modified MDA shall be 30% of the Prime Cost and shall be distributed among producing (20%), selling (40%), and artisans (40%). Pricing would be fully de-linked from the cost chart under the Modified MDA, and products could be sold at market-linked prices at all stages of production. Other Artisans and Karyakartas would be eligible for incentives.

Interest Subsidy Eligibility Certificate (ISEC) Scheme

In May 1977, the Government of India introduced the Interest Subsidy Eligibility Certificate Scheme to mobilize funds from banking institutions to bridge the gap between actual fund requirements and budgetary availability. Institutions are issued an Interest Subsidy Eligibility Certificate (ISEC) for this purpose. Under the Scheme, implementing agencies can obtain bank loans following the ISEC issued, and they are only required to pay 4% interest; the difference between the actual interest charged by the bank and 4% is borne by the

KVIC as interest subsidy. There is a discrepancy between the actual funds required by the institutions under the ISEC, i.e. the level of Interest Subsidy Eligibility Certificates issued by the KVIC and the actual funds sanctioned and released by the banks to the institutions. This difference has been as high as 50% in some years, affecting performance. With the introduction of REGP/PMEGP with Margin Money, V.I. projects are no longer eligible for interest subsidies.

Aam Admi Bima Yojana (Group Insurance Scheme for The Khadi Artisans)

The khadi artisans benefit from the artisans Insurance Scheme (formerly Janashree Bima Yojana), in which the premium is split between KVIC, The Khadi institutions, artisans, and the government of India. The scheme provides the following monetary benefits:

| | |
|---|-------------|
| Natural death | Rs.30,000/- |
| Death or total Permanent total disability | Rs.75,000/- |
| Partial permanent disability | Rs.37,500/- |

Shiksha Sahayog Yojana provides an additional educational benefit for the children of The Khadi artisans studying in 9th to 12th standard, including I.T.I., with a scholarship of Rs. 300/- per quarter.

State-Level Artisan Welfare Fund Trust (AWFT)

The Khadi cost chart mechanism calls for the establishment of an Artisan Welfare Fund, which would consist of 12% of The Khadi artisans' wages plus a matching contribution from The Khadi institutions. The Artisan Welfare Fund Trust was established by KVIC to ensure the effective implementation of social security measures for artisans associated with The Khadi Institutions. All the Khadi and Polyvastra institutions affiliated with KVIC and State KVI Boards must be members of this trust.

Workshed Scheme for The Khadi Artisans

The Khadi costs chart mechanism calls for the establishment of an Artisan Welfare Fund, which would consist of 12% of The Khadi artisans' wages plus a matching contribution from The Khadi institutions. The Artisan Welfare Fund Trust was established by KVIC to ensure the effective implementation of social security measures for artisans associated with The Khadi Institutions. All the Khadi and Polyvastra institutions affiliated with KVIC and State KVI Boards must be members of this trust.

Strengthening of Infrastructure of Existing Weak Khadi Institutions and assistance for Marketing Infra structure

The Government of India has approved the launch of a scheme for strengthening the infrastructure of existing weak Khadi institutions as well as assistance for marketing infrastructure in 2009-10 to meet the Khadi sector's need for nursing sick The Khadi institutions that have the potential to return to normalcy and to support the creation of Marketing Infrastructure in other identified outlets.

The scheme's goal is to assist identified weak The Khadi institutions (Sick/Problematic/'D' Category) in regaining their status and reviving their potential for job creation, as well as to improve marketing of The Khadi products through the development of marketing infrastructure, including the renovation of selected sales outlets of The Khadi institutions,

on a limited basis.

The Khadi Reform and Development Programme (KRDP)

To fully realize the significant growth potential of the KVI Sector in terms of job creation, increasing artisans' earnings, and ensuring The Khadi's positioning following current market needs, the Government of India approved and is implementing the khadi Reform and Development Programme (KRDP).

Prime Minister 's Employment Generation Programme (PMEGP)

PMEGP is a credit-linked subsidy scheme of the Government of India that was launched in 2008-09 by combining the previous REGP and PMRY schemes for the establishment of micro-enterprises in both rural and urban areas.

