

Khadi Certification Rules

**Directorate of Khadi Co-ordination
Khadi & V.I. Commission**

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PREFACE

Khadi is a cloth woven on hand looms using hand spun yarn only. Natural fibres viz. cotton, wool and silk are used for spinning and the production activity is carried out in rural areas of the country. In terms of the provision of regulation 24(1) of Khadi and Village Industries Commission Regulations, 1958, the Central Certification Committee is constituted for dealing certification matters such as granting, renewal of certificate in respect of institutions implementing khadi programme. In India cloth is produced both in centralised as well as decentralised sector. Government of India has reserved left twist yarn exclusively for khadi to differentiate it from the rest of textile goods.

The objectives of the Certification Committee is to protect genuineness of khadi i.e. handspun handwoven nature of khadi, ensuring economically sustainable earnings to the artisans engaged in khadi production and sale, and also protect the interest of customers i.e. to offer khadi, at a reasonable price. The Certification Committee, constituted by KVIC is meeting at quarterly intervals and formulating rules to achieve aforesaid objectives. The instant booklet is compilation of the rules framed by the Central Certification Committee as revised and amended upto 31st March 1998.

I hope that the present publication, would be useful to all those engaged in the production and sale of khadi or willing to take up khadi activities. Since the meetings of the certification committee is held after an interval of three months. I expect that the decision taken in its meeting held after 31.3.1998 will be brought out in the form of addendum to the certification rule book. Although care has been taken to make that the compilation up-to-date, if any omissions or errors found, may be brought to the notice of Directorate of Khadi Coordination which would be taken care of while bringing out the next edition or addendum.

Before drawing line, I would like to extend my earnest thanks to the staff members of the Directorate of Khadi Coordination as well as Members of the Sub-Committee constituted by the Certification Committee who took all pains in compiling this booklet.

RAVI KAMAL BHARGAVA I.A.S.
Chief Executive Officer

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**CERTIFICATION RULES
FOR
ISSUANCE, RENEWAL & VALIDITY
OF
KHADI CERTIFICATE**

In pursuance of regulation 24 of the KVIC Regulations 1958, the following rules for Issuance, Renewal and Validity of certificate for Khadi are laid down.

1.0 DEFINITIONS

In the rules unless the context otherwise provides.

- 1.1 "Committee" means Certification Committee appointed by Khadi & Village Industries Commission.
- 1.2 "Institution" means and shall include.
- (a) Registered Cooperative Society.
 - (b) A society registered under the Societies Act of 1860 or relevant state acts.
 - (c) A charitable trust.
 - (d) A Village Panchayat.
 - (e) A Municipality.
 - (f) A Zilla Parishad.
 - (g) An authority set up under any law for the time being in force relating to Bhoodan or Gramdan.
 - (h) A State Govt. Organisation.
 - (i) A Board established under a state law enacted for the development of khadi & village industries.
 - (j) Any other registered body certified or desirous to be certified in accordance with these regulations.
 - (k) Departmental Training / Trading centres of Khadi & V.I. Commission and State Khadi and V.I. Board or Development Authority, educational institutions imparting vocational training courses in khadi of Govt. & Semi Govt. agencies or Research Organisations.
- 1.3 "Khadi" means any cloth woven on handlooms in India from cotton, silk or woollen yarn, hand spun in India or from a mixture of any two or all of such yarns.

- (a) The variety of product made out of admixture of any two hand spun yarns shall be determined on the basis of yarn used in its warp.
- (b) Hosiery produced from hand spun yarn on hand operated flat bed or circular knitting machine shall be khadi.
- 1.4 "Certified" means certified by the Certification Committee of Khadi & V.I. Commission.
- 1.5 "Certificate" means a certificate issued by the Certification Committee and valid for the period specified therein in accordance with Regulation 24 of the Khadi & V.I. Commission Regulation 1958 and in terms of the instructions issued by the Commission and described herein.
- (a) Certification Rules are such stipulations issued, in the form of instructions, by the Certification Committee for the conduct of khadi activity from time to time and hereinafter called "Certification Rules" and specified hereafter.
- 1.6 "Commission" means the Khadi & Village Industries Commission constituted under the Khadi & Village Industries Commission Act, 1956 (Act 61 of 1956).
- 1.7 "SLACC" means the State Level Advisory Certification Committee constituted by the Committee/Commission for each state or cluster of States.
- 1.8 "Processor" means an agency approved by the Committee / Commission directly or employed by a certified institution for processing of Khadi cloth.
- 1.9 "Chairman" means Chairman of the Certification Committee.
- 1.10 "Convener" means the Officer of the Commission charged with the duty to function as Convener of the Committee.
- 1.11 **Artisans Benefit Fund:** Means a fund created by certified Khadi institutions out of additional margin earned on account of short payment to artisans than prescribed in the cost chart or due to other reasons resulting in extra profit and ordered by the Committee to be credited to this fund.
- 1.12 **Consumers Benefit Fund:** Means a fund created by the certified khadi institutions out of surplus accrued on khadi sales over and above the allowed margin prescribed in the cost chart.
- 1.13 **Price Fluctuation Fund:** Means a fund created by institutions out of extra margins earned by it on stock of khadi or work in progress (sliver, roving, yarn etc.) due to revision of Cost Chart, due to the fluctuation in the rates of raw materials and or increase in spinners & weavers rate etc.
- 1.14 **Artisan Welfare Fund:** Artisan Welfare Fund is an account, created for artisans, with the institution out of their deposit and institution's contribution.
- 1.15 **Establishment Margin:** Means of margin provided for meeting all sorts of expenditure required to be incurred for running an institution i.e. pay, T.A., transport, depreciation, rent, etc.

2.0 INSTRUCTIONS AND GUIDELINES

Instructions and guidelines, given hereafter, or any subsequent decision of the Committee or Commission conveyed to the institution, directly by the Committee or an Officer of the Commission or through the medium of 'jagriti', should be followed strictly. Violation of any of the provisions shall result in withholding of renewal, suspension or cancellation of certificate and refusal for issue of new certificate.

- 2.1 Certificate for khadi work will be issued only to an institutions as defined in 1.2.
- 2.2 Certificate will be issued for the production and/or sale and/or processing of khadi as defined in 1.3.
- 2.3 Certificate will be issued only on receipt of an application in the prescribed form and manner, together with requisite certification fee, alongwith the recommendation of the S.L.A.C.C. through concerned Director of State Office.
- 2.4 Production and/or Sale of Khadi should find a place among the objects of the institutions in its constitution/bye laws.
- 2.5 The bye-laws should also mention specifically that the institution and the members of its Managing Committee shall not deal in mill yarn and/or mill cloth or any cloth purchased from sources other than certified by the Certification Committee.
- 2.6 The certified khadi institutions or the members of their Managing Committee shall not undertake any activity likely to affect the interests of khadi & Village Industries approved by the Govt. of India for implementation by the Commission.
- 2.7 The bye-laws of institution should specifically provide that the trustees, office bearers members of the Managing Committee or the persons engaged in managing the activities of the institution and all workers directly engaged in the production and/or sale of khadi should invariably be habitual Khadi wearers.
 - (a) Members of the Managing Committee of the institution should give a declaration to the effect that they are habitual khadi wearers alongwith a resolution of the institution.
 - (b) The Chairman, CCC may relax this condition for a period of not more than months in respect of the Office bearers and Managing Committee Members of new institution or may exempt office bearers of statutory bodies/Khadi & V.I. Board if he is satisfied that such exemption is necessary.
- 2.8 The Certification Committee shall have the right to reject any application without assignin any reason.
- 2.9 The validity of the certificate for Khadi will be co-terminous with the validity of the registration certificate.
- 2.10 The bye-laws of the institution would interalia provide for the following :

- (a) In case of its liquidation, its assets, whatsoever remain, after discharging the debts etc. shall be transferred to another institution having similar objects with the approval of the Certification Committee/Commission.
- (b) There shall be at least 9 members and not more than 15 members in the Executive Committee. None of them should be near relatives or related by blood or marriage to each other. In-laws would be considered as near relation under this rule.
- (c) The Quorum for the meeting of the Executive Committee should be at least 2/3rd.
- (d) If any member of the Executive Committee fails to attend three consecutive meetings without any valid reason he shall cease to be a member of the Executive Committee.
- (e) At least 4 meetings of the Executive Committee shall be held in every financial/ official year.

However in case of cooperative societies, the provisions of the concerned Cooperative Societies Act shall be applicable.

