

## **ECONOMIC DEVELOPMENT AND “KHADI”: AN ANALYSIS**

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### **ABSTRACT**

*The objectives which the Father of the Nation “Gandhijee” had set for khadi work, by and large, continue to be relevant even now. Khadi continues to be the main source of employment for the spinners and weavers throughout this country because they could not get an alternate source of employment at their door-steps. In this paper, we investigate the performance of “KHADI” in economic growth and economic development of India from 2007 to 2014 in terms of production of khadi textile, sales of khadi textile, employment generated by khadi textile industry and earnings generated by khadi textile industry for the khadi workers. An explorative as well as descriptive research methodology is used to get the data related to these aspects. The correlation analysis shows a very strong relationship between the selected variables.*

### **Introduction**

Khadi is a cloth woven by hand using hand spun yarn only. Natural fibres namely, cotton, wool and silk are used in spinning and the production activity is carried out in rural areas.

The word ‘Khadi’, though used and understood in its present context and meaning from 1920 onwards, was given a specific legal definition only in 1956. According to Khadi and Village Industries Commission Act of 1956, “Khadi means any

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cloth woven on handloom in India from cotton, silk or woolen yarn hand – spun in India or from a mixture of any two or all of such yarn.” Obviously, this definition not only lays down the processes of production of Khadi but also specifies the three kinds of raw material which is to be used to produce it.

Though the fabric made from cotton, silk, and wool can be referred to as khadi if they are hand- spun and hand-woven, the three raw materials differ in nature, quality, origin, etc. In addition, the process of production, specifically pre-spinning, spinning, post – loom processing and the tools and implements used therein are vastly different. Khadi and Village Industries Commission divided the khadi textile into four categories- cotton, muslin, silk and woolen.

### **Methodology**

The objective of this paper is to analyse the production and sales of khadi textile, employment and earnings generated by khadi textile industry for khadi workers. In order to achieve the objective, the present study requires secondary data from published work on the related topic.

An explorative as well as descriptive research methodology is used to get the data related to the production, sales, earnings and employment generated by khadi industries in India.

### **Literature Review**

Economic growth is often and generally indicated by increasing gross domestic product (GDP). The growth in GDP is not the only determinant of economic development which, in order to be measured effectively must account for human welfare determinants such as life expectancy, literacy rates, child mortality rate, distribution of income, reduction in poverty, employment generation and so on. In the broadest sense, economic development encompasses policies that government undertakes to meet broad economic objectives including inflation control, high employment and sustainable growth, policies and programmes to provide services including building highways, managing parks and provide medical access to the disadvantaged, policies and programmes explicitly directed at improving the business climate through specific effort, business finance, technology transfer business retention and expansion and others.

The meaning of economic development changed during the twenty years of wide existence. The concept of economic development gradually changed in due course of time, the purpose of development is to reduce poverty, inequality and unemployment (Seers, 1969). Development involves reducing deprivation. Deprivation represents a multi-dimensional view of poverty that include hunger, illiteracy, illness and poor health,

powerlessness, voicelessness, insecurity, humiliation and lack of access to basic infrastructure (Sen, 1999). Seers signalled the shift away from the goal of growth by asking the following questions about country's development: what has been happening to poverty?, what has been happening to unemployment?, what has been happening to inequality?. If all three of these have become less severe, then beyond doubt this has been a period of development of the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development", even if per capita income has soared (Seers, 1969). For Sen, freedom is the ultimate goal of economic life as well as the most efficient means of realising general welfare. Overcoming deprivation is central to development. Unfreedom includes hunger, famine, ignorance, an unsustainable economic life, unemployment, barrier to economic fulfilment by women or minority communities, premature death, violation of political freedom and basic liberty, threat to the environment and little access to health, sanitation or clean water. Freedom of exchange, labour contract, social opportunities and protective security are not just ends or constituent components of development but also important means to development and freedom.

Hence, economic development is a multi-dimensional concept, it includes the qualitative and quantitative improvement in

a country's economy. In other words economic development can be defined "passage from lower to higher stage which implies changes". Economic development implies increased per capita income and reduced income inequalities and satisfaction of the people as a whole (Drewnowski, 1966). If the problem of poverty, low food consumption and higher unemployment are effectively dealt along with growth of gross national product (GNP) and with a reasonably equitable income distribution, then and only then can genuine economic development be talked of (Ansari & Singer, 1977). The problem of development must be defined as a selective attack on the worst form of poverty. Development must be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment and inequalities. We are taught to care for our GDP because it would take care of poverty. Let us reverse this and take care of poverty because it will take care of the GNP. In other words, let us worry about the content of Gross National Product more than its rates of increase (Haq, 1971). In the last forty to forty five years, changing events and new disciplinary tools have changed development economics substantially. Despite these changes, many controversies about the meaning of development remain controversial. Yet, there is an underlying consensus within the development community for the need to accelerate growth and reduce hunger, poverty, unemployment, illiteracy, preventable

diseases, gender inequality and unsustainable environmental damage.

The production of khadi was also meant to provide employment to the rural masses, which it continues to do to a certain extent even today. Khadi Industries should be developed and promoted especially in an economy where capital is scarce (Lewis, 1954) as there is a positive relationship among productivity of labour, output and employment (Keynes, 1936).

The synonym of Khadi Industries is "people's industry". People's industry must be participative in nature, with equity and benefits shared among the producers, they use the local and renewable resources, they are not capital intensive and technology is accessible to all. To attain these objectives, Khadi and Village Industries must redefine their design, marketing and policy initiatives (Uzramma & Prasad, 1998) by pooling the entrepreneurial as well as skill potential of individual artisans into group ventures and cooperatives could be tried out on a large scale. Such an approach is expected to

maximise credit availability, ease procuring of raw materials and facilities, technology upgradation and marketing. Establishment and expansion of marketing corporation and outlets, as in several States can go a long way to product development, marketing and sustained growth of rural based industries (Reddy, 1998); (Raghavan, 1998); (Somasekhar, 2002).

