

## Financial problems of the KHADI and village industries board in Tamil Nadu

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### Abstract

The Articles are discussed causes for the financial problems are widely accepted that there is no alternative to the any organisations at village level. Due to the lack of literacy, initiative, technical skill and enlightened leadership, the organisation of self-help and mutual aid is comparatively more difficult.. The rural khadi industries find it difficult to perform the finance expected of them. And the nature of the present study involves both the collection of primary and secondary data.. “It is our considered view that the formula one KVIB to one District and one District to one KVIB has failed in India as the basis for the organisation of subsidiary rural credit”. It has failed because its underlying assumptions have proved incorrect. These assumptions were that mutual knowledge would help the members to understand each other and honorary services would help to operate credit. One of the most unfortunate features of the Khadi credit movement in the state has been the expansion of Khadi credit without dovetailing it with marketing. In order to develop khadi credit on sound lines, all India khadi credit survey commission suggested integrated system of credit in as early as 2007. Two important aspects of the scheme were linking of credit with storing, processing and marketing and State partnership in khadicredit. In Tamilnadu, unfortunately those KVIB have not succeeded even on a modest scale to tap the saving of the rural masses. So long as the habits of thrift and savings are not encouraged among the rural masses, it will have to be confessed that the khadi credit movement has failed in our country.

**Key words:** problems,technical skill,assumptions,knowledge,movement,integrated system

## Chapter -I

### INTRODUCTION:

The causes for the financial problems are discussed widely accepted that there is no alternative to the any organisations at village level. It is also generally acknowledged that the deficiency of the KVIB in delivering the goods to the weaker sections emanate largely from the weakness of the rural people, more particularly from their member's low earning capacity. Due to the lack of literacy, initiative, technical skill and enlightened leadership, the organisation of self-help and mutual aid is comparatively more difficult. The rural credit structure at the gross root level is becoming weaker day by day due to its dependence for finance on the KVIB. The rural khadi industries find it difficult to perform the finance expected of them. The weak motivation and absence of genuine faith in the principles of the rural economic render Khadi and village industries in their operations.

## Chapter -II

### OBJECTIVE OF STUDY

- ❖ To analyse the problems encountered by the Khadi and Village Industries in the study area.
- ❖ To offer suitable suggestions to solve the financial problem of the study units

## Chapter -III

### METHODOLOGY OF STUDY

The nature of the present study involves both the collection of primary and secondary data. For the collection of primary data the researcher has to construct a detailed well-structured questionnaire after consulting the field experts and the respective financial executives. It is proposed to organize a pilot study to test the validity of the questionnaire and after incorporating

necessary corrections in the questionnaire. Based on the exposures to be gained in pilot study a structured questionnaire has to be designed and convenient sampling method is proposed to adopt to obtain the suitable information from the sample respondents.

## Chapter – IV

### ORGANISATIONAL DEFECTS

One of the main defects in the organisational set up of KVIB is the indiscriminate establishment of very large number of KVIB on the basis of the policy “One District one Khadi and village industries”. “It is our considered view that the formula one KVIB to one District and one District to one KVIB has failed in India as the basis for the organisation of subsidiary rural credit”. It has failed because its underlying assumptions have proved incorrect. These assumptions were that mutual knowledge would help the members to understand each other and honorary services would help to operate credit.

### ADMINISTRATIVE PROBLEMS

The director is the executive officer of the managing committee in all its functions, and he is considered to be an essential element for its successful working. It was however been noticed that a large majority of the KVIB in India do not have a full time or even a part time director. As on 30<sup>th</sup> June 2000 out of 32 Khadi and village industries, only 24 Khadi and village industries had a full time director and in the remaining KVIB work it was being carried on part time Directors.

### VIABILITY OF THE UNITS

It is to be noted that national commission on the KVIB 2000 and the Khadi commission (2004) emphasised the need for integrated credit services that can reach the bulk of rural population through a single agency at the gross root level. According to the Khadi Commission’s report the structure of KVIB organisation in the rural sectors can be improved by strengthening the KVIB.

**Table 1**

**Total number of paid employee and per cent to number of board during the year 2010**

S.No.	Name of the District	No. of employee	No. of Board having paid employees	per cent of paid employees
1.	Coimbatore	530	507	95.66
2.	Nilgiris	75	70	93.33
3.	Salem	386	273	70.72
4	Dharmapuri	272	119	43.75
5	South Arcot	459	459	100.00
6	Chengalput	357	299	80.95
7	Karur	404	395	97.77
8	Thanjavur	514	514	100.00
9	Tiruchirapalli	342	342	100.00
10	Pudukottai	136	136	100.00
11	Madurai	343	343	100.00
12	RamanaThapuram	442	422	95.47
13	Tirunelveli	351	322	91.16
14	Kanyakumari	129	128	99.22

**Source:** Statistical information relating to the major aspect of the Khadi movement in Tamilnadu the quarter ended 31<sup>st</sup> December 2000-2010.

## **MARKETING PROBLEMS**

One of the most unfortunate features of the Khadi credit movement in the state has been the expansion of Khadi credit without dovetailing it with marketing. In order to develop khadi credit on sound lines, all India khadi credit survey commission suggested integrated system of credit in as early as 2007. Two important aspects of the scheme were linking of credit with storing, processing and marketing and State partnership in khadi credit.

