

CHAPTER TWO

KHADI PRODUCTION AND MARKETING

[A] Production of Khadi

(1) Definition of Khadi

"Khadi means any cloth woven on handlooms in India from cotton, silk or woollen yarn hand-spun in India or from mixture of any two or all of such yarns."

[KVIC Activities at a Glance, Annexure-II p. 5]

From the above definition it is clear that Khadi cloth must be produced by hand and not on machine. Spinning and weaving activities are done by hand, further if two yarns, say woollen and cotton are mixed together and the cloth is produced, it is also called Khadi. The cloth produced in mill or on power-loom is not 'Khadi', even though the raw material used is the same. Khadi production is labour-oriented.

Strengths of Khadi Product

Marketability of a product depends on strengths or uniqueness of the product. Before independence 'emotional appeal' provided basis for selling Khadi. The situation has changed after independence and 'emotional appeal' has lost its importance. It is, therefore, necessary to evolve some other base to motivate people to buy Khadi cloth. Though rough in quality and a relatively costly product, 'Khadi' has some unique

features. They are as follows:

- (1) It is comfortable in hot and humid climate as it is made of pure natural fibre.
- (2) It has no allergic reactions which may arise in synthetic fibre.
- (3) Khadi is useful for wearable and non-wearable purposes say in plain and in design cloth, dhotis, pants, shirts, sarees, curtain cloth, towels, napkins, bed-sheets, mats, blankets etc. In day to day life rough cloth of quality less than thirty counts is required for various purposes. It can be produced in Khadi sector.
- (4) It is labour-oriented activity and can be a source of income to villagers.

Production Process of Khadi

There are three types of Khadi cloth, viz.,

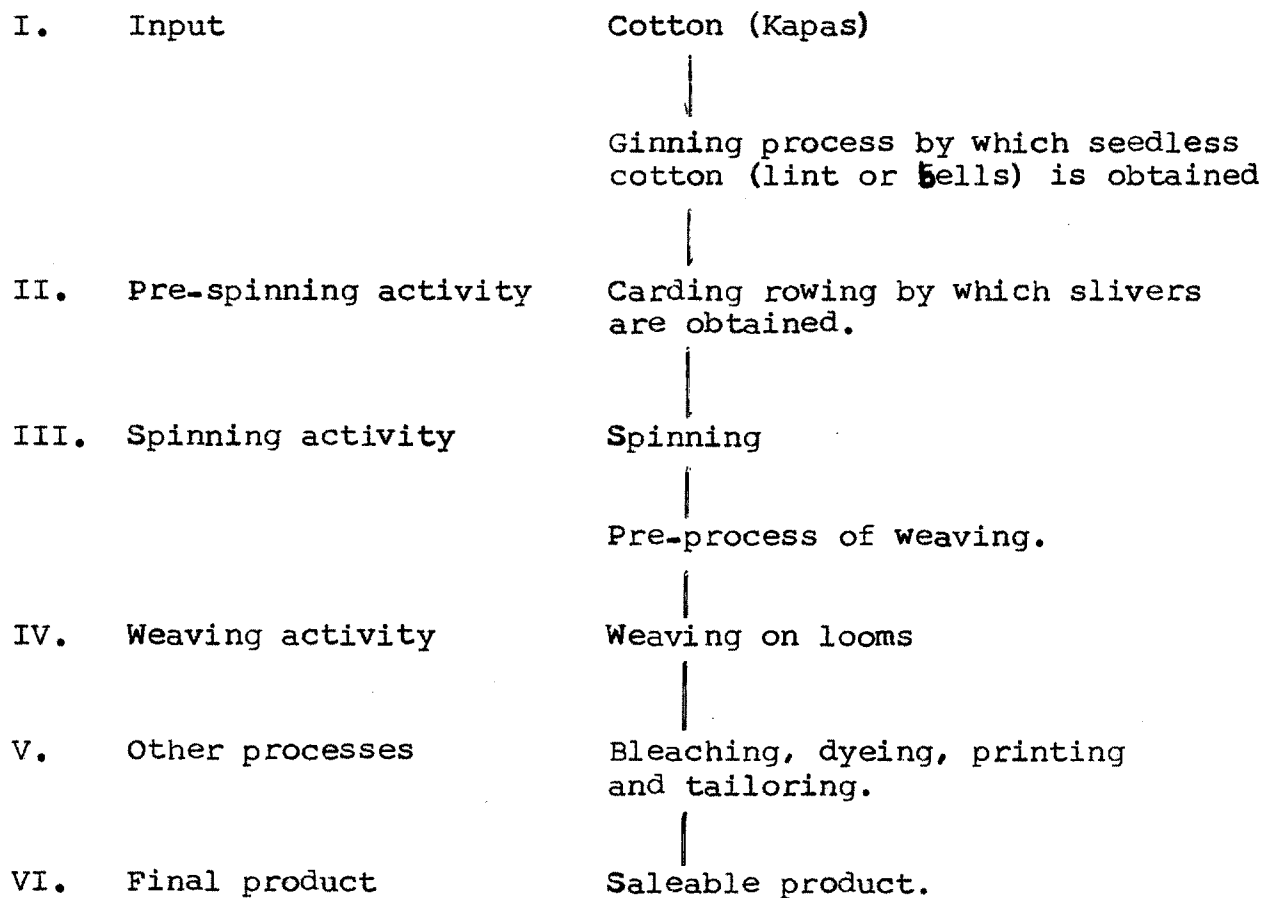
- 1) cotton Khadi,
- 2) woollen Khadi, and
- 3) silk Khadi.