By forming a cluster, Khadi Industries can grow easier, faster with high employment growth level with comparatively minimum financial inputs. Clusters of artisans and industries is the strength of Indian traditional as well as modern economy (Kedare, 2001) (Adhikari & Acharya, 2001).

If Khadi industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development.

### Performance of "Khadi" in India

**Table1: Production and Sales Generated by Khadi Textile Industries, Employment and Earnings Provided, by Khadi Textile Industries**

S.No.	YEAR	PRODUCTION (₹ In Lakh)	SALES (₹ In Lakh)	EMPLOYMENT (In Numbers)	EARNINGS (₹ In Lakh)
1	2007-2008	54338.86	72439.41	916000.00	32948.31
2	2008-2009	58525.12	79960.85	950000.00	37394.97
3	2009-2010	62897.62	86701.45	981000.00	42545.34
4	2010-2011	67300.88	91726.02	1015000.00	43656.69
5	2011-2012	71698.55	96787.35	1045000.00	44902.76
6	2012-2013	76193.13	102156.45	1071000.00	45918.54
7	2013-2014	81107.86	108104.31	1098000.00	46956.30

Source:- Statistical Statement, Annual Report (2007-2014), Khadi and Village Industries Commission, Mumbai.

### Khadi Industries (2007 – 2014): A Correlation Analysis

The correlation analysis indicates mutual dependence of two variables. It

shows the relationship between such variables in which the value of one variable changes due to the change in the other variable.

#### Correlations

		PRODUCTION	SALES
PRODUCTION	Pearson Correlation	1	.997**
	Sig. (1-tailed)		.000
	N	7	7
SALES	Pearson Correlation	.997**	1
	Sig. (1-tailed)	.000	
	N	7	7

\*\* . Correlation is significant at the 0.01 level (1-tailed).

<b>Correlations</b>			
		PRODUCTION	EARNING
PRODUCTION	Pearson Correlation	1	.928**
	Sig. (1-tailed)		.001
	N	7	7
EARNING	Pearson Correlation	.928**	1
	Sig. (1-tailed)	.001	
	N	7	7

\*\* . Correlation is significant at the 0.01 level (1-tailed).

### Interpretation

The production of khadi has revealed an increasing trend during the period under study. The production was recorded to ₹ 54338.86 (in lakh) and ₹ 81107.86 (₹ in lakh) in 2007 – 2008 and 2013 – 2014, respectively. It is found that the maximum increase in production was noted as 7.70 per cent in 2008 – 2009 and minimum increase in production was noted as 6.26 per cent in 2012 – 2013. The average growth rate is 6.79 per cent.

The sale of khadi product was registered to ₹ 72439.41 (in lakh) in year 2007 – 2008 which had further gone up to ₹ 108104.31 (in lakh) in 2013 – 2014. It is found that maximum increase in sales was recorded during 2008 – 2009 revealing a hike of 10.38 per cent and a minimum growth of 5.51 per cent in 2011- 2012. The average growth rate is 6.91 per cent.

The employment generated by Khadi industries has shown increasing trends, employment generated was registered to 916000 persons in 2007 – 2008 and increased to 1098000 persons in 2013 – 2014. The maximum increase in employment generated was 3.71 per cent in 2008 – 2009 and minimum increase is 2.48 per cent in 2012 – 2013. The average growth rate is 3.06 per cent.

The earnings generated by khadi producing industries shows an increasing trend. The earnings was registered to ₹ 32948.31 (in lakh) in 2007–2008 which reaches to ₹ 46956.30 (in lakh) in 2013 – 2014. It was found that the maximum increase in earnings is 13.77 per cent in 2009 – 2010 and minimum is 2.26 per cent for 2012 – 2013 and 2013 – 2014. The average growth rate is 6.20 per cent.

Correlation analysis was undertaken between production in Indian ₹ (in lakh), sales in Indian ₹ (in lakh), Production in Indian ₹ (in lakh) and Earnings in Indian ₹ (in lakh) in the country between 2007 – 2014, result of the correlation is ( $r = .997$ ) and ( $r = .928$ ) respectively, in the entire country.

### Conclusion

Economic Development is a systematic and consistent improvement in economic and social infrastructure, it encompasses poverty reduction, employment generation, increase in GDP, etc.

Khadi textile industry provides employment opportunities to the unemployed or the seasonal unemployed masses. The data reveal that khadi textile industry contributes in the economic growth as well as economic development of the country by providing employment, earning, livelihood, as well as contributing in the GDP of the country.

The fine prints of the findings reveal that the production sales of khadi textile, employment earnings generated by khadi textile industry is increased, but it increased with a decreasing rate, the growth rate of

production of khadi textile decreased from 7.70 to 6.45 per cent, the growth rate of sales of khadi textile decreased from 10.38 to 5.82 per cent, the growth rate of employment generated by khadi textile industry decreased from 3.71 to 2.52 per cent and the growth rate of earning provided to the workers by khadi textile industry decreased from 13.49 to 2.26 per cent from 2007 to 2014.

The correlation analysis shows a strong correlation between production of khadi textile and sales of khadi textile, production of khadi textile and employment generated by the khadi textile industry, but the khadi textile industry needs to improve their marketing structure and strategies which will enhance the competitiveness of the entire khadi textile industry, khadi industry must train their existing khadi workers (spinners and weavers) and tie up their functioning with other textile companies so that they can cope up with the current market situation. This can be done through adopting modern technology, which results in the increasing production capacity of the khadi textile industry and increase the employment opportunity for the unemployed masses.

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