- 2.11
- (a) The Secretary and/or Additional Secretary/Joint Secretary/Assistant Secretary of Khadi institution shall not hold office in more than one institution. However, he can become chairman of other institution with the permission of the Chairman, KVIC.
 - (b) So far as Chairman/Vice Chairman are concerned, they can hold office as Chairman/ Vice-Chairman in not more than five Khadi institutions.
 - (c) In the case of State Level Federations, there shall not be any objection for the office bearers of member institution to hold the post of Secretary or the Chairman in the Federation.
 - (d) As far as members are concerned, there shall be no restriction in respect of their becoming members in other institutions.
 - (e) The office bearers/members of the Managing Committee of an institution whose certificate is canceled would not become office bearers/members of the Managing Committee in any other Khadi institution for five years. Further such member/ employee/worker of an institution who has been expelled/dismissed should not be inducted as member/employee/worker of any other institution.
 - (f) The office bearers of those institutions against which action under Section 19-B of the KVIC Act is initiated, shall not become office bearer or members of any other certified Khadi institution for five years.
 - (g) There shall be at least two artisan members in the Executive Committee nominated from the artisans. Sales organisations who do not have any artisan under their aegis, can include any two artisans in their Executive Committee, with whom they are associated, in any manner decided by them. However New khadi institutions are granted 2 year's time for inclusion of 2 artisan members in its Executive Committee.
 - (h) Managing Committee of an institution should consist of minimum two women members to provide adequate representation to the women folk of the area. Such

members should be elected from the workers and/or artisans of the institution. If such members are not available then two women members should be made permanent invitees in the managing committee.

- 2.12 The institution shall conduct Khadi activity on no profit no loss principle. However, surplus earned, if any, shall be utilised for the promotion and development of Khadi and Village industries or for the welfare of artisans only in accordance with the rules framed by the Committee/Commission from time to time.
- 2.13 The Committee may ask any institution applying for a new certificate or an institution already certified to include new provisions or modify the existing provisions in the constitution/bye-laws or to fulfill such other terms and conditions as deemed fit from time to time.
- 2.14 The Secretary of the institution will place clear and full particulars regarding production, purchase, sale as well as financial position before the Trustee Mandal, Managing/Executive Committee in its every quarterly meeting.
- 2.15 The institution shall be allowed to work only in the area of operation allotted to it by the Committee.
- 2.16 The institution has to pay the artisans as per the rates prescribed in the Cost Chart by the Committee/Commission from time to time.
- 2.17 The Artisans shall strictly be paid in cash. Artisans, if desire, may deposit upto 10% of their earning to the institution for buying khadi during the year.
- 2.18 Institutions shall charge margin as prescribed by the Committee from time to time and also sell their products at the rates fixed by the Committee. It shall not supply goods to non-certified parties for re-sale. Similarly, they shall purchase Khadi and/or yarn from certified institutions only.
- 2.19
 - (a) The Committee may allow institution to supply Khadi to approved parties in or outside the country for resale out of India to promote exports. Normal wholesale trade discount can be given to exporters by Khadi institutions provided such exporters are registered with KVIC.
 - (b) Khadi may be supplied to uncertified organizations by allowing wholesale commission subject to the condition that each of such case be submitted to the Chairman for his consideration and permission.
- 2.20 The institutions shall take all precautions to ensure the purity of khadi and shall abide by the orders and instructions issued by the Committee/Commission from time to time.
- 2.21 To ensure purity, the institutions shall undertake the production of khadi right from the stage of pre-processing. It should purchase cotton, cocoons or raw wool and get the spinning, reeling and weaving done by itself. However, the institutions are allowed to purchase handspun yarn from other certified institutions.

2.22 Manual power is only permitted in the process of spinning, reeling and weaving, in the production of Khadi. However, there is no objection in the use of electrical and/mechanical power for the following processes.

a) **COTTON :**

i) Conversion from cotton to roving :

If above processes are done under the control of certified Institutions, State Federation, State Board or Commission.

b) **WOOL :**

i) Conversion from wool to tops : If the conversion is done by the units approved by KVIC.

ii) Conversion from tops to roving : If the conversion is done by the machine installed under the control of certified Institution, State Federation, State Board or Commission.

iii) Twisting & Milling :

If these processes are done under the control of certified Institutions, State Federation, State Board or Commission.

c) **SILK :**

i) Twisting :

If the process is done under the control of certified Institutions, State Federation, State Board or Commission.

d) **PROCESSING :**

Dyeing, Printing, Finishing etc. have to be carried out in the processing units as mentioned at 1.8.

2.23 "Ultra Bat" (left twist) yarn alone shall be used for cotton Khadi production. However, "Ultra Bat" shall not be insisted upon in yarn up to and including 11 metric counts.

2.24 If any institution carrying the activities other than Khadi & Village Industries, intends to undertake Khadi work, the financial aspect of the khadi sub-committee formed for the purpose would alone be taken into account. The surplus earned by this sub-committee will be retained by it and utilised for Khadi & Village Industries Development work. However, if such khadi sub-committee is in a position to run activities pertaining to integrated development programme within the prescribed margin, it can do so. Separate accounts should be maintained for Khadi and allied activities.

2.25 (a) The certified institutions selling Khadi in wholesale shall give a certificate to the purchasing institution to the effect that the production of Khadi being sold by them

is within the approved annual production target and total production or sale in year has not exceeded the approved targets as on that date.

- (b) In case the purchasing institutions suspect about the production capacity of selling institution, they may obtain an advice in writing from the concerned Director State Office / R.O. to the effect that the khadi sold by the selling institution is within its production capacity.
- (c) If any institution purchases raw material in violation of the circulars and procedural directives already issued and its transactions are found doubtful or irregular, production/sale of khadi out of such doubtful purchases of raw material shall be treated as irregular.
- (d) If the value of raw material to be purchased exceeds Rs.10,000/-, its payment should be made through crossed cheque or draft duly encrossed therein "A/c Pay". Otherwise it may be treated as irregular, and penal action against the institution shall be taken which may be to the extent of cancellation of certificate. However, it shall not be insisted upon in case of cotton purchases from govt. regulated institutions.
- (e) In case the performance of the institution exceeds the maximum limit of 10% proportion of working capital available or the production/sales exceeds more than 10% of the approved target such disproportionate production or sale shall be treated as irregular and recovery of proportionate rebate be ordered.
- (f) Work done by taking advances from individual sources or from members of the institution, in the absence of working capital, is not permitted. In case it becomes necessary, in some exceptional circumstances such receipts shall first be deposited in the bank a/c. Work done by taking advances in cash will be treated as irregular.
- (g) Khadi certificate issued in favour of institutions shall not make those institutions claiming the rebate and/or financial assistance unless those are registered with State KVIB and their targets (production & sale) are approved by the State Finance Committee of the KVIC/State KVIB.
- (h) The institution has to obtain a certificate from the Chartered Accountant to the effect that as per the Books of accounts produced by the institution, the expenses were added and the wages were paid as per the approved cost chart, period of Audit. A similar certificate regarding provision of reserves/fund and utilisation of Artisans Benefit fund, Price Fluctuation Fund and Artisans Benefit Fund shall also be obtained and appended to the Auditors report.

3.0 FUNCTIONS AND POWERS OF CENTRAL CERTIFICATION COMMITTEE

As Per Standing Order Nos. 967, 968, 1064, 1166, 1200 dated 15.05.1973, 16.30.12.1974, 28.06.1977, 26.05.1978 respectively.

FUNCTIONS

- 3.1 To prescribe the manner and procedure of Swavalamban, Production work and Sale of Khadi.
- 3.2 To prescribe wages to be paid to the artisans.
- 3.3 To prescribe margin (over-head charges) to be charged by the institutions on the Production, Processing and Sale of Khadi and Saranjam.
- 3.4 To examine and approve the cost charts of Khadi and Saranajm of every state.
- 3.5 To ensure observance of instructions in connection with certification given by the Commission from time to time.
- 3.6 To decide any dispute between the institutions themselves in the matter connected with observance of instructions regarding certification given by the Commission from time to time.
- 3.7 "To advise the Commission regarding constitution, powers and functions of State Level Certification Committees. The Certification Committee will supervise the functioning of such State Level Certification Committee."
- 3.8 The Certification Committee shall abide by the instructions that will be given to it by the Commission from time to time. Until such instructions are given by the Commission, the Certification Committee shall follow the procedure adopted by it so far provided that such procedure shall not be contrary to the provisions of the Khadi & Village Industries Commission Act and the Rules and Regulations adopted by the commission.
- 3.9 To submit the minutes of the meeting of Certification Committee to the Khadi & Village Industries Commission.
- 3.10 To submit annual reports and statement of accounts of realisation of certification fee to the commission.
- 3.11 The officer of Certification Committee Office will be Convenor of meetings of Certification Committee and for this purpose will act on instructions of Chairman of Certification Committee.
- 3.12 Chairman shall be responsible for proper functioning of Certification Committee and in implementation of its decision and discharge of his duties as defined.
- 3.13 Subject to such delegation as may be made by the Certification Committee, the Chairman shall :
 - (a) Call the important papers and matters to be presented to Certification Committee as early as practicable.
 - (b) Issue directives as to the method of carrying out the decision of the Certification Committee.