The production process of each of these types is briefly described below.

1) Cotton Khadi

In this case the main input is cotton and the output is cloth. A number of varieties of cotton are used in the production.

The following chart explains the production process of Cotton Khadi.

Chart No. 2.1Production Process of Cotton Khadi

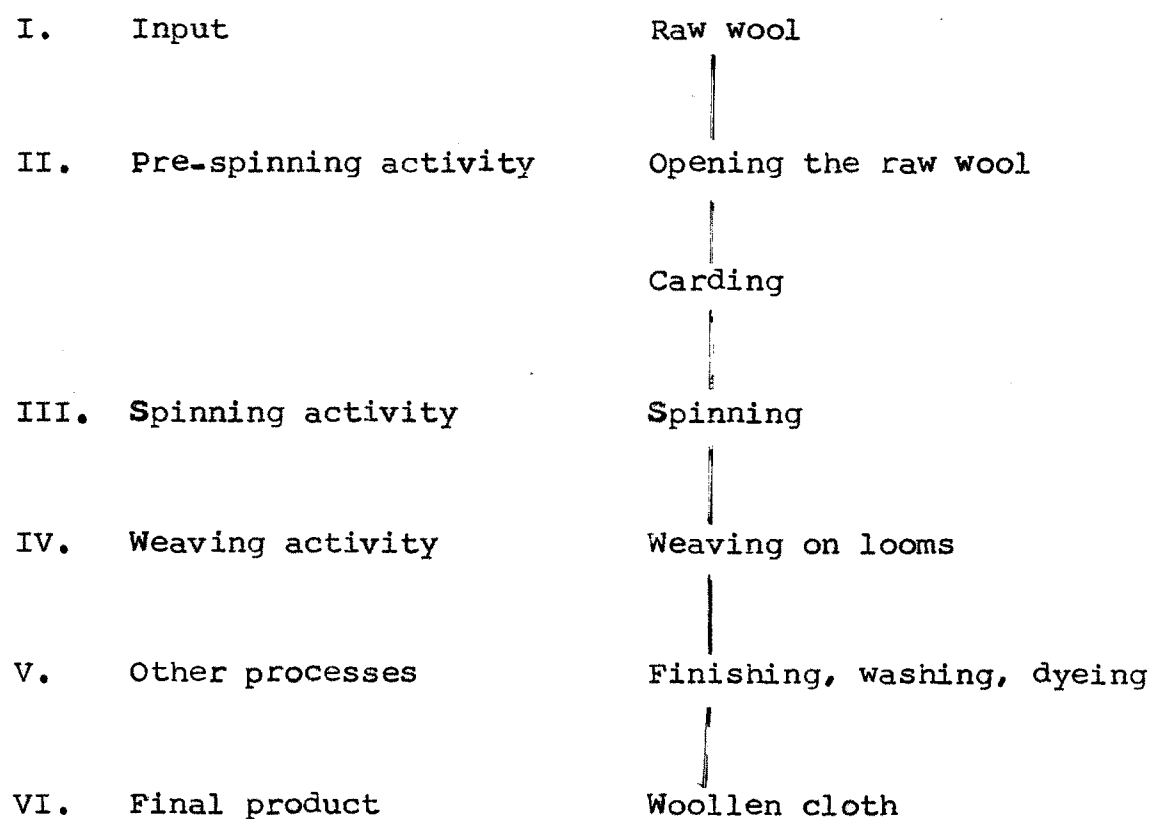
In all the processes mentioned in the foregoing chart, spinning and weaving are the most important ones.

