

**TERMS OF REFERENCE FOR EVALUATING THE PERFORMANCE OF****KARNATAKA HANDLOOM DEVELOPMENT CORPORATION**

**I. Study title:** Title of the proposed study is "Evaluating the Performance of Karnataka Handloom Development Corporation"

**II. Background information:** Karnataka Handloom Development Corporation (KHDC) was established in the year 1975 as a Public Sector Undertaking to support the growth and development of handloom industry in Karnataka outside the Co-operative Sector. It provided support to as many as 60,000 weavers to start with. This number of has now come down to about 10,000. It provides inputs to the weavers at subsidized cost, pays wages for the value addition and markets their products. In addition, the corporation also extends a number of social welfare benefits like providing living-cum-work sheds, insurance coverage, medical reimbursement, scholarships to the children of weavers etc. Part of these welfare benefits are supported by government through special packages. Directly and indirectly, KHDC supports the employment of about one lakh people. Its annual business turnover is around Rs. 150 crore at present. About twenty different products produced by the weavers are sold through a network of retail outlets under the brand name 'Priyadarshini'. It has about 775 permanent employees.

**III. Evaluation scope, purpose and objectives:** However, KHDC has been facing serious problems on several fronts. Handloom sector is facing severe competition from power looms. Handloom products are becoming uneconomical. Hence many weavers are giving up their traditional profession if they or their children have an alternative livelihood. Consequently the skill levels are coming down. Well known traditional handloom products which provide a niche market are under threat. There is a dire need for protecting the heritage.

On the operational front, KHDC is faced with excessive and aged manpower. About 50% of employees are due for retirement in the next few years. Existing machinery and equipment are outdated. The Corporation has been running under losses for majority of years of its life despite occasional government support. It has an accumulated loss of over Rs. 70 crore as of today while its net worth is only Rs. 20 crore. Its dependence on government is increasing. Nearly 50% of its revenue is generated from Vidya Vikas Scheme. But of late, this scheme is creating excessive interest burden to the Corporation because of delayed payments. The operating margins are becoming very thin. The retail outlets, particularly those located outside the state are not doing well. Paradoxically, the national and international market for handloom products has been growing steadily and there are good opportunities to promote heritage products. Weavers working with the cooperative sector are able to benefit from a number of public programs while KHDC is unable to secure such benefits to its weavers or to the organization. The singular purpose of this study is to examine all the problems and make recommendations to protect the heritage on one hand and meet the obligations of the Corporation seamlessly.

**IV. Evaluation questions:** Following are the evaluation questions for the study:

1. How to preserve the heritage in the handloom sector? Are they really under threat?
2. How far are the original objectives of setting up KHDC achieved? Do they require any modification now? What is the way forward?
3. How can KHDC be made organizationally and financially viable?
4. How can the fixed assets be best utilized by KHDC?

**V. Evaluation methodology:** The study will be based essentially on a good review of the textile sector in the country and analyzing the trends in favor of handloom products in general and for those emanating from Karnataka in particular. It will then assess the role of KHDC in supporting the traditional weavers and indicate what further support will be needed in future. For this, apart from the information made available by KHDC, a sample survey of other stakeholders who are working with the cooperative sector or in the private sector should be conducted. The organizational and financial viability issues of KHDC will be analyzed by benchmarking its performance with that of similarly placed organizations in Karnataka, AP/Tamilnadu. A detailed portfolio analysis of KHDC, the schemes that are being implemented, their economic efficiency etc., need to be analyzed. Finally, the study should make clear recommendations on how to improve the performance of KHDC and make it a vibrant Public Sector Organization keeping in mind its objectives, the expectations of its key stakeholders and some of the key recommendations made in the previous evaluation studies.

**VI. Agency for evaluation:** The study was already awarded to TecSoK with the grant support from the Department of Public Enterprises.

**VII. Deliverables and timelines :**

- a. Submission of Work Plan/Inception Report – within one month after signing MoU.
- b. Field data collection – within two months after the work plan is approved
- c. Draft report preparation – within one month after completing field data collection.
- d. Final report submission – within one month after the draft report is approved.

Thus excluding the time taken for approval, TecSoK should complete the evaluation study in five months' time.

**VIII. Ensuring quality standards:** The evaluation report and its findings must demonstrate highest professional standards on par with national and international studies.

**IX. Oversight for the study:** Karnataka Evaluation Authority will provide the complete oversight for the study. All technical aspects of the study are subject to their approval.

Approved  
  
 Chief Evaluation Officer  
 Karnataka Evaluation Authority  
 Bangalore-560001