- (c) Maintain or cause to be maintained accounts of receipts of certification fees received from the institutions.
 - (d) Present a draft annual report of the working of Certification Committee and the approved report to Khadi & Village Industries Commission.
 - (e) To grant renewal of certificates to institutions which shall be ratified Certification Committee.
 - (f) To suspend the certificate as and when required which shall be ratified Certification Committee.
 - (g) To direct recoveries of financial assistance claimed by the institutions on work which shall be ratified by the Certification Committee.
 - (h) To prescribe area of operation for swavalamban, production & sale of certified institutions.
- 3.14 The Chairman of Certification Committee shall generally supervise the working of the Certification Committee and guide the Officer incharge of the office Certification Committee.
- 3.15 The Chairman will issue instructions to convenor for convening the meeting of Certification Committee and for drawing up the agenda of each meeting, minutes of each meeting and may give such other instructions which facilitate working of the Certification Committee.

POWERS

- 3.16 To grant certificate for Production, Swavalamban & Sale of Khadi and renewal certificate for specified period.
- The committee may reject/grant new certificate or renewal of any certificate assigning any reason. The committee will have powers to suspend and cancel certificate.
- If application for grant of certificate is rejected, applicant-institution may appeal to Khadi and Village Industries Commission.
- 3.17 To exercise supervision and control of Artisans benefit fund and Price fluctuation fund.
- 3.18 To audit and inspect institutions and take action thereon including directing of rebate subsidy of grant obtained on the basis of irregular Swavalamban, and Sale of Khadi.
- 3.19 To prescribe area of operation for Swavalamban, Production and Sale of Khadi of each institution and to certify centres of production within area of operation. The Committee's decision in respect of any dispute between the institutions regarding area of operations and centres will be final.
- 3.20 To inquire into any allegation about infringement of instructions regarding Swavalamban against any institution and take action thereon.

- 3.21 To issue directives to the institutions including directive to amend their constitution or composition of their Managing Committee in the interest of the artisans, public policy or the proper functioning of the institutions on the principles of trusteeship or for any matter connected with the principles of Khadi work. In the same way Committee may demand removal of any member of the Managing Committee or any paid worker of the institution proved to have been involved in gross infringement of instructions in connection with 'certification' issued by the Commission or malpractices.
- 3.22 To constitute Sub-committee from among its members and Officers of the Commission on any matter or for any inquiry on any specific matter and to take action on the advice or findings of such Committees provided that an Officer attached to the office of the Certification Committee is appointed as Convener of Sub-Committees so constituted.

4.0 STATE LEVEL ADVISORY CERTIFICATION COMMITTEE

State Level Advisory Certification Committee and their convenors shall be appointed in all the State or cluster of States by the Committee/Commission to assist the committee in its functioning. (The term of advisory committees will be co-terminus with the term of Commission/Committee).

The functions and the terms of reference and procedure of working of the State Level Certification Advisory Committee shall be as follows:-

4.1 FUNCTIONS

- A) To receive and scrutinise the applications from the institutions and advise the Central Certification committee for issue of certificates.
- B) To advise the Central Certification Committee to withhold the renewal or to suspend or cancel the certificates of the institutions as and when warranted.
- C) To scrutinise the application of institutions for new production centers, bhandars and sales agencies and advise the Central Certification Committee in this regard.
- D) To enquire into the disputes relating to area of operation, workers, artisans etc. between the institutions and decide those disputes under intimation to Committee.
- E) To inspect or get inspected institution from the Certification point of view, call for such information from the institutions if necessary and advise the Central Certification Committee in this regard.
- F) To advise the Committee regarding revision of wages of the artisans as well as revision of cost chart for the concerned State/States.
- G) To consider, scrutinise and decide the applications from the institutions for according permission to spend the amount from Artisans Benefit Fund for purpose specified hereinafter under intimation to committee.

- H) To constitute teams with their members from themselves for investigating matters/issues which may be considered essential in the interest of their wc
- I) The SLACCs are expected to review the position of recoveries from in ordered by the Commission or Committee, in cash or from the claim institutions.
- J) Committee is the appellate authority in respect of decision taken by SLACC

4.2 PROCEDURE

- A) The Convenor of the SLACC shall normally issue notice of the meeting two weeks before its commencement. However, to consider urgent matters, n one week notice will be given. Dates of meeting shall be fixed in consultat Chairman SLACC.
- B) If under some circumstances it becomes necessary for SLACC to p consideration of any case, the decision on the same should invariably be the next meeting.
- C) The quorum for the meeting shall be at least 2/3 of the total member Committee and the SLACC shall normally meet 3 times in a year or as fn as may be considered necessary for the disposal of the cases.
 - i) The meeting of the SLACC should be convened by the Convenor prior consent of the Chairman, SLACC.
 - ii) While convening the meeting of the SLACC the detailed agenda and notes on the basis of the supporting papers should be sent to member SLACC.
 - iii) The proceedings of the SLACC are to be circulated by Convenor after the same approved by the Chairman, SLACC.
- D) The minutes of the meetings shall be maintained properly by the Conv SLACC and two copies of the same shall be forwarded to the Committe Convenor of SLACC shall take follow up action on various resolutions adk the meeting of the SLACC and shall place it in the next meeting for informi
- E) The Chairman of the Central Certification Committee is not bound to ad recommendation of the State Level Advisory Certification Committee. Chairman of the Committee differs with the view of SLACC, he may discretion, refer back the matter to SLACC for reconsideration.

5.0 PROCEDURE FOR ISSUE OF NEW CERTIFICATE

- 5.1 The institutions applying for new certificate are required to submit their applic the prescribed forms in duplicate along with the following documents to the re

Directors of the State Office/R.O. of the Commission for consideration by the respective State Level Advisory Certification Committee.

- a) Copies of the constitution/bye-laws of the institution duly attested by a Gazetted Officer.
 - b) Copy of the registration certificate duly attested by a Gazetted Officer.
 - c) Declaration by the members of the Executive Committee and other office bearers to the effect that they are habitual wearers of Khadi.
- 5.2. The Director of State Office/Regional Office on receipt of the above documents will make preliminary enquiries and conduct spot inspection. The Director shall examine about availability of raw materials, number of artisans, managerial competencies of institution, availability of trained & experienced workers, arrangements for marketing of products and assessment of market potentiality. He will ensure that the bye-laws of the institution *inter-alia* contain provisions as laid down in Rule No.2. Thereafter, application papers along with spot inspection/feasibility report are to be placed before the State Level Advisory Certification Committee, seeking recommendation for the issue of new certificate. The proposal, if recommended by SLACC, has to be forwarded to the Committee for granting new certificate.
- 5.3. Normally the new certificate will be issued for one year initially and then renewed for 5 years.
- 5.4. The Chairman of the Committee may however, relax this condition on merits of the case. As far as possible the validity of the Certificate should be aligned with financial year. For example, a certificate, if issued to an institution on 01.01.96 shall have validity up to 31.03.97.
- 5.5. The institution should have minimum capital of Rs.5,000/-.

6.0 RENEWAL OF CERTIFICATE

- 6.1. The renewal certificate is issued for block period of 5 years from the expiry date of previous certificate and the period of renewal may be reduced or increased by the Chairman, Central Certification Committee, at his discretion to align the validity of certificates with the 5 years block maintained by Central Certification Committee.
- 6.2. The institution shall apply every 5th year for the renewal of its certificate in the manner and form prescribed by the committee from time to time. The audited financial accounts for the previous financial year should be furnished by the institution with the application for renewal of certificate.

- 6.3 The institution should get the certificate renewed immediately on its exp and to facilitate the same it should apply for renewal before 6 months fr which validity of existing certificate expires. A maximum period of 1 year of expiry of the certificate is permissible for getting the renewal done. In cas does not apply for renewal of its certificate by sending the requisite rene fee within this time limit, the certificate will stand automatically invalidate
- 6.4 The renewal of certificate of an institution will not be done unless its reg on the date of renewal of Khadi certificate.
- 6.5 The new certificate and renewal of certificate will be issued by the Chai Certification Committee.
- 6.6 Duplicate copy of certificate shall be issued by the chairman of the Co application by the institution, on payment of a fee of Rs.100/-.
- 6.7. No certificate shall be renewed with retrospective effect exceeding six date of its issue. Nevertheless, the Chairman of Central Certification decide renewal of any case of certification, pending over six years, in c concerned State Level Advisory Certification Committee. In such cases be undertaken from the date of renewal.