2) Woollen Khadi

The procedure is almost the same except at the pre-spinning stage. The process is as follows:

Chart No. 2.2

Production Process of Woollen Khadi

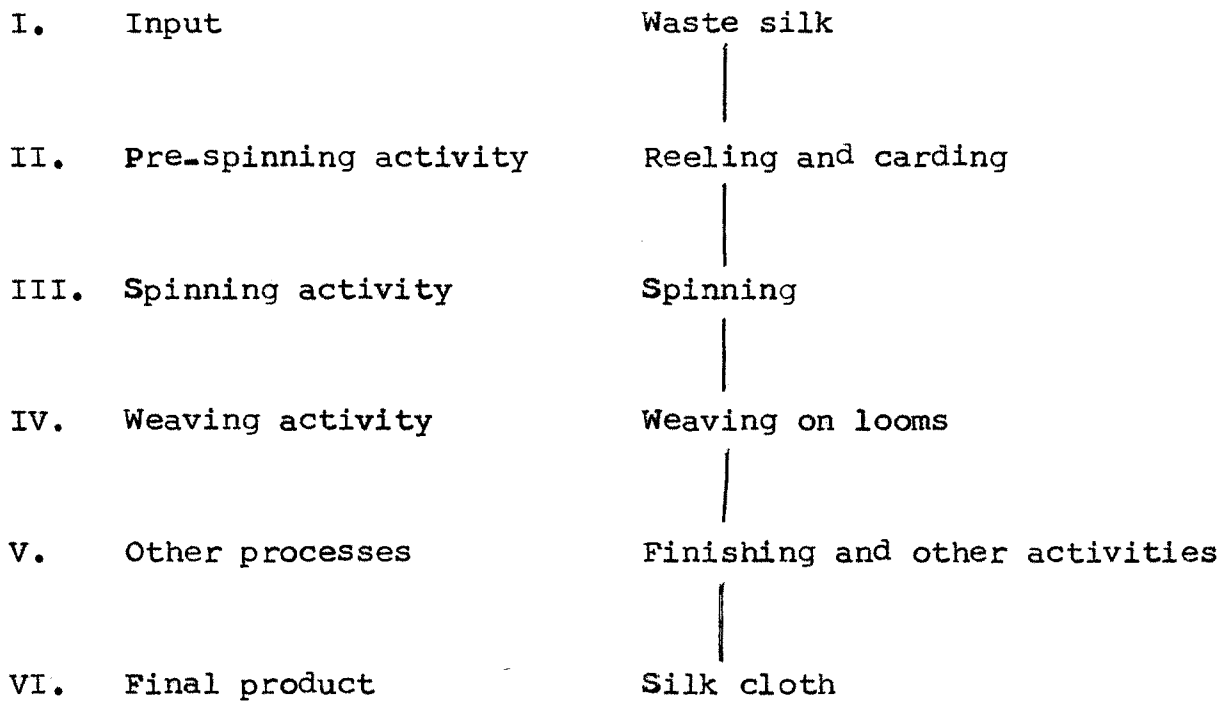


3) Silk Khadi

Here also the process is almost the same which is as follows:

Chart No. 2.3

Production Process of Silk Khadi



Production of Khadi

'Khadi' is produced by small institutions scattered throughout the country. Therefore, decentralised production and production in small quantities may be stated as production characteristics of Khadi. The following table gives details of Khadi production in India for the period from 1956-1984.

Table No. 2.1

Qty. : Lakh sq.mtrs.
Value : Rupees in lakhs

Year	Cotton		Woollen		Silk		Total	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1956-57	343.21	740.69	12.97	51.76	5.81	30.07	361.99	822.52
1966-67	696.56	1971.81	66.02	582.66	23.01	229.87	785.59	2784.34
1976-77	553.49	3882.20	68.45	1136.51	22.80	584.60	644.74	5603.31
1977-78	572.17	4241.11	84.77	1574.51	27.18	673.31	684.12	6488.93
1978-79	594.66	4899.74	91.88	1951.10	28.41	802.93	715.06	7653.77
1979-80	684.77	5987.18	106.81	2222.28	31.16	993.23	822.74	9202.69
1980-81	794.82	7592.78	84.97	1959.87	30.30	1132.31	910.09	10684.96
1981-82	845.90	8834.83	87.42	2101.49	30.88	1403.56	964.20	12339.88
1982-83 (Provisional)	965.00	10354.00	99.70	2468.00	35.30	1706.00	1100.00	14528.00
1983-84 (Estimated)	1140.50	11395.00	117.80	2725.00	41.70	1880.00	1300.00	16000.00

Sources: 1. KVIC Activities at a Glance, p. 20.