PMEGP- Salient Features

- Implemented in rural areas by KVICs and State/UT KVIBs, and in urban and rural areas by DICs in a 30:30:40 ratio.
- There is no income limit for establishing projects. Only new units are eligible for assistance under the Scheme.
- Existing units or units that have previously received government subsidies under state or central government schemes are not eligible.
- Up to Rs. 1.00 lakh per capita in plain areas and Rs. 1.50 lakh in hilly areas.
- The maximum project cost in the manufacturing sector is Rs. 25.00 lakh, and the maximum project cost in the service sector is Rs. 10.00 lakh.
- All Public Sector Banks, Regional Rural Banks, Co-operative Banks, and Private Sector Banks approved by the State Level Monitoring Committee (SLMC) are eligible to participate in the scheme.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Given the need to make traditional industries more productive and competitive, as well as to facilitate their long-term development, the Government of India launched the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) in October 2005, intending to develop 75 KVI clusters over five years, with KVIC serving as the Nodal Agency. It was essentially a cluster development program designed to protect and preserve rural traditional artisans' arts and crafts in a cluster-based manner. The scheme was intended to make traditional industries' products marketable while also facilitating them.

Revamped SFURTI

Furthermore, as announced by the Hon'ble Finance Minister in the 2013-14 Central Budget, 800 clusters of The Khadi, Village Industries, and Coir will be developed during the 12 Plan with an outlay of Rs. 850.00 crores to cover approximately 4 lakh artisans. Multilateral Development Bank assistance is also being leveraged to extend SFURTI support to 800 clusters during the 12 Plan.

The Revamped SFURTI guidelines were issued in August 2014, and revised guidelines were issued on June 30, 2015, with a budget of Rs. 149.44 crores for developing 71 clusters (including coir) and covering 44500 artisans.

Conclusion

Khadi and Village industry is playing a significant role in providing employment opportunities and economic growth and government also supporting this sector through the plan and non-plan budgetary provision. From the above discussion, it is seen that to support the Khadi and Village industry government is providing constant support to this sector. Under the plan and non-plan categories, support for this sector continuously increasing. However, under the non-plan category, no fund has been allotted and released to this sector since 2017-18. In line with the performance, The Khadi and village industry is performing well in the study period. The performance of the Village industry in the study periods is increasing trend in performance indicator such as production, sales, employment and earnings. However, in case of Khadi industry employment is continuously in decreasing trend and earning of this industry fluctuate in the periods, and production and sale of this industry is increasing trend. Along with the government are undertaking various schemes to develop the Khadi and village industry which are discussed in the study. Moreover, The Indian government prioritized Khadi activities to promote village economic efficiency while providing social justification. The Khadi and Village Industrial Board reforms have played an important role in the consolidation of village industrial holdings and cooperative village management. Marketing facilities are also given due consideration. Despite all of these measures, the plan has not resulted in significant changes because talented and skilled workers are not properly promoted. The institutional structure for the village industrial board should prioritize the mobility of talented individuals through attractive incentive schemes and promotional policies.

References

1. Alaguraja M, Nedumaran DG. Performance of Khadi and Village Industries Commission through micro, small, and medium enterprises. *Aegaeum Journal*. 2020;8(3).
2. Balasubramanian P. Financial performance of Khadi and Village Industries in Karur district. *Int J Adv Res Manag Soc Sci*. 2014;3(3):123–129.
3. Daizova J, Sharma L. An analysis of the performance of Mizoram Khadi and Village Industry Board under PMEGP scheme. *Eur Acad Res*. 2014;2(8):10408–10417.
4. Government of India, Khadi and Village Industries Commission. Annual Report 2011–12 to 2021–22. New Delhi: KVIC; 2022.
5. Katoch G. Khadi and Village Industries Commission: Role, challenges and opportunities ahead. *Pac Bus Rev Int*. 2018;11(2):79–87.
6. Mandal RK. Khadi and Village Industries in North East India with special reference to Arunachal Pradesh: Retrospect and prospect. *J Glob Econ*. 2007;3(2):88–99.
7. Pathak NP, Gupta S. Performance of Khadi and Village Industries in India. *Int J Adv Soc Sci*. 2023;11(1):9–13.
8. Perks S, Struwig M. Skills necessary to grow micro entrepreneurs into small business entrepreneurs. *S Afr J Econ Manag Sci*. 2005;8(2):171–186.
9. Satyanarayana MR, Reddy CVK. Rural industrialization through Khadi and Village Industries: A study. *Int J Res Soc Sci*. 2011;1(2):152–160.
10. Sucuahi WT. Determinants of financial literacy of micro entrepreneurs in Davao City. *Int J Account Res*.

2013;42(826):1–8.

How to Cite This Article

Dutta B. Budgetary support and performance of the Khadi and Village Industry in India: An overview. *Int J Multidiscip Res Growth Eval*. 2025;6(6):796-800.

Creative Commons (CC) License

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International (CC BY-NC-SA 4.0) License, which allows others to remix, tweak, and build upon the work non-commercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.