7.0 CERTIFICATION FEE

7.1 NEW CERTIFICATE

- A) Non refundable fee amounting Rs.100/- should be sent along with to the concerned Director of S.O./R.O.
- B) Fee should be remitted through crossed bank draft drawn in : Executive Officer, Khadi and Village Industries Commission, Mumb

7.2 RENEWAL OF CERTIFICATE

- A) Renewal fee shall be charged at the rate of Rs.5/- per thousand o retail sale value figure, whichever is more, during the financial earlier the year in which application is made, subject to a minimr and maximum of Rs.1,000/-

Note: i) Fee for new Certificate as well as renewal is liable to chan; time.

- ii) Since the renewal of certificate is done for a block of 5 year fees for 5 years has to be remitted in advance.

8.0 SUSPENSION/CANCELLATION OF CERTIFICATE

8.1 SUSPENSION OF CERTIFICATE

- A) The Chairman of the Central Certification Committee may suspend certificate of an institution initially for a period of not exceeding six months, if he is satisfied that it is necessary to do so for reasons of serious violation of certification rules. The period of suspension can further be extended for a period of not exceeding six months.

Since the activities of Khadi production and sales remain suspended during the suspension period of certificate of an institution, following penalties shall be imposed by the Chairman, C.C.C. on erring institutions through concerned State/Regional Directors.

- i) No rebate claims shall be paid.
- ii) No financial assistance shall be granted.
- iii) No certified Khadi institution shall purchase Khadi from such institution.

Concerned State/Regional Director shall keep close watch on the institution and submit quarterly report to Chairman, C.C.C. under intimation to Chairman, S.L.A.C.C.

8.2 CANCELLATION OF CERTIFICATE

The Chairman, Central Certification Committee may cancel the certificate of an institution.

- A) If the institution is found guilty for the breach of any certification rules or for the gross negligence of the directives of the Committee or of the Commission which includes non payment of wages to artisans as per rates prescribed by the Committee/ Commission, irregular, bogus, spurious or impure production, possession of impure Khadi in custody of institution or if the institution is found guilty of malpractices, mis-appropriation of funds or misfeasance or any other ground which in the opinion of the Chairman/Committee necessitates the cancellation of certificate.
- B) A show cause notice shall normally be issued by the Chairman to the institution before the certificate is cancelled, enumerating the charges therein with a view to affording a reasonable opportunity and time to the institution to explain as to why the action of canceling the certificate should not be taken.
- C) If upon inquiry an institution is found guilty of all or any of the allegations or if the institution fails to send a reply to show cause notice within specified period, the Committee may cancel the certificate with effect from date of suspension or from any subsequent date.

- D) The Chairman may close/cancel the certificate of such institutions which in his opinion have ceased functioning for a period of not less than one year or are found to be defunct and have not applied for renewal of certificate.
- E) The Convenor will place a list of such institutions whose certificates have been cancelled/suspended before the Committee in the next meeting for information and ratification.
- F) Certificate once cancelled can not be revoked. If such institution (whose certificate is cancelled) desires to re-initiate Khadi activities, it should submit fresh application for the new certificate. It should be seen that the erring members of the Managing Committee of institution do not figure in the Managing Committee of the institution. This ban shall be for a minimum period of 5 years.

9.0 OPERATIONAL ACTIVITIES

9.1 AREA OF OPERATION OF INSTITUTION FOR PRODUCTION AND OPERATIONAL ACTIVITIES

- A) The institution shall work in the compact area. It shall extend its work to other areas only after covering its allotted area fully. The work should not be done leaving gap in between. If there is any gap in the area of operation, the neighboring institution can be permitted to work there.
- B) New institution shall be given the area of operation on the basis of C.D. Block (Development Block (region) and not on the basis of centres.
- C) Permission can be accorded to more than one institution to work in an area where there is large number of weavers, and if it is found impossible for one institution to provide work to all the artisans there. At the same time it shall be seen that a new institution does not enter into any unhealthy competition with the old institution.
- D) The institution which has been certified earlier shall send a block wise list of approved centers for confirmation of blockwise area by the Committee of renewal of the certificate.
- E) There may be many blocks where more than one institution is functioning. In such cases, area of operation will be allotted on the basis of Gram Panchayat extent possible after having necessary discussion with the concerned institutions.
- F) It is obligatory for an institution to start work in the newly allotted area within a year of issue of the certificate and inform about the same to the Central Committee. The Committee reserves the right to re-allot such area to another certified institution or not to renew the certificate in the absence of such information.
- G) Area will generally be allotted to institution on the recommendation of the

level Advisory Certification committee shall lie with the Central Certification Committee.

- H) The institutions may start Khadi production work in virgin areas and the areas not covered by any other certified institutions, in anticipation of formal approval of the Committee, however, will inform the Director of S.O./R.O. of the intention to start work in such areas. The norms for treating any area as uncovered or virgin are under :
- i) Community development blocks or panchayats where no khadi production activity has been started by any certified Khadi institution.
 - ii) Such blocks or Gram Panchayats where even though permission has been given to any other certified institution for doing production but it has not commenced production work within a period of one year from the date of issue of such permission.
 - iii) Where any institution is doing production activity in few villages only, of a block, the uncovered villages beyond 3 kms. from the existing centre, if no work is carried out by the existing institution.

9.2 CONDITIONS FOR OPENING SALES BHANDARS

- A) To boost sales, institutions may be encouraged to open new Bhandar at a place wherever the institution consider the same economically viable. Permission shall be accorded liberally irrespective of distance between two Bhandars, production centre of institution and population of area where the sales Bhandar is to be opened.
- B) Institutions are permitted to sell Khadi in the premises of other establishments like supermarket, factories, co-operative canteens, business houses where such premises/counters for sale are made available.

9.3 APPOINTMENT OF SALES AGENT

Certified Institutions may appoint agents for Khadi sales on the conditions given hereunder.

- A) Agency for sale of Khadi may be given to any individual/partnership or joint stock companies/cooperative bodies who do not deal with non-Khadi textile, except polyvastra and/or any other textile, recognized and coming under the purview of the Commission.
- B) An agency shall be given only to an individual who is habitual Khadi wearer. In case of body corporate, partnership firm and companies, its managing committee members and workers who are engaged in sale of Khadi should be habitual Khadi wearers.

which he is attached.

- D) Goods or cut pieces will not be allowed to return by the agent. Transport expense will have to be born by the agent and he will be responsible for its risk.
- E) The agent will have to sell the goods at the rates fixed by affiliating Bhandar/Center. The labels of the affiliating Bhandar/Center should be retained on the goods. Agent is not permitted to put his own labels.
- F) The agent shall maintain all the books of accounts prescribed by Bhandar/Center to which the agent is attached.
- G) There shall be triplicate cash memo books for sales. First leaf shall be given to the customer, the second leaf should be sent to the affiliating Bhandar/Center every month, with monthly sales statement and the third leaf be kept by the agent. Any letter regarding rebate, subsidy etc. should be sent through the affiliating Bhandar/Center. The agent shall use the cash memos of affiliating Bhandar/Center only.
- H) The agent shall purchase Khadi from or through the affiliating Bhandar/Center only. The orders for the goods shall be sent through the affiliating Bhandar/Center, if he desires to purchase Khadi from other certified Bhandar/Center, the affiliating Bhandar/Center will forward such orders to the particular Bhandar/Center if it is considered fit.
- I) An agency can be closed at any time either by the affiliating Bhandar/Center or by the agent.
- J) Bhandar/Center shall retain 1% out of the wholesale commission it gets and pass on the balance wholesale commission to the agent.
- K) The agent shall make available all the accounts and registers for audit and inspection to the inspector sent by/on behalf of the Khadi & V.I. Commission or the Bhandar/Center of which he is an agent. If it is found that the rates have been charged more than those fixed by the affiliating Bhandar/Center that such extra amount along with the rebate claimed thereon shall have to be deposited with the affiliating Bhandar/Center at once by the agent. The amount of rebate thus refunded by the agent shall be remitted to the Commission, by Bhandar/Center.
- L) Permission shall be obtained from the Central Certification Committee before appointing an agent for opening sales agency.
- M) In the event of an increase in the rates of goods stock lying with the agent shall be valued at fresh rates and the excess amount shall be recovered from the agent after allowing the commission on the excess amount according to rules. Similarly, if the rates are decreased, the stock will be re-valued and the excess amount received from the agent, after deducting the excess commission given on the first transaction, will be refunded to him, in cash or, by supply of goods in lieu thereof at the value of the amount, due to the agent.