2. 'Commerce' Special Issue, June 25, 1983, p. 60.

The data for Khadi product is given separately for cotton, woollen and silk Khadi. It is clear from Table No.1 that total production of Khadi cloth has increased considerably during the period under consideration. It increased from 361.99 lakh sq.meters in 1955-56 to 964.20 lakh sq.meters in 1981-82, that is by 166.36% over these years.

Production of Cotton Khadi

In 1955-56, production of cotton Khadi was 343.21 lakh sq.meters. It rose to 845.90 lakh sq.meters in 1981-82. Thus, it is increased by 146.46% during these years.

Production of Woollen Khadi

Production of woollen Khadi has also shown increase during these years. It increased from 12.97 lakh sq.meters in 1955-56 to 87.42 lakh sq.meters in 1981-82, that is, by 574% over these years.

Production of Silk Khadi

This was 5.81 lakh sq. meters in 1955-56. The silk Khadi production reached the mark of 30.88 lakh sq.meters in 1981-82, that is, by 431% increase over these years.

It is clear from the above details that production of all types of Khadi has been increasing. However, the rate of increase differs from product to product. Compared to w^oollen and silk Khadi, rate of increase in production is lower in the case of cotton Khadi, but cotton Khadi has major share in total production. For example, in 1981-82, out of the total production of Khadi, share of cotton Khadi was 87.73%. It was 9.01% and 3.26% for woollen and silk Khadi respectively.

From the above details it may be concluded that:

1. Khadi production is increasing every year,
2. Cotton Khadi has major share in total production of Khadi.

Statewise Production of Khadi

'Khadi' production is undertaken by a number of Khadi institutions all over India. The following Table gives Statewise distribution of Khadi production.

In the Statewise production of Khadi, Uttar Pradesh has the maximum production of Rs. 2,757.01 lakh or 22.36% of the total production. The percentages of production to the total production for a few States are as follows:-

Table No. 2.2

Statewise Khadi production for the year 1981-82

Sr. No.	States/Union territories/ Departmental		Production (Rs. in lakhs)
<u>I. STATES</u>			
1.	Andhra Pradesh	...	585.34
2.	Assam	...	62.56
3.	Bihar	...	981.13
4.	Gujarat	...	986.41
5.	Harayana	...	238.60
6.	Himachal Pradesh	...	66.34
7.	Jammu and Kashmir	...	134.77
8.	Karnataka	...	794.08
9.	Kerala	...	313.98
10.	Madhya Pradesh	...	201.15
11.	Maharashtra	...	341.84
12.	Manipur	...	5.53
13.	Meghalaya	...	-
14.	Nagaland	...	2.57
15.	Orissa	...	51.02
16.	Punjab	...	596.58
17.	Rajasthan	...	1,315.93
18.	Sikkim	...	3.06
			contd...

Sr.No.	States/Union territories/ Departmental		Production (Rs. in lakh)
19.	Tamil Nadu	...	2,161.72
20.	Tripura	...	2.58
21.	Uttar Pradesh	...	2,757.01
22.	West Bengal	...	720.24
<u>Total</u>			<u>12,322.44</u>

II. UNION TERRITORIES

1.	Andaman Nicobar	...	-
2.	Arunachal Pradesh	...	-
3.	Chandigarh	...	-
4.	Delhi	...	17.44
5.	Goa, Div, Daman	...	-
6.	Mizoram	...	-
7.	Pondichery	...	-
<u>Total</u>			<u>17.44</u>

III. DEPARTMENTAL

Total (I + II + III)	...	12,339.88
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[Ref: 'Commerce', June 25, 1983, p. 66]

Tamil Nadu	17.52%
Rajasthan	10.66%
Gujarat	7.49%
Bihar	7.95%

Thus, it is clear that more than 50% of the total production is in Uttar Pradesh, Tamil Nadu and in Rajasthan and Gujarat.

Production of Khadi and the KVIC

The KVIC plays a major role in production of Khadi. The encouraging trends in Khadi production may be attributed to active support to Khadi institutions from the KVIC. This support takes the following forms:-

1. Supply of raw material,
2. Transfer of improved technology,
3. Supply of improved equipments, and
4. Financial and marketing assistance.