## **PROBLEMS OF DEPOSIT SUBSIDIARY LOAN SCHEME**

One of the basic objectives of the khadi credit is to encourage the habit of thrift and savings amongst the members. In Tamilnadu, unfortunately those KVIB have not succeeded even on a modest scale to tap the saving of the rural masses. So long as the habits of thrift and savings are not encouraged among the rural masses, it will have to be confessed that the khadi credit movement has failed in our country.

## **FUNCTIONAL DEFECTS**

### **Delay in Sanction of Loan**

The main defect of khadi lending system is that a considerable time long is involved in the disbursement of loans. This delay in granting of loans results in the miss utilisation of credit and exposes the village industries to the exploitation of money lenders, traders and businessmen. The khadi finance sub-committee,

Government of India, 1960, has observed that “one of the chief defects of the khadi system was the delay in obtaining loans from order to be effective credit must be made available within a week or else it would make the helpless artisan exposed to the exploitation of the money lenders.

### **Inadequacy of Loans**

The amounts of loans advanced by the KVIB are too low to be of any use of village industries development. Compared to advance countries, in India the amount of loans advanced per KVIB and per borrowing member is very low. As the artisan had hardly any surplus to

supplement the loan amount, money granted by the KVIB as loan was very often improperly utilised.

### Vested Interest in Subsidiary Loan

KVIB are very frequently criticised as being subservient to vested interest and their benefits go largely to the well to do small and weaker sections. The financial requirements of the weaker section are really a problem of importance and this has become more acute with the enactment of debt relief legislation and the subsequent withdrawal of money lenders from the scene. There seems to be a need for a system of financing the small and marginal artisan and the weaker sections of the rural area which constitute 30 per cent of the total population of the country and the Khadi and village industries have to play an important role in this regard.

### Fictious and Binami Lending

Sometimes the loan is shown in the books of account though it is not advanced to the borrower. If it is not noticed in time this may loan to misappropriations. In addition loans are granted in binami names with or without the knowledge of the management.

**Table 2**

**Borrowing average loan for small businessmen and small artisan and cost spread at various stages during the year 2009-2010**

S.No	Items	Total amount borrowed	Average loan for weaker section and rural area	Per cent to total cost
1.	Principle amount borrowed	23,830.00	861.00	-
2.	Interest paid on the principal	2,802.96	93.43	69.54
3.	Expenditure on obtaining a copy of the records of the possession of the land from lakh and on the verification of records	161.00	5.36	4.00
4.	Expenditure on submission of	40.51	1.35	1.00

	copy of the records to the organisations KVIB			
5.	Expenditure on passports sized photographs	145.46	4.85	3.61
6.	Passbook charges paid	29.10	0.96	0.72
7.	Expenditure on putting forth the demand for loan	139.66	4.96	3.46
8.	Expenditure for confirmation of loan sanctioned	237.03	7.65	5.50
9.	expenditure on receiving loan	402.95	13.43	10.00
10.	Expenditure on repaying the loan	60.58	2.01	1.90
11.	Miscellaneous charges paid	11.00	0.36	0.27
12.	Total of rows 3 to 11	1,228.29	40.94	30.46
13.	Total of rows 2 to 12 only	4,030.25	134.34	100.00

**Source of data: Annual report of Karur District KVIB (2000to2010)**

1. Pass book provided by the KVIB to the borrower member should contain the details of land holding possessed by the small businessmen KVIB should take the responsibility of verification of personal security of the prospective borrowers from the organisation. This will save the time of the borrowers in verification of conduct.
2. The Khadi should be centrally located and should not be at distance of more than 3 to 4 kilometres from any district head quarter.
3. The KVIB should maintain adequate stocks of input which are in demand prior to the sanction of the loan. This would avoid the unnecessary delays in disbursement of kind loan. The period of gap between demand and disbursement of loan should be as minimum as possible and this will minimise the frequent visits by the artisan to the KVIB.

**Table 3**  
**Over dues position in the study area**  
**(No. of Persons)**

<b>Year</b>	<b>Total Loans</b>	<b>Over dues</b>	<b>percentof overDues</b>	<b>Over dues per KVI</b>	<b>Over dues Per members</b>
2005-2006	1211	685	56.39	542	152
2006-2007	1273	809	63.55	697	167
2007-2008	1395	895	64.15	875	173
2008-2009	1536	972	65.28	1083	179
2009-2010	1656	1090	65.82	1159	180

**Source: Annual report of Karur District KVIB 2005 to 2010**

### **Inadequate Supervision**

It was found that once the credit is granted to the members they are not asked for what purpose they are sassing the loans. Businessmen utilise these loans for whatever purpose they like and no supervision and guidance is given for theproductive use of the loans. This leads to miss satisfaction of loans and increase inthe over dues.

## Chapter –V

### SUGGESTIONS

Reforming the organisational setup of Khadi and village industries. Toning up of the management of khadi and village industries..Formulating rules and regulation and their strict implementation with reference to production and sales by khadi and village industries

### CONCLUSION

The organisational structure of khadi and village Industries has undergone a lot of changes by and large the recommendations of the all India Khadi commission, survey committee have been implemented the most important among them being, Issue of subsidiary loan on the security of personal Business, Linking of credit with marketing, Formulation of large sized khadi and village Industries with wide area operation on a limited liabilities basic, State partnership through contribution of the share capital of khadi and village Industries at all levels, Replacement of untrained honorary secretaries by paid secretaries with necessary training and Establishment of the national khadi and village fund and the national business credit stabilisation fund.

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