10.0 MARGIN

The institution shall adhere to margin prescribed by the Committee from time to time to meet its overheads. The present pattern of margin is as under:

COTTON		WOOL		SILK	
	Price of cotton		Merino variety (Cost of woollen tops)		Cost of cocoon (Cost of raw material)
+	Conversion Waste	+	Spinning Waste	x	Rendita
+	Conversion charges	+	Spinning charges	+	Reeling wages
=	Price of sliver/roving	+	10% welfare fund	+	10% welfare fund
+	Spinning waste	+	10% incentive	+	10% incentive
+	Spinning charges	=	Cost of yarn	+	Exp. (for fuel, water etc.)
+	10% Spnn. welfare fund	+	Twisting charges	-	Realisation against jelly & pupae
+	10% Incentive	+	Twisting Waste	=	Cost of Silk yarn
=	Cost of yarn	+	10% welfare fund	+	Wastage
+	Twisting charges	+	10% Incentive	+	Twisting wages
+	Twisting waste	=	Cost of twisted yarn	+	10% welfare fund
+	10% welfare fund	+	Weaving charges	+	10% Incentive
+	10% incentive	+	Weaving waste	=	Cost of twisted yarn
=	Cost of twisted yarn	+	10% Welfare fund	+	Degumming losses
+	Weaving charges	+	10% Incentive	+	Bleach., dyg. charges
+	Weaving waste	=	PRIME COST OF GREY	+	Processing wastage
+	10% W.W. Fund		FABRIC (A)	+	Preparatory charges
+	10% incentive	+	3% Trading margin	+	Weaving waste
=	PRIME COST OF GREY	+	0.5% Publicity	+	Weaving Charges
	FABRIC (A)	+	1% Insurance	+	10% Welfare fund
+	3% trading expenses	+	8% Bank Interest	+	10% Incentive
+	0.5% publicity	=	TOTAL PRIME COST (B)	=	PRIME COST (A)
+	1% insurance	+	25% Establishment Exp.		
+	5.5% Bank interest	+	Dyeing & finishing Charge	+	3% Trading margin
=	TOTAL PRIME COST (B)	+	20% Dyeing & finishing charges if processed in captive unit	+	0.5% Publicity
+	20% establishment Exp.			+	1% Insurance
+	Processing charges			+	5.5% Bank interest
+	20% on processing charges if processed in captive units			=	TOTAL PRIME COST (B)
=	SALES PRICE	=	SALES PRICE	+	25% Establishment Exp.
				=	SALES PRICE

10.1 COTTON KHADI

- A) The institutions are permitted to charge establishment expenses for production sale of Cotton Khadi to the maximum of 20% on the prime cost 'B'. The prime 'A' has to be worked out by adjusting the value of yarn consumption + we wages + other overhead charges. Thereafter 3% for trading margin + 0.5% publicity + 1% for Insurance and 5.5% for Bank Interest should be charged on Prime Cost 'A' to arrive at Prime Cost 'B' and then lastly 20% for establishment expense is to be charged on Prime cost 'B' thus worked out which will include Transport, Packing and administrative expenses etc. The producing institution will allow whole sale commission on the sales value to the certified institutions/agents. If margin has been charged less than 20%, the wholesale and Agent's commission be reduced in the same proportion.
- B) The institutions producing muslin Khadi of 100 count or above, are permitted to charge 25% margin on prime cost 'B'. The method of working out Prime Cost and Prime Cost 'B' is the same as described in preceding paragraphs. The producing institution will provide 15% wholesale commission on sale value to the certified institutions/agents.
- C) The supply rate of silver/roving of the Central Silver Plant may be taken for preparation of Cost Chart. Any savings made by the institutions in this account should be credited in the Price Fluctuation Reserve.
- D) Provision of 12 Paise per hank may be made in the cost Chart towards depreciation for implements. For muslin Khadi this provision should be 15 Paise per hank.
- E) A provision of 5 Paise per hank may be made in the Cost Chart for interest on charkha.
- F) In addition to above all the existing Vastragars recognised by the KVIC are allowed to retain 1% as handling Charges from the Whole Sale Commission they receive from the selling institution.
- G) The institutions are permitted to charge 5% margin on the sale of yarn to certified institutions besides charging the packing, forwarding and freight etc.
- H) The institutions or federations which purchase cotton Khadi from outside the State and sell the same to other certified institutions on wholesale may add 5% margin for transportation charges etc. on purchase price with the condition that such margin shall be added only on the first transaction of wholesale and not on any subsequent interstate movements.
- I) Vastragars of Federations/institutions of all India Level shall not add any margin on goods which are purchased within the State and sold in wholesale outside State. Such Vastragars shall meet their expenses either from 5% margin admitted for interstate movements only retaining 1% out of 12% Commission (1.5% out of 15% whole commission in the case of woollen, silk & muslin) received from producing institutions on purchases of Khadi.

- J) All State capitals, A and B1 class cities and municipal towns located in Hill/Boarder and Tribal areas are permitted to add 3% additional margin on the purchases for retail sale of cotton, silk, Woollen Khadi including Kambal.

10.2 SILK KHADI

- A) 25% Margin on the prime cost 'B' is admissible. The prime cost 'A' includes Silk yarn consumption + Weaving wages + Overhead expenses. 3% trading margin + 0.5% for publicity + 1% for insurance + 5.5% for bank interest should be charged on prime cost 'A' to arrive at out prime cost 'B' and then 25% should be charged to meet Establishment expenditure. The producing institution will allow 15% wholesale commission on sales price to the purchasing Institution/Agent.
- B) The institutions of Assam and N.E. States may charge a margin of 16% on the purchase of Endi chadar and muga shirtings from the artisans of their area, out of which they will allow 12% wholesale commission on sale price.
- C) The institutions purchasing Silk Khadi from outside the state on wholesale are permitted to add 4% margin on the invoice price for meeting overheads such as transport, packing, insurance etc.
- D) Silk yarn producing institutions shall add 5% on the cost of silk yarn on its sale to other certified institutions subject to the condition that the institutions producing silk Khadi with such yarn shall add only 20% margin while fixing sales price.
- E) A margin of 7.5% on prime cost of production of Zari Yarn is allowed.
- F) In addition to the above, all the existing vastragars recognised by KVIC are allowed to retain 1% as handling charge from the Wholesale commission they have received from the selling institution.

10.3 WOOLLEN KHADI

- A) 25% margin for establishment expenditure is admissible on the prime cost 'B'. The prime cost 'A' includes the cost of yarn consumed + weaving wages + overhead expenses. 3% trading margin + 0.5% for publicity + 1% for insurance + 8% for bank interest should be charged on prime cost 'A' to arrive at prime cost 'B' and then 25% margin is to be charged on 'B' to meet establishment expenditure. The producing institution will allow 15% wholesale commission on sale price to the purchasing institution/agent.
- B) The institutions purchasing woollen goods from outside the State in wholesale are permitted to add 5% margin on the invoice price for meeting overheads such as transport charges, packing etc.
- C) The purchases of old and used lohis for conversion into pattoo are permitted in Kashmir Valley. A margin of 6% is permitted to be added on the purchase price of lohis.

- D) The selling institutions are permitted to add 7% margin on the sale of wool yarn to other certified institutions subject to the condition that the institutions producing Khadi with such yarn would add only 18% margin to fix sale price.
- E) In addition to the above, all the existing vastragars recognised by KVIC are allowed to retain 1% as handling charges from the wholesale commission it has received from the selling institution/agent.
- F) The institutions purchasing Kambals from outside the state in wholesale are permitted to add 3% margin on the invoice price for meeting their overheads such as transportation, packing etc.
- G) Schemes like Hardwari Kambal Yojna where special permission is granted for purchasing blankets from the artisans are allowed to add 15% margin. In case the same being sold in wholesale to certified institutions, a commission of 10% may be allowed.

10.4 PROCESSING

- A) The institutions shall ensure that no profit is made on processing such as dyeing, printing and tailoring etc.
- B) The institutions having their own dye houses and having separate establishments are permitted to add 20% as establishment charges on the prime cost of dyeing, printing, bleaching and tailoring to cover expenses such as salary, freight, rent, depreciation on machinery and interest on capital etc. In this context prime cost means the cost of printing, dyeing, tailoring which includes the cost of dyes and chemicals, wages, and other such expenses.
- C) If processing is done through outside approved dyers, printers and tailors, the institutions are permitted to add 20% as establishment expenses on the bills of dyers, printers etc.
- D) If such processed goods are sold in wholesale, the commission as per rules shall be admissible.

10.5 UTILISATION OF EXCESS MARGIN

- A) Every care should be taken that no surplus margin accrues. If any institution earns excess margin over and above the prescribed margin towards overheads, the same shall be utilized for the benefit of artisans and consumers in the manner as prescribed hereunder. However, the surplus obtained by the institution in terms of elongation etc. during processing or otherwise, should be credited as reserve and utilised for the further development of the institution.
 - i) If any institution earns excess margin up to 5% of the turnover such excess margin over and above the admissible margin would be credited to the Artisans Benefit Fund or Consumers Benefit Fund as the case may be.
 - ii) Amount of Margin in excess of 5% of the turnover plus normal rebate thereon be recovered.