The details of actual support by the KVIC are given in Chapter Three. It is enough to mention here that, Khadi institutions could survive under adverse condition only because of assistance they received from the KVIC.

Production of Khadi and Employment Opportunities

As stated earlier, Khadi is a labour intensive industry. It means that, more production leads to more employment opportunities. The data presented in Table No. 2.1 shows increase in production. Let us examine the position regarding employment opportunities. Table No. 2.3 presented below gives details regarding employment provided by Khadi sector.

Table No. 2.3

Employment on Khadi production

Year	Employment (lakh persons)		Total
	Full time	Part time	
1956-57	0.91	7.89	8.80
1966-67	1.71	16.52	18.23
1976-77	2.06	6.47	8.53
1981-82	4.29	8.44	12.73
1982-83*	4.68	9.07	13.75

Note: * = Provisional

Source: 'Commerce' Special Issue, June 25, 1983, pp. 60-61.

It is clear from the data in Table No. 2.3 that Khadi is offering employment opportunities on an increasing scale. Full time employment increased from 0.91 lakh persons in 1956-57 to

4.68 lakh persons in 1982-83. Similar increase is seen in total employment offered, which has recorded increase from 8.80 lakh persons in 1955-56 to 13.75 lakh persons in 1982-83. With the exception of the year 1966-67, the data for the remaining period does not vary much. Therefore, it may be concluded that, with the increase in production, employment opportunities have also increased. The proportion of full time employment is much larger than the proportion of part time employment in 1982-83 as compared to that in 1956-57. Another important feature of employment in Khadi sector is that, it absorbs women employees on a larger scale. It is reported that a large number of women workers are engaged in Khadi production. For example, in spinning activity, 95% of the workers engaged are women. In cotton, woollen and silk Khadi, the number of women workers is the highest in cotton Khadi production. Capacity to provide employment has social importance. It is clear from the employment data presented in Table No. 2.3 that Khadi sector provides full-time as well as part-time employment. It means that this can be taken up as a full-time or a part-time activity. This would help unemployed or partly employed people to increase their earnings and thereby improve their standard of living. However, mere increase in production may not help in reaching this objective. While providing facilities for increasing production, it is necessary to develop market for Khadi. One peculiar characteristic of Khadi production is that, it is

scattered throughout the country. Further, those who are engaged or are likely to be engaged in Khadi production, are so small, scattered, unorganised and economically so weak, that they cannot organise marketing function on their own strength. And if this is not done, production will not reach market and possibilities of increased earnings will never materialise. It is, therefore, necessary to improve marketing efficiency. How to do it ? Before this question is answered, it would be useful to look into the present system of marketing of Khadi.

Marketing of Khadi

The preceding discussion centres around production process and trends in production of Khadi. The success of any organisation offering something to market, depends on how efficiently it organises its marketing functions. These functions include: (1) Product Planning, (2) Pricing, (3) Distribution, (4) Advertising, (5) Personal Selling, and (6) Sales Promotion. The following pages attempt to describe how these functions are organised in marketing Khadi products.

1. Product Planning

Product planning consists in making decisions pertaining to products to be offered to consumers. The very nature of 'Khadi

Product' imposes a number of limitations on product planning. There are only three types of Khadi cloth. Further, restrictions pertaining to technology limits innovation and introduction of new varieties. The nature of Khadi institutions is another constraint. Being small and scattered, they have to depend on KVIC, for supplies and technology. Naturally, the only choice before them is to produce the type and varieties of Khadi as per help and directions from the KVIC. Thus, there is very little scope for product planning.

2. Pricing

Price of the Khadi is fixed at all-India level by the KVIC. In each State KVIC's regional office fixes the price. For each item in Khadi, price is arrived at separately after considering type of cotton, wool or waste silk, quality of yarn, length and breadth of the cloth etc.

The total cost of Khadi includes -

- 1) Cost of cotton/waste silk/raw wool,
- 2) Cost of producing yarn,
- 3) Cost of weaving,
- 4) Bleaching charges,
- 5) Dyeing charges,
- 6) Washing charges,

- 7) Normal wastages,
- 8) Printing.

These are the important stages and at each stage, cost is calculated by the KVIC.

In all there are more than 100 cost charts prepared for fixing price of various items in Khadi.

Selling Price

The following equation is used to arrive at the Selling Price:-

$$\text{Selling Price} = \left\{ \begin{array}{l} \text{Total cost of the above items} \\ + 20\% \text{ Administrative charges} \end{array} \right.$$

If a Khadi institution produces as well as sells Khadi, in the total cost 20% of the total cost is added for other expenditure and then the price is fixed.

The particulars of the 20% administrative charges are as under:-

- (a) 7% margin upto production of cloth stage,
- (b) 1% margin for warehouse charges,
- (c) 3% margin for office expenses,
- (d) 9% margin at selling point.

If Khadi institution is only a selling institution, margin added in the total cost is 9% only.

Khadi institution which produces only yarn and sells it to other Khadi institution, the margin of 6% of the cost of yarn is given to that institution.

In the case of weaving institution, margin of 3% of the cost of cloth is given to Khadi institution.

KVIC's regional offices prepare itemwise cost charts and the printed forms are sent to each Khadi institution in that region well in advance and then as per the cost chart institution produces Khadi and then sells it to consumers at a fixed price.

For the Khadi institution producing and selling Khadi, margin of 20% is sufficient for adjusting all the expenses and if the Khadi institution is economical, there may remain some surplus. If it is only a selling institution, it can adjust its expenses within the 9% margin.

The price is fixed for at least one year. If there is inflation then KVIC reconsiders the cost chart and revises the price. Thus, it is clear that Khadi institution has no right to

fix the price of either cotton, woollen or silk Khadi. If any institution sells Khadi at the rate different from the one fixed by the KVIC, immediate action is taken by the KVIC.

3. Marketing of Khadi (How is Khadi marketed ?)

Khadi is produced by the Khadi institutions and cooperative societies which are scattered all over India. Now let us study how Khadi is distributed to consumers from production centres.

Channel means routes for the forward movement of the product, i.e., from the production centre to consumer. In marketing mix distribution is an important aspect.

Generally there are four level marketing channels. They are -

1. Zero level marketing channel,
2. One level marketing channel,
3. Two level marketing channel,
4. Three level marketing channel.

The following channels are used in distribution of Khadi:

(1) Zero Level Channel: Here the Khadi institutions distribute Khadi directly to consumers. Most of the Khadi institutions producing Khadi, have their own selling centres through which

Khadi is sold to consumers.

(2) One Level Channel: There is a one level channel in which Khadi institutions producing Khadi, sell it to another Khadi institution whose function is only to sell the Khadi to consumers.

(3) Two Level Channel: Here Khadi is sold first to the KVIC. The KVIC sells it to Government and then the Government sells it to the concerning departments for use.

Chart No. 2.4.

Channels in Khadi Distribution.

(a) Khadi Institution producer	- Own selling centres	- Consumer	- Zero level channel
(b) i) Khadi Institution producer	- KVIC in emporiums or export	- Consumer))
ii) KVIC as producer in hill border area	- Emporiums	- Consumer)	- One level channel
(c) Khadi Institution producer	- Individual Salesman	- Consumer))

Khadi is being sold through these three channels. Most of the Khadi is sold through zero level channel.

Promotion of Khadi Products

Organisational activities to increase sales of a product or product group are included under the head promotion. These include advertising, personal selling, sales promotion and publicity. As regards promotion of Khadi, all these decisions are taken at the KVIC level. Analysis of the KVIC activities reveals that very little emphasis is laid on advertising. Institutions producing or selling Khadi do not advertise their product or their organisation. The KVIC's policy is not to advertise extensively. As regards personal selling, it has to be done at the shop counter. However, Khadi institutions are not in a position to manage it effectively, for various reasons. They are not in a position to employ skilled staff. In this connection also they go by the KVIC's directions. As it provides training and financial assistance, the schemes of sales promotion are devised by the KVIC and are implemented as per its directions. These include rebate and discount mainly. As prices are controlled by the KVIC, these institutions have no voice in this respect.

The publicity is the sole responsibility of the KVIC. They manage it through Seminars and Conferences. Due to financial limitations it is difficult for Khadi institutions to advertise their products at local level.

It is clear from the above details that organisations producing or selling Khadi can do very little for promoting their sales. All activities are centrally managed. This has two implications:

- (1) These activities result in creating general product awareness, but are not useful for promoting products of specific institutions.
- (2) The excessive dependence has disabled Khadi institutions. Therefore, they are not in a position to organise selling activity on their own strengths.

To sum up, both in production as well as in marketing of Khadi, institutions involved in actual operations have very little choice. It is the KVIC that decides what they should produce and how should they sell. This speaks for the need for evaluating KVIC's role in performing their functions. It is necessary for this purpose to understand the objectives and organisation of the KVIC. The next chapter deals with these aspects.