- B) Since the Vastragars of State Level Federations, All India Level institutions do not have any artisans of its own, the excess margin if any earned by such vastragars shall be utilised as under:
 - i) 50% of excess margin if any, accrued in such approved Vastragars will be transferred to the producing institutions from which Khadi was purchased on a pro-rata basis, such producing institutions will credit the amount to Khadi price fluctuation reserve A/c which will be utilised for giving special rebate to the customers on retail sales.
 - ii) Vastragars will credit the remaining 50% of the excess margin earned by them to Khadi price fluctuation reserve A/c which shall be utilised for giving special reduction on wholesale of sub-standard, damaged, shop-soiled goods.

10.6 GENERAL RULES/INSTRUCTIONS ON MARGIN

- A) The institutions working in such cities where they have to pay octroi, are permitted to add the actual amount of octroi in the price of goods.
- B) The sales price of all types of Cotton Khadi, Silk, Woollen and kambal sold in wholesale shall be shown in the invoices at retail sale rates and not on prime cost rates. Wholesale commission shall also be allowed on such sales at the prescribed rates on sales price.
- C) Producing institutions in a State shall deliver goods F.O.R. to the vastragars of All India level institutions, state level federations or other specially authorised institutions, located in the same state, by allowing 12%, 15% & 15% wholesale commission on Cotton Khadi, Silk Khadi & Woollen including Kambals respectively to the institutions outside the state. The vastragars may retain 1% for its overhead charges on inter state transactions from inter state margin of 5%.
- D) Vastragar margin will be admissible only on such transactions where goods are physically brought to the vastragars (un-packed & re-packed), processed and stocked before re-sale.
- E) Freight charges will be borne by the purchasing institutions in case the purchases are from outside the state.

11.0 PRICE FLUCTUATION RESERVE

The cost charts are revised from time to time to cover the Fluctuation in the rates of raw materials and wages. This results in upward or downward revision of the prescribed prices of raw materials, yarn or Khadi. The institutions, therefore, may have surplus/loss due to these fluctuations. Such amounts should be credited or debited by the institutions to the Price Fluctuation Reserve Account. There should be separate Price Fluctuation Reserve Account for Cotton, Wool, Cocoons, and different varieties of yarn and khadi. Whenever the cost charts are revised or other Price Fluctuations occur, these fluctuation reserve accounts should be debited/credited.

The Price Fluctuation Reserves in respect of Cotton, Wool, Cocoons are to be debited only when there is loss in these items due to upward revision in their market prices (over and above the price shown in the cost chart). The following items of expenditure can be met from the Price Fluctuation Reserve Accounts.

- 11.1 The special concession on khadi sales to be allowed to the customers on retail sale during Gandhi Jayanti or other similar occasions or for disposal of surplus stock with the permission of the Director S.O./R.O.
- 11.2 Extra wages if any, required to be paid temporarily to the artisans under unusual conditions for special reason over and above the provisions in the cost chart with the approval of the Chairman, SLACC.
- 11.3 Price reduction necessitated by defective production and on damaged or otherwise unsaleable Khadi under intimation to the Director S.O./R.O. after responsibility is fixed for such losses.
- 11.4 Expenses can be incurred to extend financial help to the victims of natural calamities like earthquakes, floods, famines etc.
- 11.5 Out of 20% of Price Fluctuation Reserve accumulated during a year, 10% should be transferred to General Reserve Fund and balance 10% to Artisans Benefit Fund account already existing in the institutions every year.
- 11.6 Any institutions having Price Fluctuation reserves consecutively for 3 years can transfer the same to its capital account with the approval of the Chairman, Central Certification Committee.
- 11.7 Bank interest paid over and above prescribed limit in the cost chart may be debited to Khadi Price Fluctuation Reserve Fund. In case any institution does not have sufficient amount in Price Fluctuation Fund, the fact may be brought to the notice of the Chairman, Central Certification Committee for consideration of permission to meet it from any other fund, if available with the institution.
- 11.8 Institutions may utilise up to 25% of Price Fluctuation Reserve Funds for providing medical facilities to the spinners and weavers engaged in the production of Khadi.

12.0 ARTISANS BENEFIT FUND

Any surplus in yarn transaction mainly due to payment of wages to artisans at rate lower than prescribed in the cost chart and detected either by the institution or by the Committee or in audit, shall be credited to the Artisans Benefit Fund to be utilised for the welfare of artisans.

No accumulation in the Artisans Benefit Fund shall be allowed for a period more than two years. In case of default of utilization of the fund within the prescribed period, then the Central Certification Committee, may direct to utilise the same by prescribing time limit.

The institution may spend at its discretion out of A.B.F. for the purposes specified below up to a ceiling of Rs.10,000/- or 20% of the total amount whichever is more in a year

under intimation to the Director of State Office. Institution may spend more than 50% of the total A.B.F. with prior permission of the Chairman, C.C.C. provided the benefit of such expenditure goes directly to the artisans.

The institutions are permitted to utilize the fund for the following purposes in the manner indicated above.

- 12.1 To impart training to artisans in all processes of Khadi work in the workshop (Parishramalayas) or in their own houses to enhance their skill and efficiency.
- 12.2 To arrange formal, informal and vocational education for the children of artisans.
- 12.3 To arrange adult education for artisans and supply of literatures for the same.
- 12.4 To provide medical and hygienic aid to the artisans and to impart knowledge of health and hygiene to them.
- 12.5 To open fair price shops for supply of grains and essential articles for daily needs.
- 12.6 To redeem or to reduce indebtedness of the artisans.
- 12.7 To provide Khadi implements to artisans at subsidized rates or free of cost.
- 12.8 To provide spectacles to old artisans free of cost.
- 12.9 To provide text books free of cost to the children of artisans.
- 12.10 To distribute Khadi (free of cost) to the artisans.
- 12.11 To provide relief to spinners and weavers during natural calamities in case there is no credit in Price Fluctuation Reserve with the institution.
- 12.12 To construct work sheds for the weaver artisans for fixing looms, provided that the ownership of the property vests with artisans.
- 12.13 To render financial help to the artisans upto Rs.1000/- each in case of fire or injury due to accident.
- 12.14 To give financial assistance upto Rs.1000/- to the family in case of death of an artisan.
- 12.15 To give financial help upto Rs.1000/- at the time of marriage of daughter of deceased artisans who have worked with the institution regularly for 3 years subject to the condition that the marriage takes place within one year of the death of artisans.
- 12.16 The institutions may also give financial assistance upto Rs.1000/- at the time of marriage of artisans daughter or his/her own marriage provided the artisan has continuously worked with the institution for 3 years.
- 12.17 To give Rs.100/- each to such artisans in each production centre who have earned the maximum wages in muslin spinning/NMC spinning/Pre-processing or weaving etc. during a particular year.
- 12.18 To provide minimum facilities like drinking water, toilet facilities and creche etc.

in all work sheds and production centers. Toilets can also be provided at the residence of artisans.

- 12.19 To provide smokeless chulhas free of cost to the artisans who are with the institution continuously for a period of 2 years.
- 12.20 To incur expenditure for encouraging the artisans for better understanding and for advancement of skills and knowledge by arranging visits to other institutions.
- 12.21 To pay life insurance and group insurance premium of artisans.
- 12.22 To meet expenditure in connection with conversion of existing charkhas into high speed charkhas.
- 12.23 To utilize the fund for any other purpose resulting in the benefit of artisans with specific and prior approval of the Director of State Office.

Artisans Benefit Fund accrued out of yarn and Khadi trading account should not be utilized for the benefit of artisans engaged in other Village Industries. The institutions can, however, create a separate Artisans Benefit Fund for V.I. artisans.

13.0 ARTISANS WELFARE FUND

13.1 CREATION OF FUND

- A) Khadi institutions are required to create Artisans Welfare Fund through subscription from the artisans at the rate of 10% of gross wages and supplemented by matching contribution by the institution. The Artisans Welfare Fund is to be created in order to extend security to the artisans.
- B) The expenditure to be incurred on account of contribution by the institution to Artisans Welfare Fund will be met by adding 10% of the gross wages of the artisans to the value of yarn/Khadi.
- C) The benefit of Artisans Welfare Fund should be extended to all artisans (except salaried workers). However, in case the institution feels that the traditional spinners do not fall under the scheme, their wages may be paid in cash increasing the same by 5%.
- D) Amounts of Artisans Welfare fund should be deposited in Fixed deposits in the Nationalized Banks and in other high interest yielding schemes to provide more interest to the artisans. However, in the State of Kerala, as the pension and gratuity Scheme for Khadi artisans has been made compulsory by the State Government, the question of keeping the amount in banks will not be insisted upon as the amount is already being kept in a separate fund created for the purpose.
- E) A separate account in respect of each artisan showing the subscription together with the institutions contribution, should be maintained.
- F) It is obligatory on the part of institutions to ensure that a pass book is issued to each artisan, subscribing to this fund.

- G) In case of death of any artisan, the entire amount in his/her credit may be paid to his/her legal heirs or nominees.

13.2 WITHDRAWALS FROM THE ARTISANS WELFARE FUND

The artisan who has worked under an institution for one year may be allowed to withdraw amount not exceeding his/her subscription for the purposes noted below. However, the institutions are permitted to make refunds from the deposits including institution's contribution and interest thereon to the artisans who worked under the institution for at least 3 years. Temporary stopping away from the work for a period not exceeding six months at a time shall not be a disqualification under this Rule.

- A) To meet expenditure on the education of artisans children i.e. payment of school fee, providing school uniforms, purchase of school text books and note books etc.
- B) To meet marriage expenses of the artisan him self/her self or his/her children and/or dependents.
- C) To meet expenses on the medical treatment of artisan or his/her dependents.
- D) To meet expenditure on renovation or additions to the artisans dwelling houses, acquiring land for construction of a new dwelling house and electrification of the residence etc.
- E) To provide new spinning and weaving equipments and to purchase spare parts for replacing old parts of spinning and weaving implements.
- F) To meet expenditure on purchase of Khadi on the occasion of festivals like Dasher, Deepawali, Onam, Ramzan Id, Holi, Christmas etc.
- G) To meet expenditure on the funeral rites of the dependents of the artisans and performance of religious rites after death.
- H) To meet expenditure on the child birth of the artisan or their dependents.
- I) To meet expenses on repairs, losses due to flood or fire.
- J) To retrieve movable or immovable property threatened by Legal action for recovery of any bank loan.

13.3 GENERAL INSTRUCTIONS

- A) Expenditure on maintenance of these accounts will be met by the institutions from its management expenditure.
- B) An artisan finally leaving the work under institution shall be paid full amount standing to his/her credit in the Artisans Welfare Fund within three months. However, when the cessation of work of the artisan is due to ill health or defective vision or any other physical or mental disability or on account of marriage in the case of female artisan, the amount standing to the credit of the artisan should be disbursed immediately.

- C) The institution will have to submit their accounts every year to the C.C.C.

14.0 GENERAL RULES/INSTRUCTIONS

- A) The institution should conduct its Khadi work in accordance with the principles and policies laid down by the Committee and its rules/instructions framed/issued from time to time by way of circulars or published in 'Jagriti', the Commission's periodical.
- B) The institution shall make payments for the purchases made by them to the producing or selling institutions within a period of not exceeding six months from the date of purchase and any deliberate non payment or delayed payment of outstanding dues shall be treated as violation of certification rules.
- C) The variety of products shall be determined on the basis of yarn used in its warp and rebate shall be admissible accordingly.
- D) Purchasing institution will have to bear the bank charges for remitting the price of Khadi purchased by it from the institutions.
- E) The hosiery production shall be done by the institutions themselves by installing hand operated hosiery machines. However, the institutions are allowed to get the woollen hosiery work done through private persons on paying piece rate approved by the respective SLACC under unavoidable and special circumstances.
- F) Rebate on retail sale of Dhablas is permitted.
- G) It is expected that the certified khadi institutions will employ only such persons who have been trained by khadi gramodyog vidyalayas, as far as such hands are available.
- H) Certified khadi institution shall not be allowed to employ an ex-worker of another institution without obtaining a certificate regarding conduct and character from the former employer.
- I) The institution shall make efforts for maximum consumption of khadi among the people of its own area. There should be progressive increase in total consumption. Vastragars must ensure to consume khadi produced in their own district or State first.
- J) Following information should be stamped on every piece of all varieties/specification of khadi with non-washable ink.
- (i) Approximate count of yarn.
 - (ii) Weight of the piece in grams (only in case of silk and woollen khadi) of items sold by number/piece.
 - (iii) No. of ends and picks per inch/cm.
 - (iv) Name of the producing/processing institution and year of product.
 - (v) Maximum retail sales price with the remark that local taxes, if any and 5% inter State (i.e. margin extra)

Cloth labels may be tagged to readymade garments, blankets and silk items like handkerchiefs, cushions and pillow covers etc.

- K) The system of purchasing cotton or lint, raw wool, and cocoons through respective purchase committees, federations of institutions or cotton corporation of India may continue after ensuring that only good variety of cotton is purchased and for that a system of association of indenting institutions be evolved. However, the institutions which have their own funds including the working fund provided by the Commission, which includes 25% amount for the cotton may make arrangement for purchasing cotton. This includes the finance made available by bank under eligibility certificate.
- L) (i) The percentage of other material to be used in khadi readymades, should not exceed 30% of the total cost of the khadi. In special cases, prior permission should be obtained from C.C.C.
- (ii) The percentage of other materials to be used in khadi readymades like ladies shawls which are wholly embroidered and hand bags which are embroidered using the glass pieces etc should not exceed 100% of the total cost of the khadi.
- (iii) On such readymade items where the percentage of other materials exceeds 100%, the rebate shall be allowed on the cost of khadi only.
- M) The institutions should pay 10% as ex-gratia to artisans on their earnings (wages) as per guidelines given hereunder.
- (i) Ex-gratia payment may be made within a reasonable period preferably within one year after expiry of the previous year.
- (ii) Such payments may be timed on the eve of festivals such as Dashera, Diwali, Durga Puja etc.
- (iii) The amount should not be squared up by providing khadi of equivalent value if it is not desired by the artisans.

14.1 COTTON KHADI

- A) The use of comber waste in the production of durry/fursh etc. is not allowed.
- B) Practice followed in the region of western U.P, Haryana, Punjab and Gujarat to purchase yarn from the spinners without issuing Cotton to them is allowed subject to the condition that such spinners should invariably be registered with their full addresses and list of such spinners be furnished to the respective Director S.O./ R.O. for verifying the bonafides of the same.
- C) Sales rebate is allowed on handspun and hand-woven Niwar.

14.2 SILK KHADI

It is obligatory for the institutions carrying on silk khadi production to work in accordance with the instructions given below.

- A) The purchases of cocoons shall be made through respective "collective cocoons purchase committee". In case all the members of the purchase committee being

not present only those purchases will be treated as valid which are made in the presence of atleast three members of the purchase committee.

- B) In order to check exploitation of spinners, rellers and also to develop direct contacts with the artisans, it is the duty of the institution to see that those tassar spinners who do not have rapport with the weaver families are issued cocoons directly and accordingly yarn is purchased by issuing cocoons directly to the weavers but it will be binding on the institutions adopting this system to attach at least 3 to 4 spinners with each weaver and incorporate their complete names and addresses in their register.
- C) The system of accepting the goods produced of more than the capacity of one loom from the weaver is not permissible. All the weavers be registered separately so that during the course of inspection the capacity of each weaver could be judged. Similarly, the system of production through master weaver is also not allowed.
- D) Those weavers who do not work independently and have to depend upon the master weavers for work for want of weaving implements and accommodation etc. shall be provided financial assistance for the same by the institutions either from the financial assistance it received from the Commission for the purpose, or from their own funds. All such weavers shall be registered by the institution and direct contact shall be established with them.
- E) Each institution shall register the spinners of Matka yarn and produce the yarn by issuing cocoons directly to them. Yarn got spun through middlemen will not be treated as regular.
- F) Matka spinners who prepare hanks under metric system be given extra wages at the rate of five Paise per hank for the present. This extra amount may be given from the Artisans Benefit Fund and it may be included in the cost chart.
- G) (i) The capacity of reeled yarn production would be assessed taking into consideration the number of Ghais available and owned by the institution.
(ii) No institution is allowed to get reeling of yarn done on rented Ghais or purchase silk yarn from uncertified institutions.
- H) The institutions of Assam and NE States are permitted to purchase Endi chadars and Endi, Muga shirtings from the artisans of their area on the following conditions:-
 - i) The cost chart of all such varieties should be prepared and got approved from the Committee.
 - ii) The purchase should be made by the institution from the registered artisans of their area only.
- I) Kosa Silk yarn spun by way of Thigh spinning shall be treated as spun silk & shall be classified as hand spun yarn. Institution shall mention specific variety i.e. spun/reeled in its production account.
- J) The use of DMC thread and artificial silk yarn for needle work is allowed.

14.3 WOOLLEN KHADI & KAMBAL

- A) Merino tops, Merino top pieces can be purchased from the market, in case the same is not supplied by the Commission, provided it does not contain any other material other than wool.
- B) The institutions are not allowed to purchase leaf (carded wool).
- C) Foreign wool can be used in the production of woollen khadi tops i.e. silver, mill carded Indian or foreign wool.
- D) Federations, bhandars and other agencies which have been supplying woollen khadi goods in bulk to the known and verified customers after obtaining prior permission from the Director S.O./R.O. are eligible to claim normal rebate and special rebate if any, to the extent permissible as per rules.
- E) The goods produced out of goat and camel hair are also approved as woollen khadi.
- F) It is obligatory for Kambal Cooperative Societies and other institutions to conduct production of Kambals according to the system similar to that of cotton khadi production. The certified khadi institutions are allowed to purchase blankets, including kambalies and Ghongadies from the artisans of their area through the State Level Purchase Committee constituted by the respective Director S.O./R.O. subject to the condition that no rebate, working capital or stocking loan or financial assistance of any kind shall be extended thereon.
- G) Permission is accorded for the purchase of blankets and other woollen goods from the woollen artisans in hill and border areas in view of a peculiar circumstances prevailing there on the following conditions.
 - i) The institutions working in hill and border areas recognised by Commission may register such artisans and confine their purchases from them only.
 - ii) The personal ledger of such artisans should be maintained in which the number of Kambals purchased and price be entered. Similarly the artisans should be supplied pass books, having the same particulars.
 - iii) The blankets cost chart be prepared variety wise according to the length, breadth, weight, texture and tolerance and got approved by the Central Certification Committee/Commission. Blankets should be purchased according to the approved cost chart only.

15.0 VASTRA SWAVALAMBAN/GRAM SWAVALAMBAN

Certified institutions are permitted to adopt specific village or villages for intensive concentrated efforts with a view to making the village or villages self sufficient in respect of the requirement of cloth on the following conditions :

- 15.1 It is necessary for every swavalambi to get registered with any certified institution.

- 15.2 Every swavalambi has to fill up an application form and will be allotted his/her registration number.
- 15.3 Institutions must verify the facts given in the application form before registering the Swavalambi.
- 15.4 A list of the Swavalambies registered in the above manner will be sent to the Director S.O./R.O. or State Khadi & V.I. Board, as the case may be. The list should include the names and addresses of the Swavalambies.
- 15.5 The Director S.O./R.O. State Khadi & V.I. Board shall periodically inspect the Swavalambies as per the list.
- 15.6 The institution shall have to maintain accounts of each Swavalambi, containing yarn transactions, yarn issued to weavers, variety and measurement of the cloth woven, weaving wages paid and also the amount of Vastra Swavalamban subsidy paid to the Swavalambies.
- 15.7 The institution should maintain receipt books for recording counts of yarn received, weight and complete detail of the cloth to be woven. These receipts should be issued to the Swavalambies when yarn is received from them and carbon copy of the counterfoil should be kept in office.
- 15.8 The institution should maintain a yarn register of the Swavalambies in which yarn received and the name of the of the weaver should be given.
- 15.9 The institution should maintain separate register for Vastra Swavalamban separately and should not mix it with general production account. The register shall be the same as usual production register.
- 15.10 The signature of the Vastra Swavalambi with date should be obtained on the production register as token of receipt of khadi.
- 15.11 No subsidy shall be allowed on the Swavalamban cloth dyeing, printing and this should be charged from vastra swavalambies separately
- 15.12 The institution should maintain bill books which should have columns of (a) name and addresses of Swavalambi (b) details of the yarn received (c) weaving wages paid (d) approved subsidy and (e) cost of the additional yarn used, (f) yarn returned to Swavalambi and (g) the additional wages charged from the Swavalambi. These bills should be in duplicate and signature of the Swavalambi should be obtained on it.
- 15.13 Certificate may also be issued to the institutions for Gram Swavalamban in selected villages.
- 15.14 For issue of certificate for Gram Swavalamban, institution will submit to the Director S.O./R.O. information about the number of families of the villages, population, and availability of local cotton, name and address of the registered weavers.
- 15.15 The spinners of the certified village shall be permitted to use their own cotton or silver

supplied by institution. They will not be permitted to purchase cotton from any other source.

- 15.16 Certified institutions may issue to swavalambi spinners the traditional charkhas or NMC Charkha on cash payment or hire-purchase or on rent basis.
- 15.17 It is the responsibility of the institution to make the arrangement for weaving of yarn of self-sufficiency spinners in their respective area of operation.
- 15.18 The Vastra swavalambi spinners may be paid full weaving subsidy towards weaving of yarn spun by them to the extent of wages prescribed in the cost chart.
- 15.19 Badlun system (exchange) is permitted in all genuine cases subject to the conditions already laid down for regulating the Badlun system in the production and sale of khadi.
- 15.20 If the Swavalambi spinners opts for any other variety of cloth, permission can be given for sale of such cloth in exchange by purchase of yarn and on payment of difference in price.

16.0 MAINTENANCE OF ACCOUNTS

All the certified institutions are required to maintain their production and sales records and other registers as prescribed by the Committee from time to time and produce the same for inspection by the officials of the Committee or Commission. The institution will arrange personal contacts with artisan and parties working under them or for them. The Committee may prescribe the forms of registers, from time to time which all the institutions will have to maintain. Registers that all certified institutions are required to maintain are given below.

16.1 HEAD OFFICE:

- A) Minutes book
- B) Members register
- C) Cash books
- D) Journal
- E) Ledger
- F) Dead stock register
- G) Loan/grant register
- H) Assets register

16.2 VASTRAGAR (Central Store)

- A) Cash book
- B) Journal
- C) Ledger
- D) Purchase book
- E) Purchase return book

- F) Sales book
- G) Sales return book
- H) Docketing register
- I) Stock Book (Variety and ratewise)
- J) Invoice Book
- K) Dead Stock Register.

16.3 PROCESSING CENTRE

- A) Cash book
- B) Journal
- C) Ledger
- D) Processing register
- E) Stock book (Variety & ratewise)
- F) Stock book (processing material)
- G) Dead stock register
- H) Invoice book.

16.4 PRODUCTION CENTRE (Cotton Khadi)

- A) Cash book
- B) Journal
- C) Ledger
- D) Dead stock register
- E) Purchase register
- F) Sales register
- G) Production register (pre-processing)
- H) Production register (spinning)
- I) Production register (weaving)
- J) Stock book (processing of cotton & sliver)
- K) Stock book (yarn)
- L) Stock book (khadi)
- M) Yarn issue register
- N) Spinners ledger
- O) Weavers ledger
- P) Spinners passbooks
- Q) Weavers passbook

16.5 It may be noted that the above books are also to be maintained for woollen and blanket production.

16.6 **SILK KHADI PRODUCTION**

The silk khadi production centres have to maintain the above books in addition to the following :

- A) Fuel register
- B) Bye product register
- C) Ledger
- D) Dead Stock register
- E) Purchase register
- F) Purchase return register
- G) Sales return register
- H) Sales summary book
- I) Docketing register
- J) Stock book (Variety and ratewise)
- K) Cash Memo book
- L) Invoice book
- M) Credit Sales register.

Institutions are required to prepare their production accounts, purchases and sales accounts, profit and loss account and the balance sheet as instructed by the Committee from time to time.

The records prescribed to be maintained by the central Certification Committee will not be destroyed by any institution until they are audited by the certification auditors and objections are disposed off by the Central Certification Committee/ Commission.

The institution should submit their balance sheet within nine months from the completion of the financial year.

The institutions which could not get their accounts audited due to genuine and convincing reasons shall have to bear T.A. & D.A. expenses of the audit party visited. In other cases, where the reasons of avoiding audit are found unconvincing, the certificate of the institution shall be suspended and rebate as well as other financial assistance from the Commission/State Board shall be held up till the institution gets its accounts audited.

17.0 DELEGATION OF POWERS

- 17.1 The Committee may delegate any of its powers as given in the above rules/instructions to the Chairman of the Committee.
- 17.2 The Committee or the Commission reserves the right to prescribe such rules/instructions which are not included in the present compilation and interpret, clarify and modify rules/instructions incorporated in this publication and such interpretations, clarifications or modifications or addition of new rules/instructions will be binding on institutions already certified or to be certified.

18.0 APPEALS

The Central Certification Committee shall not entertain the appeals from the institution on the decisions taken by the Committee in respect of recoveries as a result of audit and cancellation of certificate etc. Such appeals should be preferred to the Chairman, KVIC, which is the final Appellate Authority. Appeals, which are made after three years of the issue of orders/decisions, would not be entertained.